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IIMB Casebook and Industry Reports

2022-23

Volume 12 (b)

ICON – Consulting Club
IIM Bangalore

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Foreword

This casebook documents the interview experiences of the students of IIM Bangalore. The aim of sharing these experiences is to inform students about the case interview experiences of past batch and to help them prepare for their placements accordingly. The experiences listed below are not necessarily the best or the only way to handle case interviews. They only serve to give students an idea of what to expect when they walk into a case interview. Every individual could have his/her unique way of tackling consulting interviews, each of which could be correct.

This document has contributions from students who appeared for campus interviews conducted by consulting firms during the final placement process of the Batch of 2020-22 and summer placement process of the Batch of 2022-24. The interview experiences have been sorted based on the type of case, consulting firm, difficulty and the round in the selection process.

In this edition, to provide holistic preparation for the case interviews, we have included 18 industry reports as well. The aim of these reports is to provide a basic understanding of the industry's value chain, key performance metrics, current market trends and major drivers for cost, revenue and growth. Even though having industry-specific knowledge is not mandatory for case solving, having a basic industry understanding helps tackle case interviews better.

Team ICON wishes you the very best for your summer placements!

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Approach to Cracking Case Interviews

Introduction – Case Interviews

Case Interviews

- **Personality** based ques. (5 min); **Case** discussion (20-30 min); **Closing ques.** for interviewer (2 min)
- Know your CV well→ personality ques are based on CV to break ice and getting to know you
- Case discussions don't have a predetermined answer. Evaluation is based on approach, exercising judgements and steering through the problem statement

Business Case

- **Real life consulting project**, that the interviewer was involved in → basis of case discussion
- Consult projects can vary from 2-3 months to even a year → condensed into minutes for interviews
- Provided as a 3-5 statement caselet introducing the client and problem faced by them
- Can be number based or strategy driven; guesstimates can be a part as well

Why Case Interview?

- Test the **ability to perform on the job** in a similar setup as the case-interview (consult-fit)
- Understand **thought process** of the candidate and capability to make decisions/ prioritize
- Put you **under same pressure**, like any consult project, to assess your poise, self confidence and communication skills (interpersonal skills)
- Drawing on personal experiences, if any, can come very handy – appreciated by interviewer

Introduction – Case Interview Process

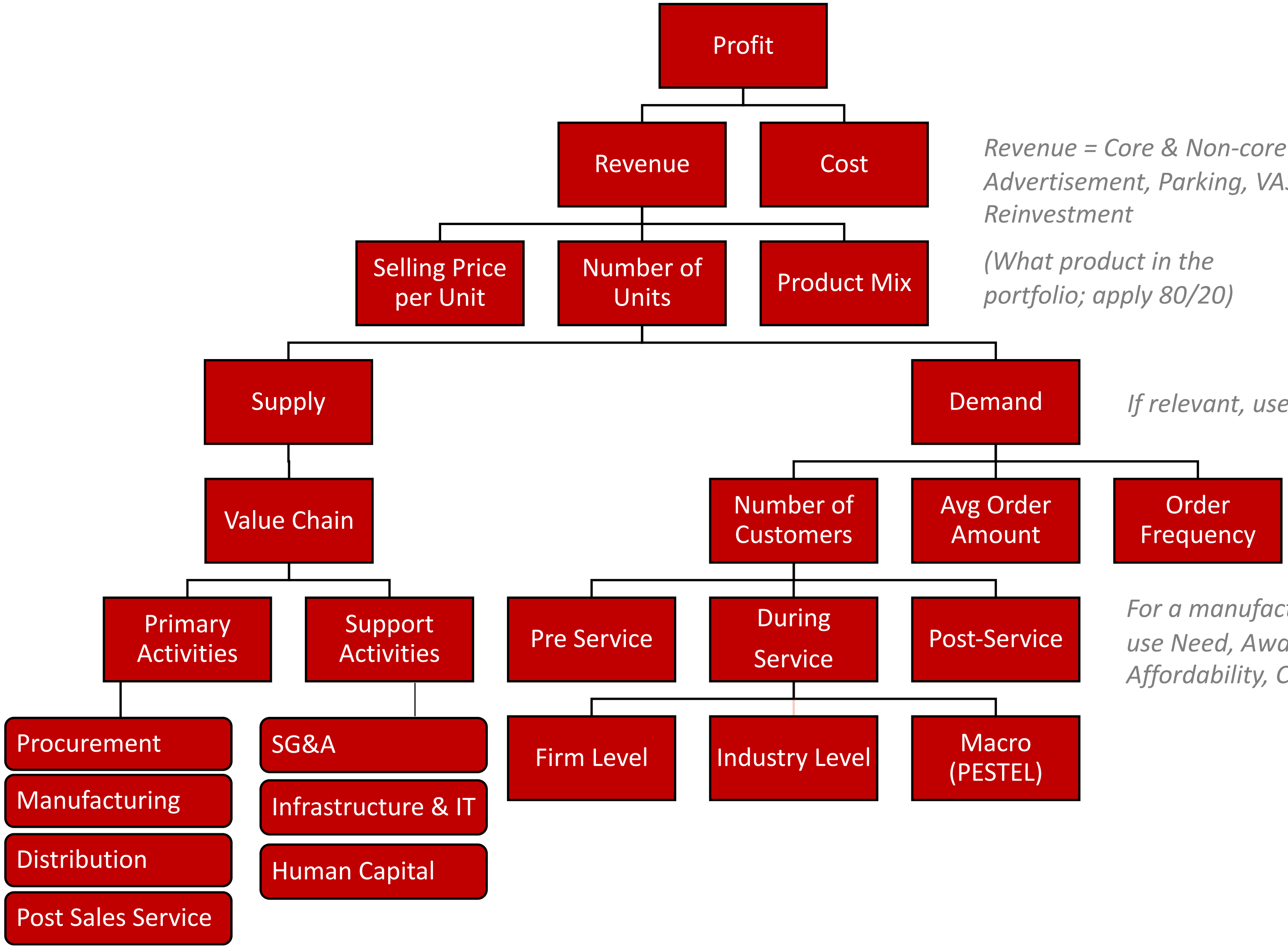
Interview Stage	What to expect?	Skills Tested
Case Interview Question	❖ Interviewer tells about the **business problem** and objective ❖ Ask clarifying questions; ensure you heard the question correctly	❖ Ability to listen and synthesize
Developing the structure	❖ Ask for time to **structure** the problem at hand ❖ Come-up with a structured **MECE** approach quickly	❖ Structured thinking ❖ Communication
Case Analysis	❖ Use a **hypothesis** driven approach for case solving ❖ Ask relevant questions, use **80-20 rule** appropriately ❖ Case can get number intensive	❖ Problem solving ❖ Analytical skills ❖ Communication
Summary/ Recommendation	❖ **Summarize** the case with recommendations backed up by insights discovered in the case	❖ Creativity ❖ Concision ❖ Communication
Questions for Interviewer	❖ Opportunity to show **enthusiasm** towards consulting ❖ Ask relevant, non-generic question	❖ Consulting fit

IIMB Profitability Cases
2022-23

Profitability Framework - Revenue

Preliminary Questions

- Clarify objective, quantum of change in profit and timeline
- Geography - Location of the firm, its branches
- Business Model – Where does the firm lie in the value chain? What are its revenue streams and distribution channels?
- Understand customer segments
- What is the product mix? Any new differentiation/ change in products?
- What is the competitive landscape?



Revenue = Core & Non-core sources like Advertisement, Parking, VAS, Reinvestment

(What product in the portfolio; apply 80/20)

If relevant, use industry value chain

For a manufacturing firm, use Need, Awareness, Accessibility, Affordability, Customer Experience

Profitability Framework - Cost

Cost

Support Activities

- Research and Development
- Financing costs
- Branding and Advertising
- Human Capital (Capacity x Efficiency x Utilization)
- Selling, General & Administrative

Primary Activities

Procuring Raw Materials

- Cost of raw materials
- Transportation & Packaging costs
- # Suppliers x Contract amount; Duration

Manufacturing

- Plant maintenance
- Idle capacity opportunity costs
- Wastage, wear and tear
- Setup time, cost

Distribution and Storage

- Number of distributors x avg order amount x frequency of orders
- Transport & Packaging
- Intermediate Storage
- Distributors x Avg Distance from hub x Cost per km

Post Sales Service

- Number of customers x Frequency of service x cost incurred
- Spare parts, returns, replacements, waste

Retail Store

Your client is the owner of a retail store which has been facing a decline in profits. You have been hired to identify the root cause of the problem and provide recommendations.

I would like to know more about client before proceeding. Does the client have only one store or are there more outlets? Where is the client's business located? Additionally, can you tell me what does the client sell through these retail stores?

Sure! The client has multiple stores but the decline in profits is specific to just one store, located in Mumbai. The client sells all types of clothing and accessories.

Where is this store located within Mumbai, a high-crowd street or a mall maybe?

Yes, the store is located in a famous mall which has a good footfall of customers.

How long has the client been facing this problem and do we know the quantum? Also, is the problem client specific or are other competitors also facing this issue?

The client has been facing this issue for a couple of months now and the problem is specific to the client.

Now that I have an understanding of the problem, I would like to breakdown profits into revenues and costs of the store. Do we know if revenues have declined, costs have increased, or both changed simultaneously?

The revenues have declined.

For a retail store, The revenues would largely be from the sales made which can be broken down as number of units sold x price per unit. Is it fair to assume that revenue from value added services would not affect the profitability?

Yes, fair assumption. We do not provide other services. Our prices have also remained constant in the last few months.

Since number of units sold has declined, has there been a fall in demand or is there a supply side constraint in meeting the demand?

There has been no supply side constraint.

Since demand has fallen, has the number of customers reduced or the average basket size?

Number of customers coming to the store have declined.

Since we know the demand has gone down, I would like to explore the entire customer journey. It can be broken down into three parts – pre-purchase, during the purchase experience, and post-purchase experience. Do we know where the problem lies or should I explore each in detail?

Let's explore the pre-purchase journey.

For pre-purchase journey, we will trace the customer's path from the beginning to the store. This will include the navigation and search of the mall, travel to the mall through public (cab, auto, metro) or personal vehicles, parking facilities at the mall, navigation inside the mall (info desks, escalators, sign boards, etc.) and finally exploring issues on the floor on which the store is located.

That seems like a comprehensive breakdown. The store is located on the second floor of the mall. What do you think are the possible issues on the floor?

Issues on the floor that could hamper the customer shopping experience can be categorized into floor layout, construction, cleanliness, and store-front display.

What could be the problems under cleanliness?

Essentially, cleanliness issues would include cleanliness of the second floor - in particular, the area around the client's store since the competitors are not facing this issue, cleanliness at the store front and hygiene conditions of nearby washrooms, dustbins and food courts.

Correct, the washroom located adjacent to the client's store has not been kept clean for a while now due to which it has started smelling. This is having a direct impact on the number of customers entering the client's store.

Do we know why this is happening? Also, whose responsibility is it, the client or the mall?

This is the mall's responsibility. The problem is arising due to lack of staff. There is no staff assigned for the second-floor sanitation. What do you recommend?

There are two ways to deal with this. On the mall's part, the management can close the washroom in the short run if it is not able to manage the staffing and in the long term, hire more staff for the second-floor sanitation. Additionally, the mall's management can look to rotate the existing staff to do cleaning shifts across the floors and hence, keep the washrooms clean.

Let us assume that shift rotation and hiring new staff is not possible for the mall right now. Also, these are out of the client's control. What can the client do to improve revenues?

The client can do various things to recover the lost sales. Firstly, they can look at alternative channels of sale like setting up a website and sell through online aggregators. The client can move the current store to another floor or whole other location, if possible, in the long run. Currently, the client can even look into some negotiations with the mall and hire a new cleaning staff on its own expense.

Great! We will wrap up the case here.

Retail Store

Profitability | Easy | Bain (Buddy)

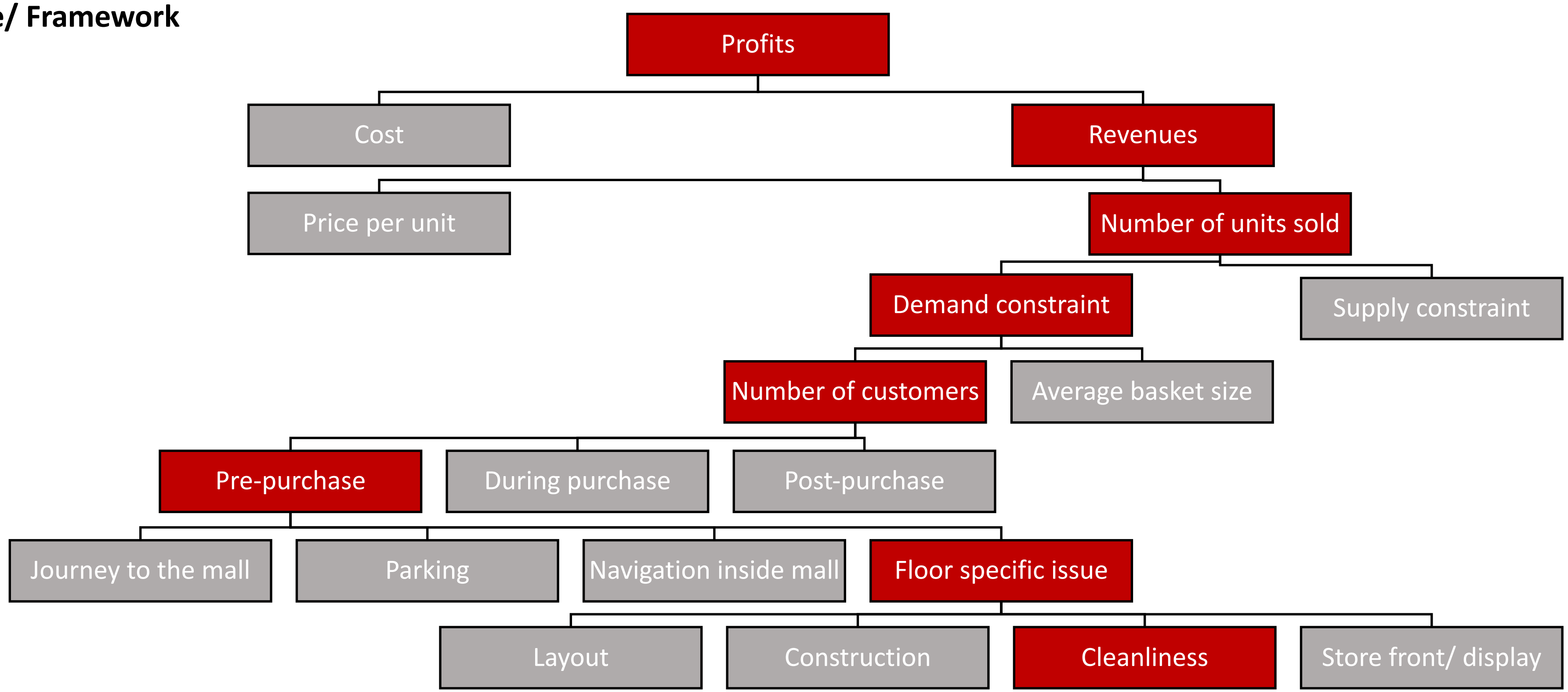
Case Statement

- The client is a retail store facing declining revenues
- The store is in a mall and the issue is client-specific
- Need to identify root cause and give recommendations to improve profits

Interviewee Notes

- Floor located on the second floor of a popular mall in Mumbai
- Client specific issue
- No change in prices or supply capabilities – customers coming to the store have reduced

Structure/ Framework



Key Takeaways

- The mall should hire new staff or rotate the current staff across floors
- The foul smelling washroom can be closed in the short run
- The client can look at alternative selling channels like a website, online aggregators or setting up the retail some elsewhere

Private School

Your client is a private school owner. They have reached out to you to identify the reason for declining profit in the last year and to turn this situation around.

Before I deep dive into the case analysis, I would like to get more information on the client and their current situation. Can I go ahead and ask few preliminary questions?

Sure, please go ahead.

I would like to know what kind of school it is and where it is located.

It is a private CBSE board school and has classes from nursery to class 12. It is one of the top schools in Jharkhand and has huge real estate/ campus located on the outskirts on Ranchi. They charge premium fees compared to most of the other schools in the same state.

Thank you for the information, could you tell me about the competitive landscape i.e., other schools present in the same area? Are they facing similar issue of dropping profits?

Within Jharkhand there are 3 other schools we largely compete with, and they are doing fine with respect to their profits.

Got it, so I can assume this is an internal client specific issue and not an external industry wide trend.

Yes, your assumption is valid.

Have we seen a drop in revenues in the past year or increase in cost or both?

We have observed both effects. Let's focus on drop in revenue first.

Sure, since our client is a school, they will have multiple streams of revenue. Major stream is student fees. Next if we provide boarding option then boarding/ lodging fees. Next would be bus/ transportation service fees, daily meals, donation/ endowments. Since it is a school, I would ignore the revenue from any research grants/ publications. Have we seen a drop in revenue in any specific stream or multiple streams?

Good analysis. We are seeing a drop in the primary stream that is the fees and by a function of that a drop in bus and daily meals as well. You can focus on only fees for now.

Fees collected by the school can be further broken down into number of students per class x number of classes x fees per student. Have any of the factors changed in the past year?

Yes, the number of students per class has reduced.

Is the school facing some challenge with capacity and has reduced the maximum number of students that can be accepted or is it facing reduced demand of enrollments?

The number of classes have remained the same so has the intake capacity. We are seeing a decrease in enrollments.

In that case I would to go through the student journey to figure out why has the number of enrollments decreased. I would like to break up the journey into 3 phases – (a) Student's (Parent's) decision to join the school (b) Student's time spent in the school (c) Post school experience.

1. The decision to join the school depends on the legacy of the school, awareness, quality of education
2. A student's time in school will depend on the school timings, people s/he interacts with, infrastructure, external factors affecting student experience
3. Post school experience will be the value add the school gives to the student

That is a comprehensive breakdown. Could you tell me how will you evaluate the value addition of the school post graduation?

Value addition or the legacy even can be checked by 1. the school's ranking 2. alum base and where they currently are 3. the board examination scores and standing among other CBSE schools.

Okay, fair enough. You can focus on the student journey during school hours. We have not changed our timings, nor are there any external disturbances that hamper the student experience. You can tell me more about what do you means by the people the student interacts with.

In the school, a student can interact with peers, teachers and the administrative staff. Would you like me to look at any one in particular?

Can you further analyze peer interactions and possible reasons as to why are they affecting our enrollments?

Sure. The peer interactions might have made the environment not conducive for studying. I can currently think of 4 reasons for the same

1. The students are not equally motivated to study
2. Few students are unruly and noisy making classes difficult to understand
3. Few students are overly competitive and not helpful
4. There have been incidents of bullying in the school

Have we seen any of the following reasons hampering the student's school experience?

Yes, you are right. We have been experiencing an increase in bullying. Recently RTE was implemented which mandated that private schools take in students from tribal and economically backwards communities. Once that began, these students were slow to pick up pace. Adding on, due to cultural differences, they found it difficult to fit in. The current students did not get along with the new students and bullied them. As retaliation, the new students engaged in violence. Seeing this, the parents are now reluctant to send their children to the school.
Due to violence, we are seeing an increase in the cost of repairing infrastructure.
Could you think of what solutions can be implemented?

Sure. In the short term the school can first address the violence and bullying with strict actions and sensitivity training. The new students who are enrolled can be given extra classes to catch up with rest of the students.

In the longer run, the school should position itself as a school that encourages equality and does not stand discrimination. The school can launch programs that start training the tribal kids before they join the school, so they are more comfortable when they join the classroom. The other students should be encouraged to befriend the new students through buddy programs.

Good suggestions. We can wrap up the case.

Private School

Profitability | Easy | Bain (Buddy)

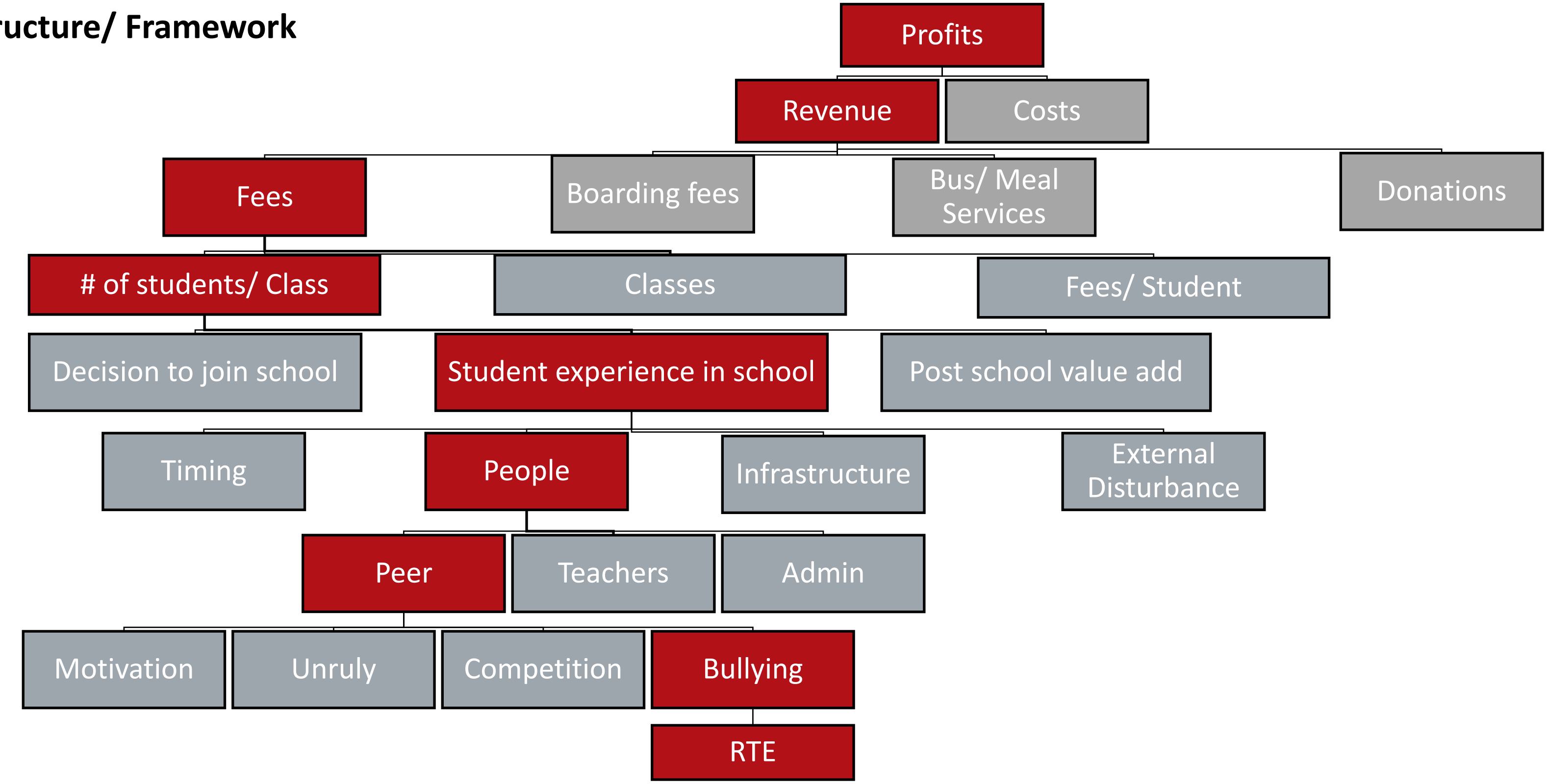
Case Statement

- Decline in the profitability of a private school
- Analyze the reason for the decline and provide recommendations to improve profits

Interviewee Notes

- The type of school and students' profile is important to ask
- Address different revenue streams for the school

Structure/ Framework



Key Takeaways

- Identifying different revenue streams is essential and a good way to MECE. In case of educational institutions also account for endowments and grants.
- Use solutions that are feasible and divide them in short and long term solutions.

Airport Profits

Profitability | Easy | Bain (Partner)

Your client is the owner of Delhi Airport. The airport is facing decline in profit, the owner hired you to identify the core reason and provide suitable recommendation.

Before diving deep into solving the problem, I would like to know bit about the client. Can I ask some preliminary questions about the client?

Yeah sure, go ahead!

Since how long our client has been noticing the decline in profit? Is it industry wide issue or specific to our client and is there only 1 airport in Delhi (no other competitors)? Apart from that, are we concerned about domestic airport or international too?

So, the profit has been declining since last quarter. The decline is specific to our client and there is only 1 airport in Delhi. We can limit our scope to domestic airport only for this case.

Okay sir, I think I have enough information about the client. I can now breakdown the problem. Can I take few moments to structure my thoughts?

Yeah sure!

Alright! I am ready with my approach. So, the profit is the function of revenue and cost. Either the revenue has been going down or the cost has been increasing. Do we have any idea about any of the above?

Yes, the revenue has been declining. Can you think of the source if revenue in a typical airport operation?

Sure, the revenue at any airport generates from the flight operations, parking fees, airport freights, retails shops, advertising space sell inside and out the airport etc. Have I covered everything?

Yes indeed! So, there is problem in the one the shops which is operating inside the airport. Can you tell different types of shops which operate in airport?

There are 3 types of shops inside any airport – food & beverages, accessories, services like massage etc.

Correct. Now it has been observed that the revenue coming from of the perfume shop has declined which is causing the overall decline in the airport's profit. Can you figure out the reason behind the decline in the revenue of this shop and suggest some remedies?

Yeah, sure sir. As we know the revenue is the function of price per unit * number of units sold * product mix. Did we note change in any of the above factor?

There is decline in number of unit sold. Other two factors are same.

Oh okay, so the number of units have been declining, the problem can be supply side or the demand side. Do we have any information about if there is a supply constraint or a demand crunch?

The supply has remained constant, problem lies in the demand side of it.

The demand is again the function of number of customers*average order value*order frequency. Since there are limit customer who do repeat purchase at airport, we can focus on the number of new customer decline. Did we notice decline in the average order value?

Interesting observation about the repeat customer. No, the average order value is almost constant. You can move ahead with the reasons why the number of cust. are reducing?

Alright sir, here the problem could lie in one of the three factor – presales, during sales and post sales service. Do you want me to focus on any of them?

There is an issue in presale part. Can you figure out that?

Sure sir. The problem can with the awareness of the product that the perfume shop is selling or the awareness about the brands. Apart form the other problem could lie in the accessibility to the shop, customers might not be able to reach the shop due to some obstacle around the shop. Also, the kind of the customers which are coming to the shop might not be able to afford the prices which the shop is offering. At last customer could be unsatisfied with the services which are being provide at the shop or the staff behavior.

Right, so there is some construction work going just outside the perfume shop which affected the accessibility to the shop. In the interest of time, we'll stop here. Thanks!

Airport Profits

Profitability| Easy| Bain (Partner)

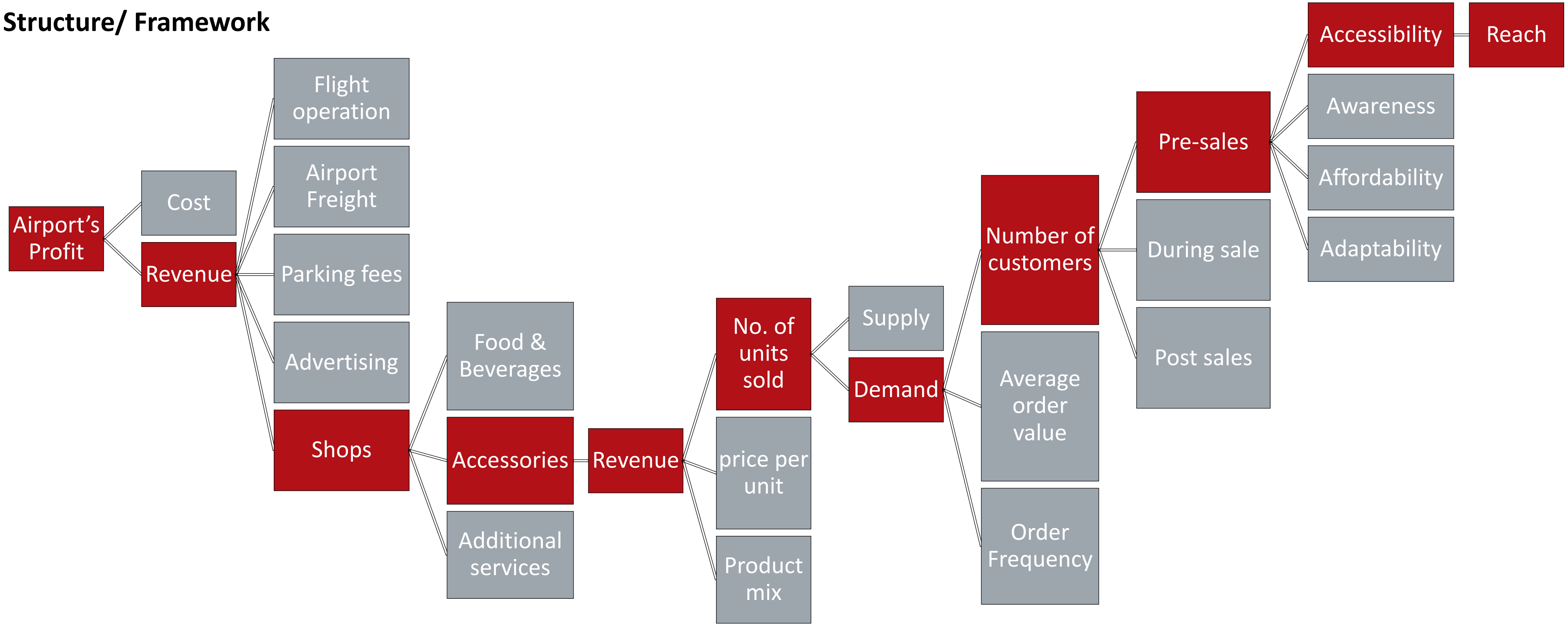
Case Statement

- Decline in profits of the airport
- Find of the reason and recommend the resolution for the same

Interviewee Notes

- One 1 airport at Delhi, no other competitor
- Focus on domestic airport
- Decline specific to our client
- Happening since last quarter

Structure/ Framework



Key Takeaways

- Break down the problem at each step using MECE
- Pre sales problem can be structurally addressed by using 4As framework

Restaurant owner

Good morning. How is everything going on your side ?

Good morning, sir. Everything is going well.

Amazing! I want you to solve a problem for our client. Our client is a restaurant owner and operates two restaurants in Mumbai (for the sake of simplicity let's name them R1 and R2. Theses are located in BKC which is a business & residential location in Mumbai. Both of the restaurants have shared kitchens. R2 is facing a decline in profits. Could you help them find out what's wrong and recommend certain solutions?

Interesting. So before analyzing the issue, I would like to ask a few more clarifying questions to understand the situation or the context here better.

Yes. Please go ahead.

What type of restaurants are we talking about? Are they fine or casual dining, fast food cafes/chains, pubs or clubs? Lastly, my existing hypothesis is this being a client specific problem, given we know that R1 is not facing any losses. Let me please know otherwise

Great, so these restaurants are premium casual dining spaces with average revenue per head as INR 1300-1600. Also, your assumption is right; this is a client specific problem.

Understood. Also, fine dining restaurants can be multiple cuisine or single cuisine, do we have more information on this? This will help me imagine the situation better

That's a very good question – So R1 offers Italian cuisines and R2 offers thai cuisine.

Alright, thanks for this. I think I have enough context and a good initial point to structure my thoughts around the problem. May I take some time for the same?

Yeah sure. Please take your time.

The decline in profits could be due to increase in costs or decrease in revenue or a combination of the both. Do we understand already for which side the problem lies?

The revenues have declined significantly, while the costs have remained the same.

Revenue here can be: Average spend per bill x Average # of bills. I am assuming # of tables usually wouldn't have reduced, so do we understand if the average number of bills being served at the restaurant in a day and/or the average amount spent per bill has decreased?

The average amount spent per bill has not changed but the number of bills or rather the number of customers visiting the restaurant has decreased.

Understood. Basically, # of customers here would be # of tables * number of bills per table. I am assuming number of tables have not been reduced, so for the other bucket to reduce there can be one or both of the following two issues: Either we have not been able to either attract customers to the same degree as earlier (demand generation issue) or the overall service sees supply side constraint for not being able to service the demand faster (service issue or upstream issues).

Fair, we cannot say that on average the number of people wanting to visit the restaurant has declined, so you can proceed with the other hypothesis

This implies that the customers visiting the restaurant have decreased because our service per bill per table has been slower/ not up to previous standard and thus, limiting the # of bills per table.

Yes, correct. In fact, the firm has observed a decline in the number of bills per table .

To understand the reason behind the same, I would like to analyze the customer journey by dividing it into three parts. The first part of the journey will start with the decision to eating food till reaching the restaurant. The second part will include the experience/service inside the restaurant and the third part will include the journey during payment and exiting the restaurant.

Sure, please go ahead.

To finalize the client's restaurant to eat, the customer needs to be 'aware' about the restaurant. Its availability on Zomato and Swiggy for dine out, discounts and benefits offered, mode of convenience and connectivity.

The customer will then check the price of the restaurant to ensure 'affordability'. Finally, once the restaurant has been decided, the customer 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 decision to visit the restaurant. Do we know is there any problem here?

No there is no problem on this side. Please move to the next stage.

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 affect 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.
Once the customer has finished eating, I would consider the factors like ease of payment, ease of finding cab services, customers allowed to wait at the restaurant etc. They may have to take a transport mode to visit another place. The restaurant may engage in loyalty programs as well. Do we know where exactly is the issue ?

The journey looks comprehensive. So, in our client's case waiting time after placing an order has increased . Could you think of possible reasons for the same?

Great. Since the service time has increased. It could be due to the procedure that is incorporated in taking an order, queuing it and then preparing the food. For example, number of waiters could have reduced in taking order. In preparation, delay can occur due to:
1) Way preparation was done earlier vs now (e.g., precooked mix is used)
2) Chef could have been replaced with an inexperienced chef.
3) Since the kitchen is shared between R1 and R2 – availability of counters, utensils and staff can also be a reason for increased waiting time.

Yes, correct. There is no issue in terms of staff, but utensils have been a major problem given sharing the kitchen is there. Also, since R2 caters to Thai cuisine precook mix is a limitation and chefs have to prepare all the dishes from scratch leading to an increase in the waiting time for customer and with limitation of the utensil, Thai-cuisine restaurant faces much more of an issue. Now that you have identified the issue, recommend certain solutions for the client.

I would like to divide the recommendations into short term and long term.
Under short term, since there is a limitation of precook and also, we are located in an office space. I feel corporate employees would be looking for a quick grabs during the breaks. Hence, we can prepare a precook for the high running dishes during some peak hours to avoid any waiting time for our customers. In terms of shared kitchen – a clear demarcation of counters and utensils can be made to avoid any delays and confusions.

For long term, given the expertise is currently limited to thai chefs-we can focus on training the staff who could directly help the chefs by preparing the precook and the chefs can focus on other immediate needs related to preparation of thai dish. Also, a platform could be developed where customers can preorder their dishes online and can pick them up in a stipulated period of time.

Those are some great recommendations. Nice interacting with you. All the best !

Restaurant Owner

Profitability | Moderate | Bain (Buddy)

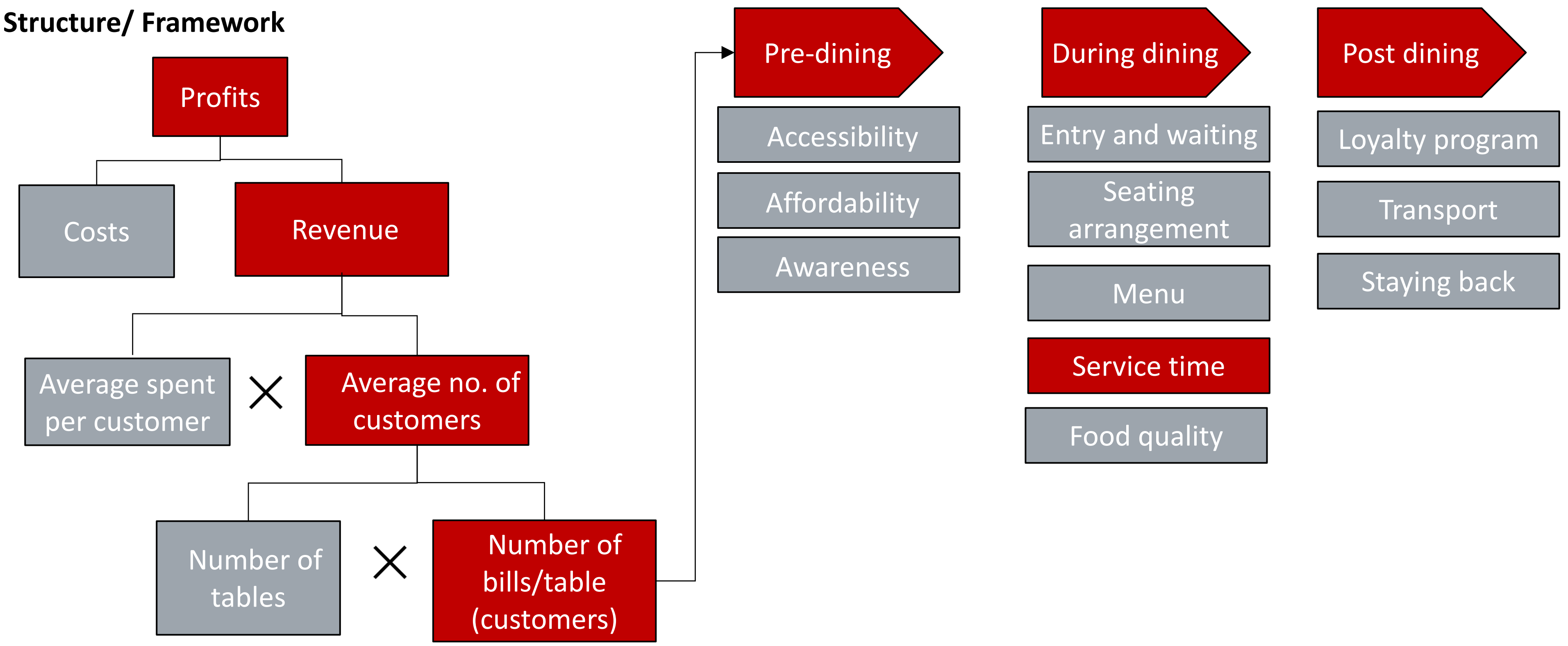
Case Statement

Your client is a restaurant owner and operates two restaurants in Mumbai (for the sake of simplicity let's name them R1 and R2. Theses are in BKC which is a business & residential location in Mumbai. Both the restaurants have shared kitchens. R2 is facing a decline in profits. Could you help them find out what's wrong and recommend certain solutions?

Interviewee Notes

- Type of restaurant
- Type of cuisines
- Industry wide/ client specific
- Customer journey mapping

Structure/ Framework



Key Takeaways

- 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 to short term and long term and do not give a laundry list of suggestions.

Biscuit Manufacturer

Your client is a biscuit manufacturer who has been facing a decline in profits for 6 months and they want your help in this situation, please proceed.

Before I jump into finding the potential root cause for the problem, I'd first like to know our client better. When we say they are a biscuit manufacturer, is it fair to assume that their product offerings are just biscuits and if yes, are we looking at a conventional biscuit like a Parle-G equivalent or should I know of any other product attributes?

It is a fair assumption, our client offers only one type of biscuit and can be considered as a Parle-G equivalent.

Okay great, I'd also like to know about our client's geographical presence and where they lie on the value chain?

The client is only present in the southern part of India and holds a high market share. They are involved in manufacturing of the biscuit and then there is zonal distribution by third party.

Sure, I see that our client is a market leader in a fragmented biscuit industry. Is this problem of declining profits being faced by client only or this phenomena has been observed across the industry as well?

No, other players in the industry have not been facing such an issue.

Okay, I believe I have enough information to proceed now. I'd like to go ahead with a basic breakup of profits into revenue and costs. Do we have any data or information to indicate a decrease in revenue or an increase in cost or both happening simultaneously?

The revenue has remained fairly constant while we've seen an increase in costs.

In that case, I would like to focus on the cost side. Considering it's a manufacturing setup, I'd like to consider the value chain starting with R&D, Raw materials, Manufacturing and Processing, Storage and Transportations, Distribution, Marketing & Promotion and post sales services including inbound and outbound logistics. Do you think I've covered all the major levers and if yes, do we have any information on a cost increase in any of these?

Good, I think you've covered everything. There is a problem in storage. How would you go about analyzing it?

Before going onto the factors affecting storage, I want to get a better idea of the current storage system. Having worked in manufacturing, our storage facility was built in right next to the factory. Once the product is stacked and packed onto palettes, they are transported to the WIP area from where they were further sent to the DC which was also in close proximity. Do we any information on how and where this storage is taking place for our client?

Perfect, the process seems almost similar except for some minor alterations. Our client's factory is in the outskirts of Bangalore while the warehouse for storage is within city limits. The biscuits travel from the factory to the warehouse from where the distributors collect it.

Okay, now I'd like to consider some of the factors which affect the warehouse. I would like to categorize it into internal and external factors. In internal factors we would consider capacity, packing, transport within warehouse, employees and external factors could be the environment, legal restrictions, infrastructure around facility etc.

While you've listed valid factors, I'm afraid our problem might not lie in these. Could you think more on the analysis?

Right, I'd like to back track a bit and modify my structure here. Let's consider the journey of a biscuit packet, I would define it as a pre-storage, during storage and post-storage process. In the pre-storage part, we consider the journey of the biscuit from the factory to the warehouse. During storage would encompass the biscuit's journey from the receiving of the biscuit till the distributor collects it. And post-storage would include the process of the biscuit leaving the warehouse facility. Should I proceed with analyzing each part?

That seems like a better approach, could you look further into the during storage part only.

During storage can be analyzed with people, process and technology. Would you want me to drill deeper into each of these levers?

Maybe you can explore more on the process aspect, what factors would you consider?

In process, I would include Storage utilization, Packing fraction and methods, Utilities and Rent, Efficiency and Machinery. Do you think I have covered everything, or should I dig deeper?

This seems sufficient for now, what do you mean by efficiency here?

In the context of a processed in storage facility, efficiency could be seen as no. of biscuits that are good to proceed to a distributor, essentially considering it as a measure for wastage. Am I on the right track or is there something I'm missing here?

You're moving in the right direction; we have seen an increase in the wastage numbers in the past few months. Could you help us understand why it could be happening?

Yes, wastage could be due to physical damage which could be visible i.e damaged packaging or invisible i.e damaged biscuits or both which makes the biscuits not eligible for sale. Since biscuits are a perishable good, expiry beyond their shelf life could lead to wastage as well.

Yes! That seems to be the problem, the number of biscuits expiring have increased, what do you think could be happening in the warehouse?

The first thing which comes to my mind is the concept of FIFO and LIFO. It could happen that the client was using the FIFO method of first-in-first-out earlier and then switched to LIFO last-in-first-out which means that the older biscuits would expire, and the newer ones are out of the facility before the old ones.

Perfect, it so happened that one of the gates of the warehouse got damaged which led to the drop-off of biscuits from the factory and the collection by the distributor's trucks started happening from the same gate. This led to the older biscuits being pushed to the back of the warehouse. That should be all, we can stop the case here, thank you.

Biscuit Manufacturer

Profitability | Moderate| Bain (Buddy)

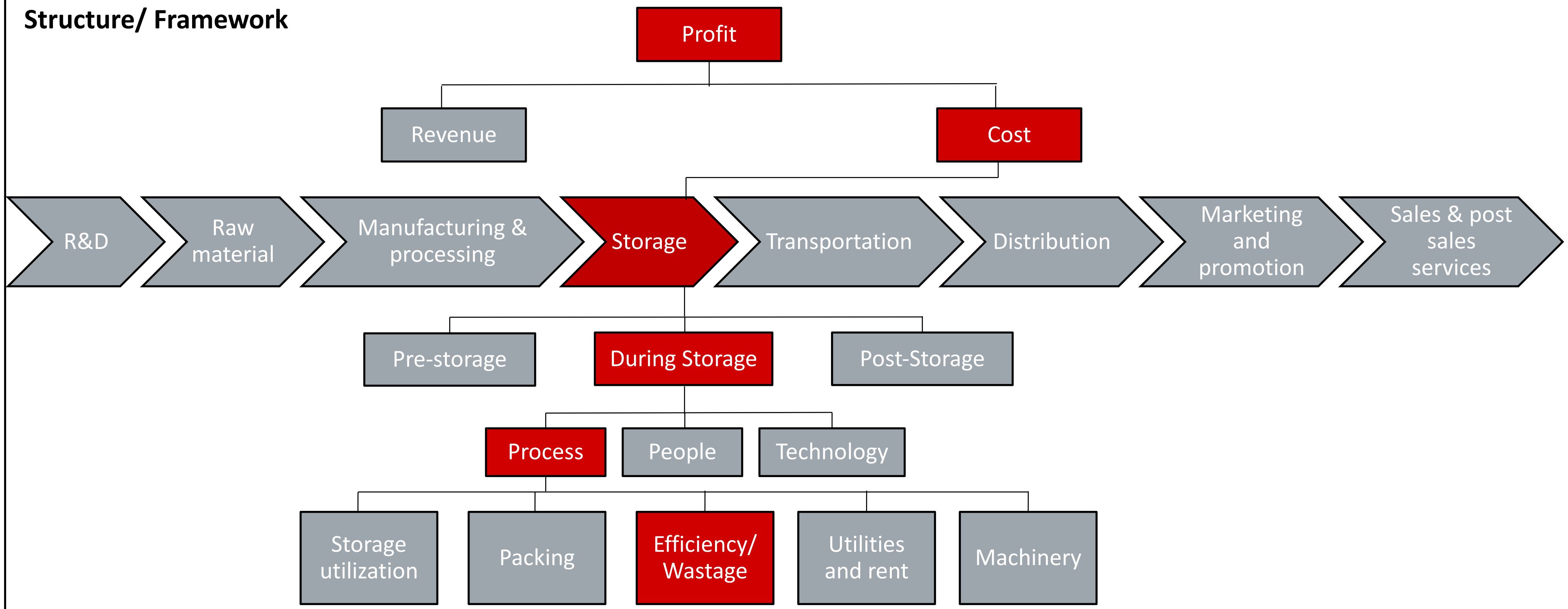
Case Statement

- Client is a biscuit manufacturer and has been facing declining profits for 6 months.
- Analyze the situation and identify reasons for the same.

Interviewee Notes

- Client is a market leader in southern India with one major product offering.
- Only involved in manufacturing of biscuits in the value chain.
- Basic breakup of profits into revenue and costs and value chain in a manufacturing. Revenue has remained same, there is an increase in costs.
- Issue was in the warehouse storage and product outbound method.

Structure/ Framework



Key Takeaways

- Draw parallels to experiences if there is existing knowledge of product, for better communication and crisp questions.
- Be thorough with base value chain in manufacturing cases, customer/product journey analysis helps in almost all cases if you're stuck during case solving.
- Focus on dissecting and MECE at each level, ask permission to re-modify structure if you realise the current approach might not yield results.

Travel Agency – IT Infrastructure

Your client is a travel agency, and they are facing increased IT costs for the past 1 year. They have now hired you to diagnose this problem and provide them with some solutions

Thank you for the case. Before I proceed with the analysis, may I ask a few preliminary questions regarding the case?

Yeah, please go ahead.

May I please know the geographic locations that the client operates in and if in case there are multiple locations, are the increased costs observed across all locations or is it specific to a particular location. In addition, could you please also clarify if this is an industry wide scenario or localized to our client.

Our client is operating pan India and the increase in cost is prevalent across all locations in India currently. The issue is specific to our client.

May I also know the type of products and services that the client offers? For example, do they cater to the air travel segment, the railway segment, or roadway segment, or is it a combination of all of them?

Okay, so they help the customers book tickets for air travel, hotels and railway travel. These are the only 3 segments that they operate in.

Thank you for the information. I will now delve into the case. So, when we consider the IT costs for a travel agency, there could be multiple components involved. Hence, I would like to categorize them as Software related costs and Hardware related costs. Software cost could be incurred for utilizing software such as ERPs, CRMs and booking management systems. Do we have information on the software that the company deploys?

Right, so we don't have data on the software that the company uses, but you are on the right track, please proceed.

A company's infrastructure has software as the primary component and hardware as the secondary component. I would now like to focus on the hardware category for the analysis.

Okay, please go ahead.

Considering hardware related costs, and the concerned window period of 1 year, the increase in costs could be attributed to the purchase of new hardware, the upgradation of existing hardware or the repair of the defunct hardware. Do we have data on which of these components attribute to the increase in costs?

Yeah, we do have data on that, but I am not quite sure of what all are being included under the hardware category. Could you probe into it further and list down the various components that could be considered?

Yeah, sure. So, hardware costs for a traditional travel agency could comprise of desktops which would include components such as the monitor, mouse, keyboard, CPU, inverter (considering the location of the client) or it could include laptops. In addition to the above, hardware could also cover the central servers, the printers & the fax machines that the company employs. These components could attribute to the change in costs.

Yeah, you are in the right track. The laptop costs have been increasing for the past 1 year. Can you think of some reasons for the same?

Sure, so an increase in laptop costs could be affected by recent purchases of new laptops, or it could be because of an increase in repairs of existing laptops, or it could be due to the upgradation of the existing laptops such as upgrading the RAM, the SSD, battery, etc.

For simplicity, lets assume that this cost is only due to the purchase of new laptops and that too for the new employees that they are hiring. We are not undergoing any sort of upgradations, but if a laptop has malfunctioned, we replace the laptop for the existing employees. So, it is just new purchases and replacements and not upgradations.

Got it, thanks. Based on the information provided, I am assuming that a significant portion of the cost are due to the purchase of new laptops and hence I would like to focus on the same. The increase in costs could be attributed to an increase in hiring which would lead to a budget overshoot, purchase of a single standard model for all employees irrespective of their needs for example, providing over configured laptops for base level employees, or there could be a policy change regarding the laptop procurement.

Yes, you have identified correctly now, There is no standardization of models for the past

Year. During the beginning of the last year, the contract with the vendor for our client who used to provide standardized model of laptops got terminated. Instead of re-entering the contract, our client implemented a new procurement policy stating that the employees could buy their own laptops and the get them reimbursed from our client. Do you see any problem with this policy?

Yes, thank you for the information. I see that this policy is particularly detrimental to our client as there is no upper cap on the amount that one could spend on their laptops. Also the lack of a standard operating procedure delineating the hardware, software and pricing cap could cause adequate problems to the cost structure.

Yes, that is true. You have identified the problem. Now could you provide some recommendations to the client?

Sure, so I would suggest the following to the client,

1. Document the rules & regulations into a SOP and implement it urging the employees to adhere to the instructions.
2. Buy the base model laptop which could save significant amount of money and reinvest it into a robust cloud infrastructure so employees could work on virtual environments.
3. Refurbish old laptops or procure refurbished laptops from vendors and pair the same with a cloud infrastructure.
4. Negotiate a contract with a vendor to leverage economies of scale to bring down costs. Bulk orders could attract volume discounts.

Those are good recommendations, Thank you. We could close the case now. All the best.

Thank you so much. Have a nice day.

Travel Agency – IT Infrastructure

Profitability | Easy | Kearney (Buddy)

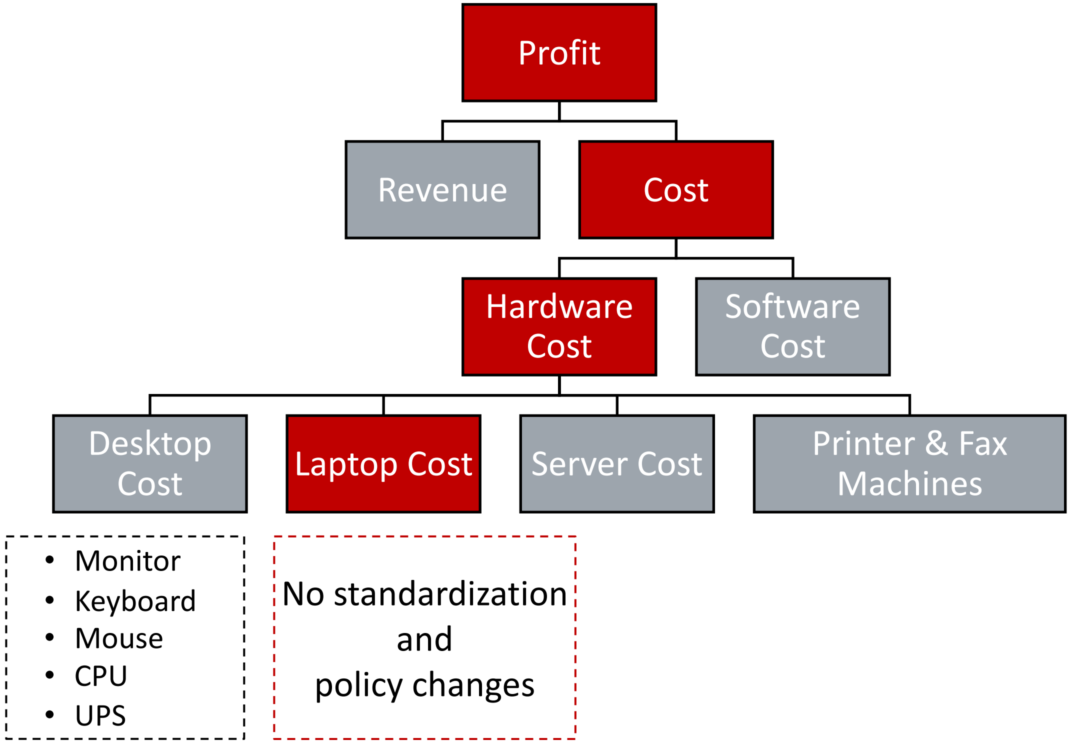
Case Statement

- Client is a travel agency who operates pan India. They have been facing increased IT cost for the past year.
- As consultant find the reason and provide your recommendations

Interviewee Notes

- Increase in costs is directly provided in the case
- Based on the services they provide, costs could be classified as hardware and software
- Delineating various hardware and analyzing the root cause reveals the issue.
- Client has been facing issue for the past 1 year. Hence a recent change has caused the issue

Structure/ Framework



Key Takeaways

- Used the Profitability framework, directly by analysing the cost.
- Asking preliminary questions helped narrow down the scope. This also helps in structuring ones thoughts and delivering key analysis.
- Considering out of the box components such as cloud computing earns brownie points.

Hair Salon

Profitability | Moderate| Kearney (Buddy)

Your client is the owner of the hair salon at IIMB and is worried about the drop in his profits recently. He would like your help in understanding the issue and a resolution for the same.

Okay. Before I proceed with the analysis of the case, I would like to ask a few clarifying questions to get a better idea about the context. Shall I go ahead?

Yea sure!

Has our client noticed how long has it been since the profits started dropping and by how much has it been? Do we also know if the situation is same for other salons as well?

There has been a 2-3% drop consistently for the last 6 months that's of concern to our client and none of the other salons are known to have been facing profit drop

Okay. Since our client is the salon owner at IIMB, can I know if they cater only to the needs of IIMB students and if it is a franchisee of a salon operating elsewhere or a standalone one? Is it the only salon in the campus? Also, what are the services that they offer at the salon?

There is only one salon in the campus, and it is not a franchisee of any other salon. They offer hair cut, hair color and head massage and these facilities can be availed by the students of the institute.

Alright. The drop in profits could be due to increase in costs or a decline in revenue or a relative change in both, that is affecting profits negatively. Do we know if any of this is the situation with our client?

There has not been any significant change in cost for the past two years and our client has noticed that his revenues are dropping.

Okay, so that might be pointing to a change in the pricing of his offerings, or a decrease in the number of customers coming to the salon or it could be that he has added or dropped any of his service offerings. Has any of this been the case with our client?

Not really. His service offerings have remained the same since the salon's opening and the prices were last updated more than a year back .Interestingly our client has also observed that the number of students visiting the salon is more or less the same as it was 6 months back. Can you think of what else could be the cause?

Sure. If I think along the customer journey and since we know that the number of customers has remained the same, it could be that the students are visiting the salon but not availing any services due to reasons like huge waiting time or hygiene concerns. There might be a drop in the frequency of visits of the customers. It might also be that they are availing the services but not as many as they used to, meaning those who availed hair cut and head massage previously are now demanding only hair cut. There is a possibility that some of them might not be paying for the services at the salon tricking the owner.

Well it seems like students are availing the services as they used to before and the owner is diligent to ensure that everyone pays. But interesting point! Give a thought to the revenue realisation itself and see if you can find something.

Has there been any change in how the payments are made recently. Did he introduce any new system that might be eating up some of his revenue like a service charge? Or has there been any policy change where he must share a part of his earnings with some other party?

Perfect! He has been onboarded into a new payment system trial by the institute, where he is paid at the end of the month from the amount deducted from student account. The platform also charges a small amount as service charge per each customer transaction. Could you think some ways he can overcome this?

He can either opt out of the payment system and revert to how it was earlier or leverage the convenience of the platform to get more customers to his salon. He can also negotiate with the institute on how should the service charges be borne.

Thank you! We can close the case

Hair Salon

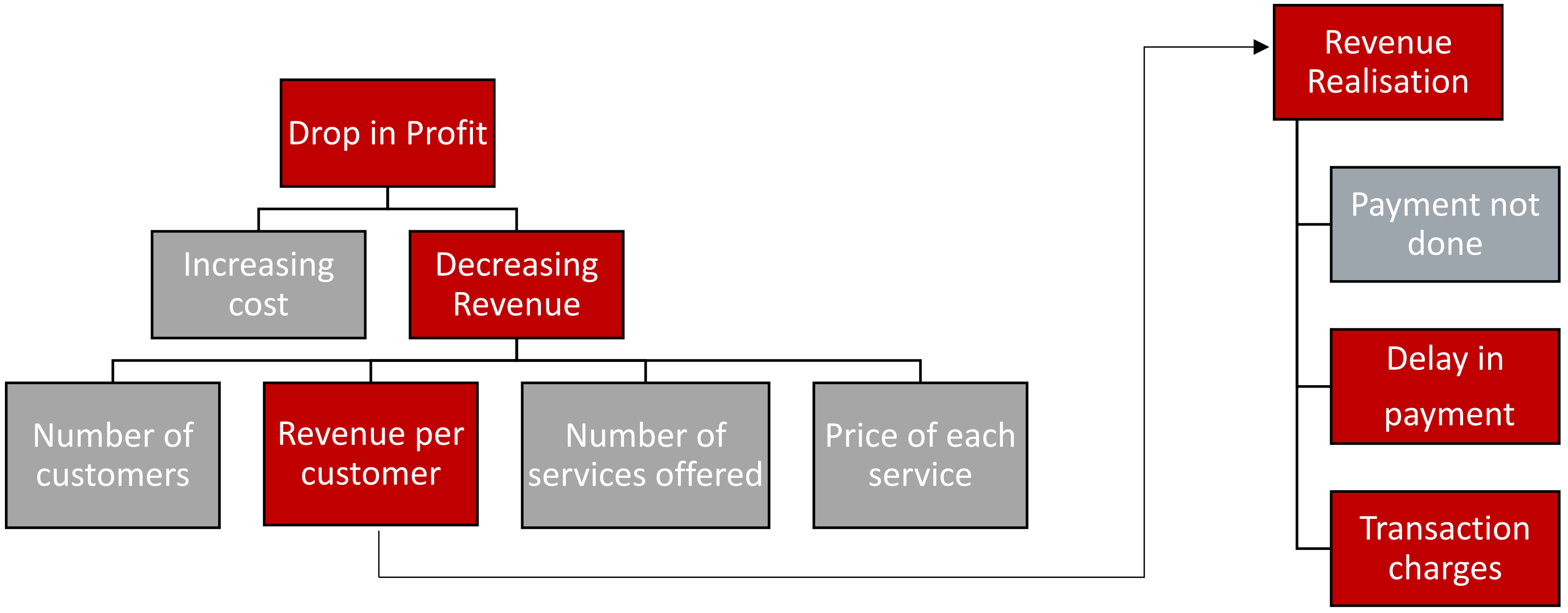
Case Statement

- Client is a hair salon owner
- Identify the cause for drop in profitability and provide recommendations

Interviewee Notes

- Small drop in profits for the past 6 months.
- Salon offers hair cut, hair color and head massage to students at college.
- Drop in profits specific to our client.
- No change in costs.
- No change in offerings or price of offerings or no of customers recently.
- New payment method introduced.

Structure/ Framework



Key Takeaways

- Interviewer wanted the candidate to think beyond the typical profitability framework.
- Covering all possible reasons and a structured thought process can help narrow down to the actual cause
- Could have clarified if there is any alternate source of income at the salon, like advertising or sale of any cosmetic products to cover all possibilities

Grocery Retail Chain

Profitability | Moderate | Kearney (Buddy)

Your client is a grocery retain chain owner and is facing decrease in profits. He needs you to find the root cause and provide recommendations for the same.

I would just like to reiterate my understanding of the problem statement. Our client is a grocery retail chain owner and is facing decreased profits. We need to analyse the situation to reach the root cause and recommend the solution.

That's correct.

Thank you. Before proceeding, I have a few clarification questions. Shall I go ahead?

Sure.

What are the location of the grocery stores? What is the timeline of the issue that the client has been facing? Is it particular to one store or all the stores?

The chain is located Pan-India. The client is facing this issue from past 6 months and it is particular to one store.

I would also like to know whether this is an industry-wide issue or specific to our client. Also, is it being faced in any specific product category e.g. perishable or non-perishable.

It is specific to our client and is being faced in fresh fruits and vegetables category.

Alright. Since we are facing decreased profits, it can be attributed to decreasing revenues or increasing costs. Do we have any information on the same?

Yes, we are facing decreased revenue.

I would like structure the problem by formulating for revenue. It can be written as number of customers visiting the store*% of customers buying fruits & vegetables*avg value/ customer. Do we know if any of these factors has gone down?

The avg value of order has gone down.

Just to have a clear understanding before proceeding, I want to know if we are supplying the same quantity as we used to?

Yes.

Great. Since there is no issue at the supply side, the demand from customer's end has decreased for such goods. To analyse this further, I am going to go through the complete customer journey i.e. pre-purchase, during purchase and post purchase. We also know that the number of customers visiting has remained same, so I will ignore the pre purchase part and focus on the during purchase of the customer journey.

Go ahead.

I will divide the during purchase into three parts: journey till fruits & veggies section, buying the goods and payment process in the end. The first part will comprise of the ease of access to that section, ambience(lights, AC), second part involves presence of salesperson, affordability of goods, getting the goods from shelf(nametags, pricetags), weighing and packaging and the third part consists of queue for the payment and payment options. Issue in third part would have affected sale of other products as well so I will ignore that. Do we have any information whether there has been any change in the display or ambience of the store or any of the other factors that I have mentioned?

Okay. The customers are perceiving the goods to be expensive. There is some issue with pricetags.

The change in perception could be due to two things: the unit of pricetag has changed or the pricetags are not reflecting correct price.

You are right. The pricetags are not reflecting correct price. Since these are perishable goods, the price keeps changing and the store management is not changing the tags simultaneously. Thank you, we will close the case here.

Grocery Retail Chain

Profitability | Moderate | Kearney (Buddy)

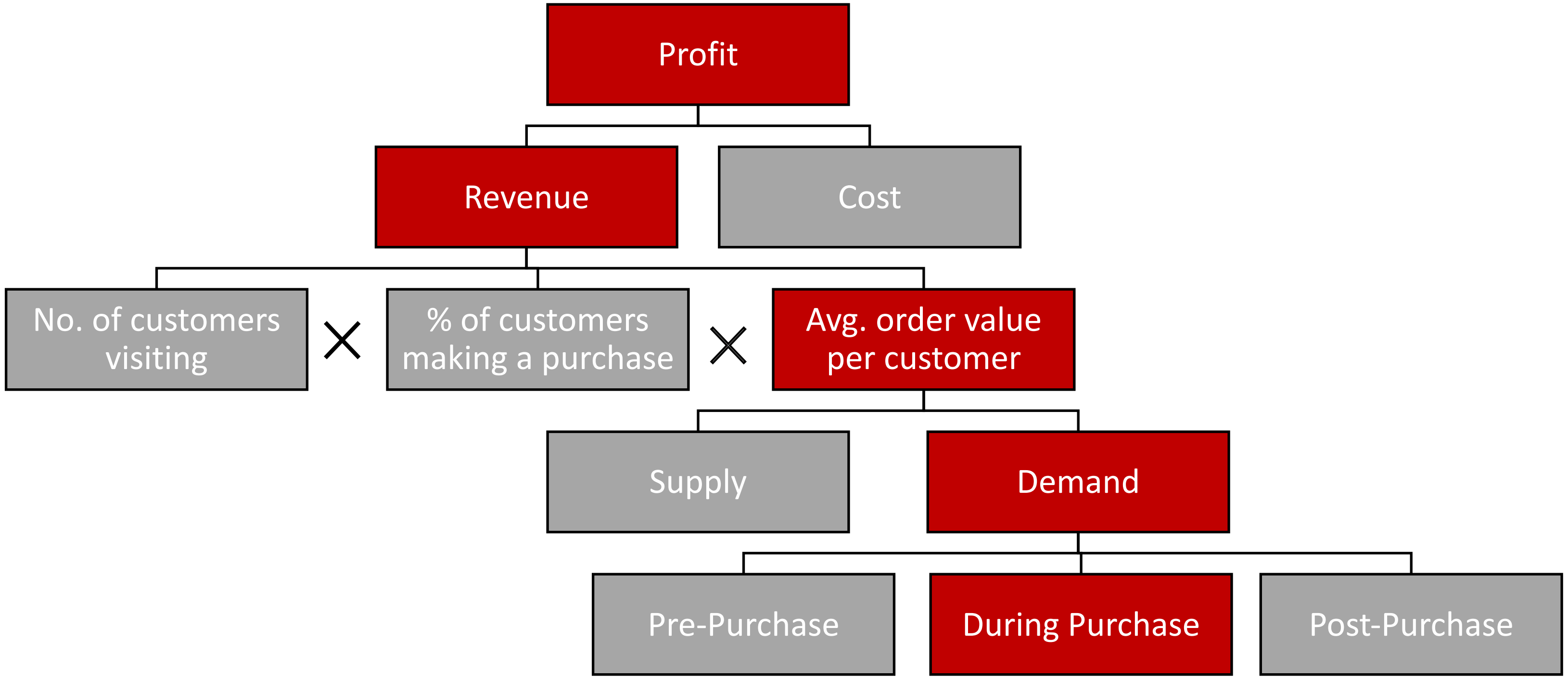
Case Statement

- Client is a Grocery Retail Chain owner which has Pan-India presence.
- Client is facing decreased profits from past 6 months and wants to understand the root cause of the same. Advice the client on the same.

Interviewee Notes

- Profit decreased in past 6 months in fresh fruits & veggies
- Only one store problem, not industry-wide problem

Structure/ Framework



Key Takeaways

- Used profitability framework- demand side issue.
- Asking the product category facing the issue was a key question. It helped to drill down to the variability in prices of such products.
- Creating buckets in the customer journey to analyse the demand side issue helped to maintain structure throughout the case.

Hedge Fund LLP

Your client is MNP Partners, a hedge fund in US. Over the last 2 years, they have seen a decline in profits of the firm. They have hired you to turnaround the situation.

Just to get a high-level sense of the business and industry situation, can I ask a few preliminary questions before we delve deeper into the problem?

Sure, please go ahead.

Could you please help me understand the following- 1. What is the AUM of the firm? 2. Does the firm primarily invest only in U.S. Securities? Or do they also have offshore investments? 3. What kind of asset classes does the firm invest in?

Alright, that's quite comprehensive set of questions. The firm has an AUM of $2.1bn. There have been no new fund raisings or redemptions in any of the sub-funds in the past 2 years. It invests in all asset classes including synthetic products and they have dedicated strategies for the same.

Alright, Additionally, Is declining profitability a case with client's competitors in the industry as well? And Is this a problem with a particular strategy or asset class?

The returns have dampened for our client across strategies since the past 2 years but that's not been the case with our competitors.

Alright, I believe I have a fair understanding of our client's situation. I'd now like to breakdown the problem further.

Sure, Go on.

Profits is a function of Revenues and Costs. Do we know if revenues have declined, or costs have risen or both?

Both revenues and costs have changed negatively for us. Let's start with the revenues and then look at the costs.

So, revenues of a hedge fund can typically be divided into management fees (%age cut of initial investment) and performance fees (fees for generating positive returns beyond certain cutoff/benchmark). Has the company seen a decline in any of the revenue streams?

That's a fair split of revenues. The performance fees hasn't seen much change. However, the management fees has declined. I have a few numbers that can help you drive this further. 2019- AUM: $1.6bn @2%; 2020- AUM: $1.8bn @1.5%; 2021- AUM: $1.9bn @1.5%.

Interesting. So, I can see that the Management fees as a percentage of new fund deposits has declined. Further, the growth of new funds to the total AUM have not grown enough to cover the same. And we know that competitors haven't been experiencing the same.

Yes, Spot on. The client had cut down on the management fee in response to the COVID-19 Pandemic to attract more investments, but the volume growth has not been as per expectation. Why do you think this could be happening?

Typical investors of a hedge fund are high net worth individuals. Their primary concern is to earn a return on their investment and hence they are not very sensitive to changes in management fee cut as long as the funds performance is up to the mark.

Great, Let's move on to the costs now.

The costs of a hedge fund can be divided into 3 categories: Software costs, Employee costs and Operational costs. Do we have any information on any of these costs having changed for the company in the past 2 years?

Client's software and technology costs have increased sharply in the past 2 years. Can you think of why that could be happening?

During COVID, the company might have had to make a sudden shift to work from home setup which would have lead to increased costs for both hardware like laptops and other peripherals for employees and softwares which could no longer be shared by employees in an offline setup.

Bang on, the company has seen sharp rise in the cost of Bloomberg and Eikon softwares since it had to invest heavily to provide 1:1 access to its employees. While the competitors negotiated with the data vendors to provide shared access in a work from home setup as well. What would be your recommendations to our client?

I would like to make following recommendations

- Negotiate with vendors to provide shared access to softwares for the employees.
- Execute time management plans and resource planning to ensure seamless movement to the proposed plan.
- Explored the possibility of gradually increasing the management fee back to the industry standard in consultation with investor relations team.

Thanks. We can close the case now.

Hedge Fund LLP

Profitability | Moderate | Kearney (Sr Manager)

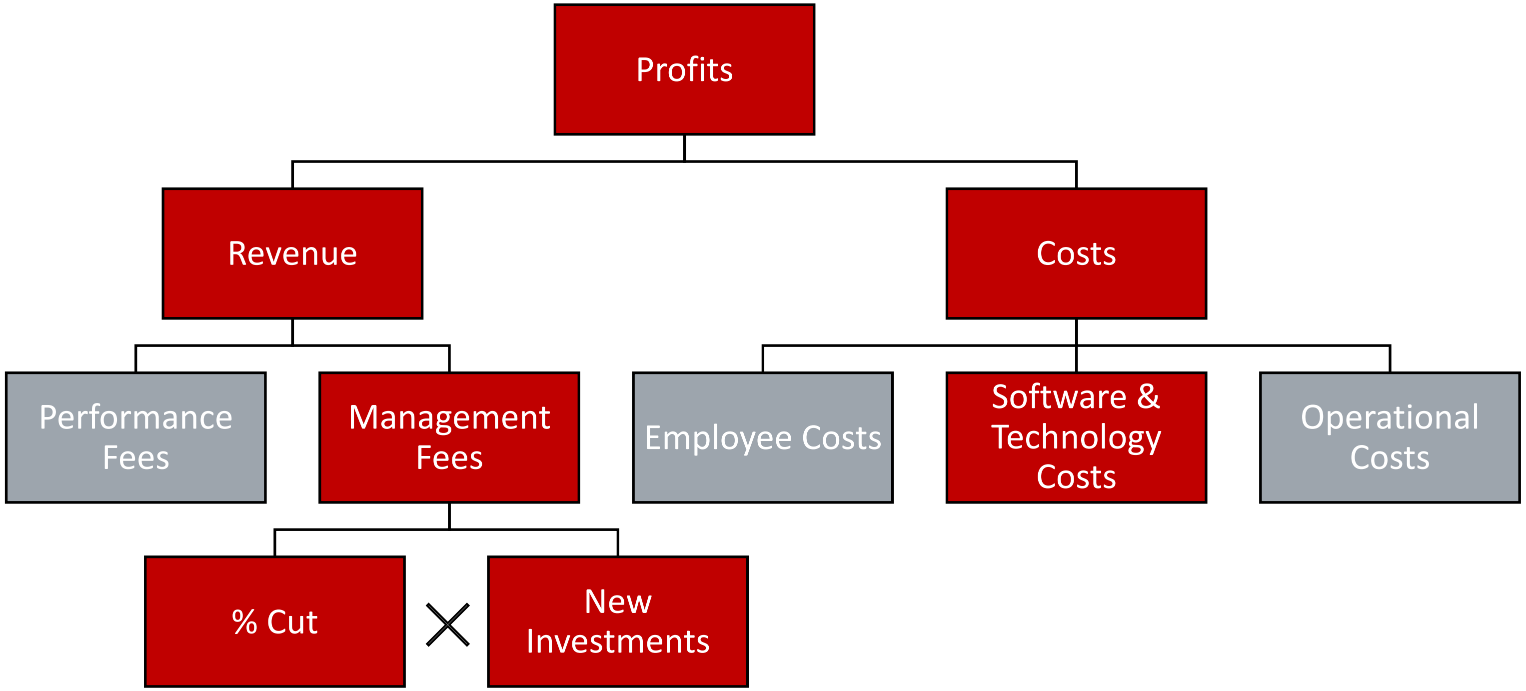
Case Statement

- Client is a Hedge fund based out of U.S.
- They are witnessing a decline in profits since the past 2 years. Advice on the same.

Interviewee Notes

- Declining revenues and rising costs
- Management Fee data
  2019- AUM: $1.6bn @2%
  2020- AUM: $1.8bn @1.5%
  2021- AUM: $1.9bn @1.5%
- High Software and technology costs

Structure/ Framework



Key Takeaways

- Hedge fund industry is different from usual industries. It is fine to clarify with interviewer about the revenue streams if required.
- If interviewer mentions the timeline of the case, it is important to keep the exogenous macro events in mind while solving. (COVID 19 in this case)
- Always keep competition in mind

Pump Manufacturer

Your client is a pump manufacturer who has been facing a decline in profitability. Kindly analyze and suggest solutions.

Got it, thank you for the question. Before I start off with my analysis, I would like to ask a few clarifying questions.

Sure! Go ahead.

To better understand the company, I would like to know about the client's product mix, the target segment it caters to, and the part of the value chain they are present it.

So, our client currently has 2 types of pumps in the market - Retail pumps for households and Industrial Pumps for the commercial sector. Manufacturing and distribution are done by the client.

Can you let me know about the geographical areas the client is present in, and whether it has been facing a decline across all regions?

They operate globally in areas such as the USA, Europe, Middle East. But the problem is specific to the Indian region.

To better understand the market, can you tell me about the competitive scenario in India?

The market is currently very fragmented, we have a couple of big players, and the rest are small domestic players.

Can you tell me about the quantum of decline and for how long the client has been facing this issue?

Compared to the competitors we have seen a 10-20% YoY loss of profits. We have been facing this decline for the last 2 to 3 years.

Noted. I think I have the important points to start my analysis, I will briefly summarize the key points to make sure I have the correct details (*summarizes the main points). Is there anything else I should know before I start?

Yeah, you can start with your analysis.

Okay. Profit may be split down as follows: (revenue – cost). I'd like to know if the declining profits are the result of dropping revenues/increasing costs or of both.

You can focus on costs.

So, I would like to investigate the value chain which I would mainly divide into – Pre-Production, production & postproduction. Could you please tell me if any of these have been a bottleneck?

Can you further elaborate on the post-production phase?

Sure, the post-production phase primarily includes – storage & transportation, distribution, marketing, and post-sales support.

Our client provides check-up and maintenance services for our industrial clients. So, the problem is observed in the post-sales service i.e., the warranty period.

Right, the key components in this context associated with post sales servicing journey would mainly be – man, material & method. Man would include the salaries and any variable human capital cost, the material includes the cost of the spare parts used, & method includes any design changes in the pump or incorporation of any new repair technique, etc.

The cost of spare parts has increased.

The total cost of spare parts can be written as cost per part X Volume of spare parts. Can you let me know which might be an issue?

So, the volume of spare parts has risen significantly. Can you identify the reasons?

The number of spare parts can increase because of 2 reasons – the number of spare parts per breakdown has increased or the number of breakdowns has increased.

Right, The number of spare parts used has increased because of frequent breakdowns of the pumps. Can you think of any reason?

The number of breakdowns can be attributed to internal & external factors. In internal the quality of the pump & material used, accurate pump specifications, etc. External factors would include improper employee handling, pump specification to fluid mismatch, etc.

Well, the quality of our pumps has decreased because of the poor quality of materials supplied by our suppliers leading to higher failure rates. Can you recommend anything to tackle the issue?

Sure, we can divide the recommendation into the short and long term.

Short term:

1. Set a non-negotiable minimum quality standard for the suppliers
2. In-house quality checks to assure the grade of raw materials

Long term:

1. Change suppliers if the current sources can't meet the quality threshold
2. Incorporate multiple suppliers to avoid high dependence on one supplier
3. A cost-benefit analysis to be done for recalling faulty pumps & replacing them or providing added services in order to maintain long-term customer relationships.

Good job, we can close the case here! All the best.

Pump Manufacturer

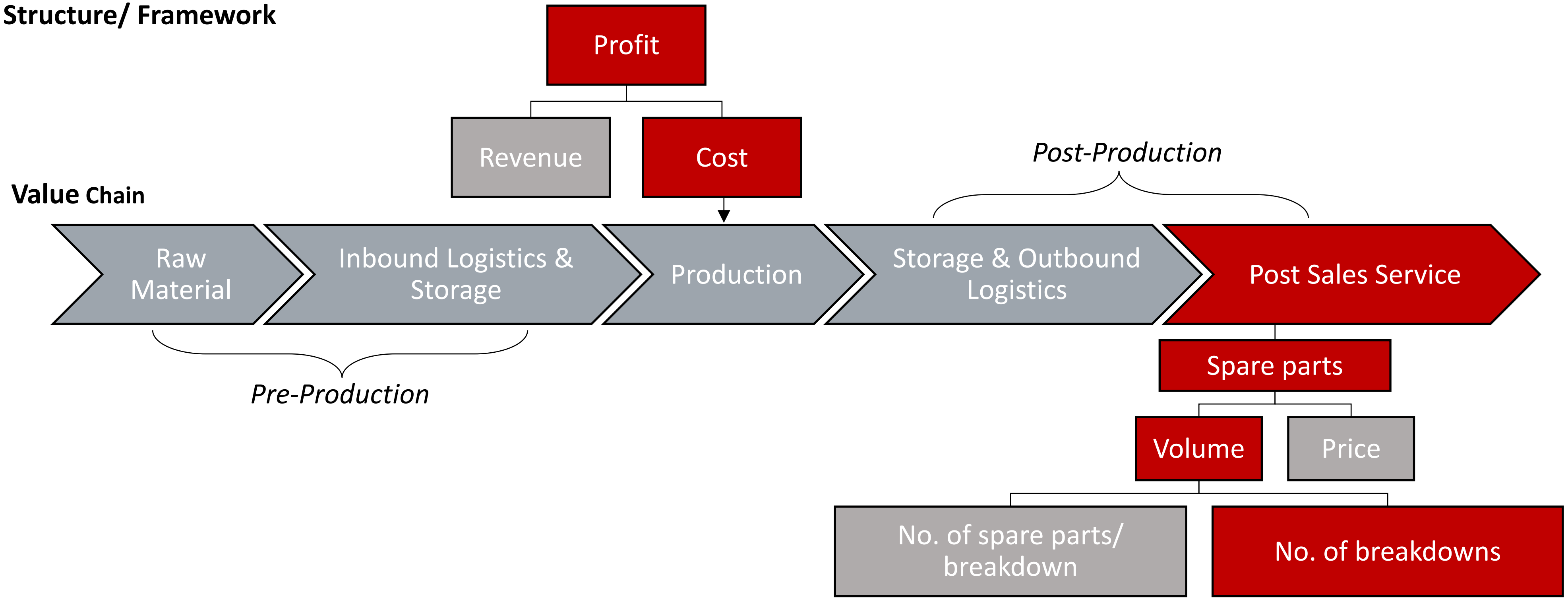
Case Statement

- Decline in the profitability of a pump manufacturer
- Identify the problem and suggest recommendations for the same

Interviewee Notes

- The client is a global pump manufacturer but facing decline only in the Indian region.
- Start with the profitability framework, focus on costs
- Use of exhaustive steps involved in the (porter's) value chain

Structure/ Framework



Key Takeaways

- A good structure in precise preliminary questions and applying MECE wherever required is important to keep the interviewer engaged, as well as not presenting them with a laundry list
- Take interviewer buy-in at every step. Summarize the problem statement after all preliminary questions and summarize the case approach before presenting recommendations

Bike Manufacturer in Nigeria

Your client is a Bike Manufacturer based out of Nigeria and has been facing declining revenues for some time. You have been hired to identify the reason.

Before diving further, I would like to ask a few preliminary questions to get a better understanding of our client. Does our client only manufacture bikes, or do we control end-to-end distribution? Is Nigeria the only location we are operating in? Which different models of bikes do we sell? What does the competitive landscape look like? How long have we been facing the declining profitability?, and what is the quantum of the drop?

Lets say we control the end-to-end distribution, Nigeria is the only geography we are operating in. Apart from our client, Suzuki and Bajaj are the major players in the market. Let us just assume that there is only one standard model that we are selling. And we've been facing the declining revenues for about a year now and by about 10%.

Got it. Have our competitors faced any decline in profitability or is it just us? Also, has the total market size changed over this duration? Finally, do we have any information on our customer segments and their contribution to total sales?

Our competitors are doing fine. The market size has increased by around 20% over the past year. Also, why don't you tell me what the potential customer segments could be.

So, considering bikes in Nigeria, the major customer segments should be commuters from the middle/low-income segments, bike taxi service providers and delivery personnel. Am I missing anything? Also, do we have an information if the decline in revenues is due to any of these segments?

That's correct, these are the primary segments. And the revenues have been declining in the bike taxi segment.

Is there any point of differentiation between the products offered by us and our major competitors. Also, has any competitor launched a new product in the time frame?

There have not been a lot of technical advancements in the bike industry in the Nigeria for the past 5 years, so the products have stayed stable. Before coming to new products, tell me how would you analyze the reason.

So, the issue can be from demand side or the supply side. Demand side issue would mean that the product demand from the customers has fallen. A supply side issue would mean that we are not able to cater to the demand in the market. Given the fact that only bike taxi segment has taken a hit, it is more likely to be a demand side issue.

Yes, that's correct.

To identify the root cause, we can look at the customer journey and try to identify potential problems at each stage. For this case, we can look at why the customer is buying the bike, the decision-making metric between different competitors, the distribution network and accessibility, financing options available at the time of purchase, and after sales.

That's a fair breakdown, lets look at the probable reasons under these heads.

The customers are buying the bikes to be used as bike taxis. There could be a fall in the bike taxi industry in general. Coming to decision making metrics, customers would look at things such as mileage, longevity and ruggedness of the vehicle, dimensions of the bike, comfort for the driver and the pillion. The number of retail outlets would impact the ease of buying a bike. Looking at financing, the interest rates, duration and ease of availing the options would be considered. Finally, for after sales, the availability of parts, prices and labor costs would be looked at.

Can you dive deeper into the dimensions of the bike, what do you mean by that?

Dimensions of the bike can influence multiple things. It could impact the maneuverability of the bike in traffic conditions. The length of the seat can impact the comfort of the bike taxi customers and the number of people the drivers can carry in a single ride.

Correct, Bajaj has come out with a new model last year with a longer seat. The taxi drivers can fit 2 customers in a single ride, as a result they are preferring their model over ours. We can close the case here. Thanks.

Bike Manufacturer in Nigeria

Profitability | Moderate | Strategy& ME (Buddy)

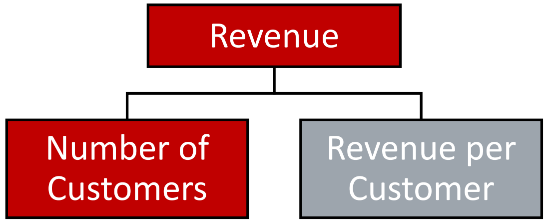
Case Statement

- Client is a bike manufacturer in Nigeria and controls end-to-end sales and distribution.
- Revenues are falling for the bike taxi customer segment for the past 1 year. Need to identify the reasons.

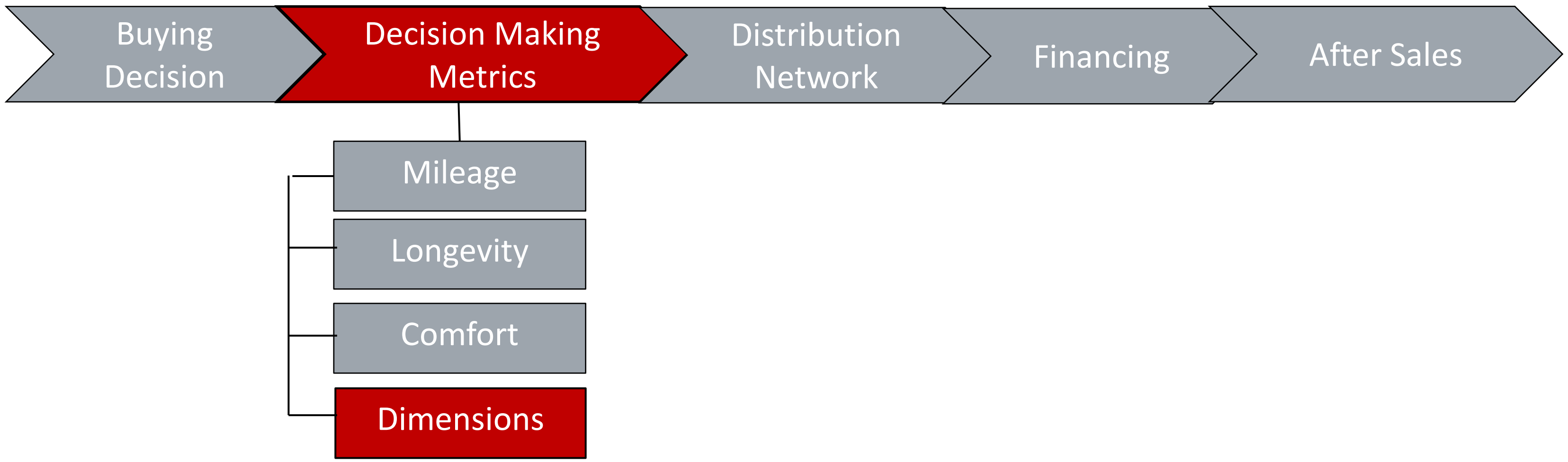
Interviewee Notes

- Nigeria as an economy is similar to India. Customer segments would be similar as well.
- The market size for bikes has increased. The competitors are doing well. The issue is with our product or company.
- MECE the factors along customer journey to identify potential reason.

Structure/ Framework



Customer Journey



Key Takeaways

- Get a complete understanding of the client and market before progressing.
- Understand the customer segments to identify the root cause.
- Follow the customer journey, breaking down and listing potential reasons along each step.

Beauty Product Manufacturer

Profitability | Moderate | Accenture (Buddy)

Your client is one of the leading manufacturers in personal beauty care. From past 2 years there has been decrease in sales and they have moved from 1st to 2nd position in terms of market share. You have been hired to identify the problem and provide solutions to it.

Before proceeding to case, I'd like to ask you a few clarifying questions about our client. What products does our client produce in personal beauty care? Where do they operate? What is competitive landscape?

The client mainly produces color cosmetics which includes foundation, eye shadow, lipstick, blush, and more. With respect to geography, they operate pan India. There is one major competitor which is leading the market share currently.

Oh, that's interesting! And may I know what part of value chain they operate in and how is the distribution done?

The client mainly operates from production till distribution. Further, they have omnichannel distribution wherein they have 3 channels. One is traditional channel through distributors and stores, second is through modern trade, in which supermarkets like DMart comes and last is online channel through their own website.

Are we having the drop among all channels or is it particular to any of them?

The decline is more evident in modern trades and e-commerce. We may ignore the channel with distributors and retail stores.

Sure, thank you. Now I'd like to break the sales into avg. price per product, no. of customers and avg no. of products per customer. Should we focus on all of them or is there specific change in any one of them?

The prices have been constant and there is no major change in avg no. of products per customer. You can focus on no. of customers, there is a significant decline in it.

Within no. of customer, I'd further divide it in demand and supply but since the problem is limited to few channels, it is unlikely that this would be issue of supply. Is it fair to assume that problem lies with the demand?

That's a good point and fair assumption. You may continue with the demand

Within demand, I'd like to divide it into product, place and promotions. Since problem is not across the channels, there shouldn't be any issue with the products. Now with places and promotions, we will have to focus on modern trade and e-commerce separately.

Correct. Let's focus on modern trade first and then we'll move on to e-commerce

Few aspects I can think of regarding place and promotion in modern trades are: Promotion banners/kiosk, Discount coupon/membership offers, Company sales advisor, product trials and lastly placement of the product in shelves. Do we see any of these change with time?

That's a comprehensive list, but we do not see any changes for us in these items with time

Since there is no change with respect to time, I'd like to benchmark it with our competitors. Are they doing any of these things differently?

Exactly! Our competitors have appointed beauty advisors who sell the product near within the stores on aisle with beauty products. Now that we have solved for modern trade, let's focus on e-commerce

Sure, in e-commerce, I'd like to have similar list but in digital context. There can be changes in digital marketing, payment discounts, UX/UI of website, AI enabled trials or chat box advisor. Is there any changes in them with time or with competitor?

That's good, and yes, our competitor has enables AI for product trials to match colours etc. Why don't you quickly give some suggestions, and we can close the case after that?

Sure, I'd like to divide suggestion in two parts long-term and short-term. In short-term, company can enable trials in stores and few discounts/ product bundling whereas in e-commerce, company can consider return policy for unused products if the displayed colour doesn't match with delivered product. Whereas in the long term, company can have promotional campaigns where they'd be educated about our product, in a similar way our competitor has been doing and for e-commerce, they can get the chat bot to suggest products according to customer needs.

Beauty Product Manufacturer

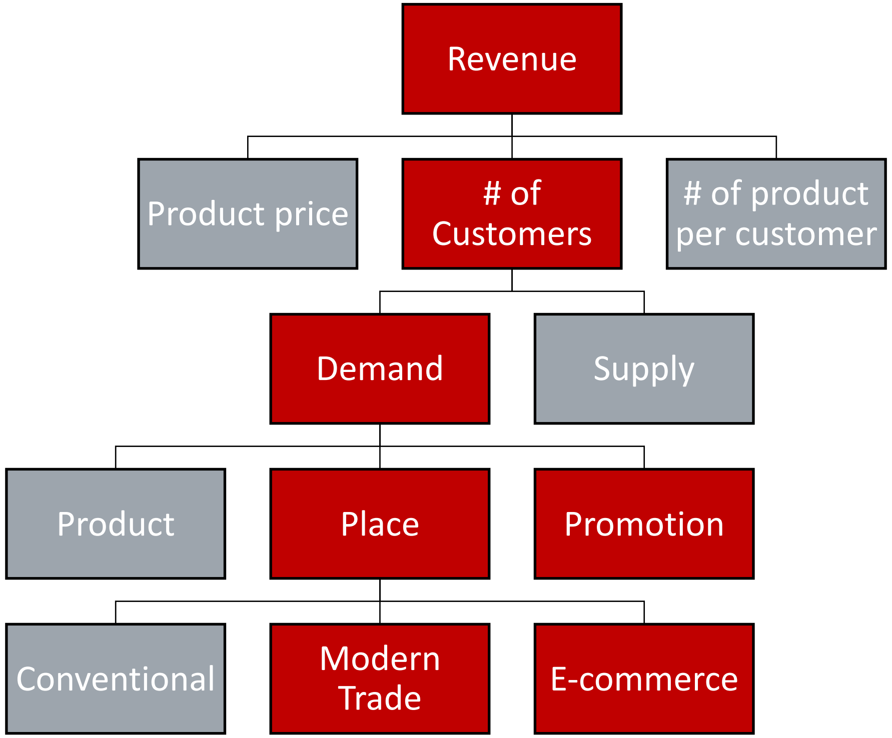
Case Statement

- A leading manufacturers in personal beauty care.
- From past 2 years there has been decrease in sales and they have moved from 1st to 2nd position in terms of market share

Interviewee Notes

- Color cosmetics
- Pan-India
- Problem only with Modern trade and e-commerce
- No change in price, place and promotions

Structure/ Framework



Key Takeaways

- After bucketing, benchmarking can be done on both time and internal/external basis

Retail Jewellery Chain

Profitability | Moderate| Accenture (Buddy)

Your client is a retail jewellery and facing decline in profits. You have been hired as a consultant to identify the issue and provide solutions.

Before drilling down into the problem, I would like to ask a few clarifying questions about our client. What geographical location does the client operate in? Does it have physical stores and/or online retail channel as well?

Client operates pan-India and has both offline and online channels for retailing.

Thanks. For how long have the profits been decreasing? Is this decrease in profit specific to our client or competitors also facing the decline in profits? Is it restricted to a particular retailing channel?

Profits are on decline since last 6 months. This is a client specific problem. You can focus on online channels (client has website) of retailing as it has been facing decline in profits.

And this decrease in profit in online retailing has been observed by our competitors as well?

The decrease is specific to our client.

Sure. Let me just reiterate the case once to make sure I have understood it clearly. Our client is a jewellery retailer in India which has been seeing decreasing profits for the past 6 months in the online retail business. This decrease is specific to our client, and we want to analyze the reason behind the decrease in profits and come with recommendations for the client. Do we have any other objective?

No, that's all. You can continue.

Thank you! 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?

Revenues are on decline while the costs remain relatively same.

Revenue is nothing but number of customers * revenue per customers * purchase frequency. Therefore, either the number of customers are not enough or the basket size per customer is very less or repeat customer are very less. Do we have any information on which part is reducing.

Focus on number of customers, we have seen a steady decline in number of customers.

Decline in number of customers is a function of supply-demand, pricing, product quality and customer experience/service. Do you want me focus me on any of these or investigate any other factors?

Please focus on customer experience, all other factors are fine.

Alright! I would do customer journey analysis here. I would divide customer journey into three phase mainly pre-purchase, during purchase and post purchase. In the pre-purchase phase, I would investigate factors such as website accessibility, SEO workings etc. In the during purchase phase, I would look into factors like buying experience, product accessibility, selecting products, reviews, payment system etc. While in post purchase phase, I would look into product quality and aftersales service.

This covers almost factors. However, I would like you to focus on during purchase phase.

I see. Is there any issue with the product accessibility or selection?

There hasn't been any issue with our website or buying experience however in recently done survey, customers were preferring trial options before buying decision.

Does our website have any trial feature for the jewelry? Has our competitor been offering any special trial options?

No, our website doesn't have any product trial feature yet, but our competitor has come up with a feature which uses AR/VR technology and allows user to see how a particular jewellery would look on their body (for e.g. a necklace on face)

Alright! Given that customers are conscious on how particular jewellery would look before making a buy decision, the trial feature built by our competitor is driving the customers towards it and we are facing the decline in number of customers and subsequently in profits.

Great. Thank you for the comprehensive analysis. We can close the case here.

Retail Jewellery Chain

Profitability | Moderate| Accenture (Buddy)

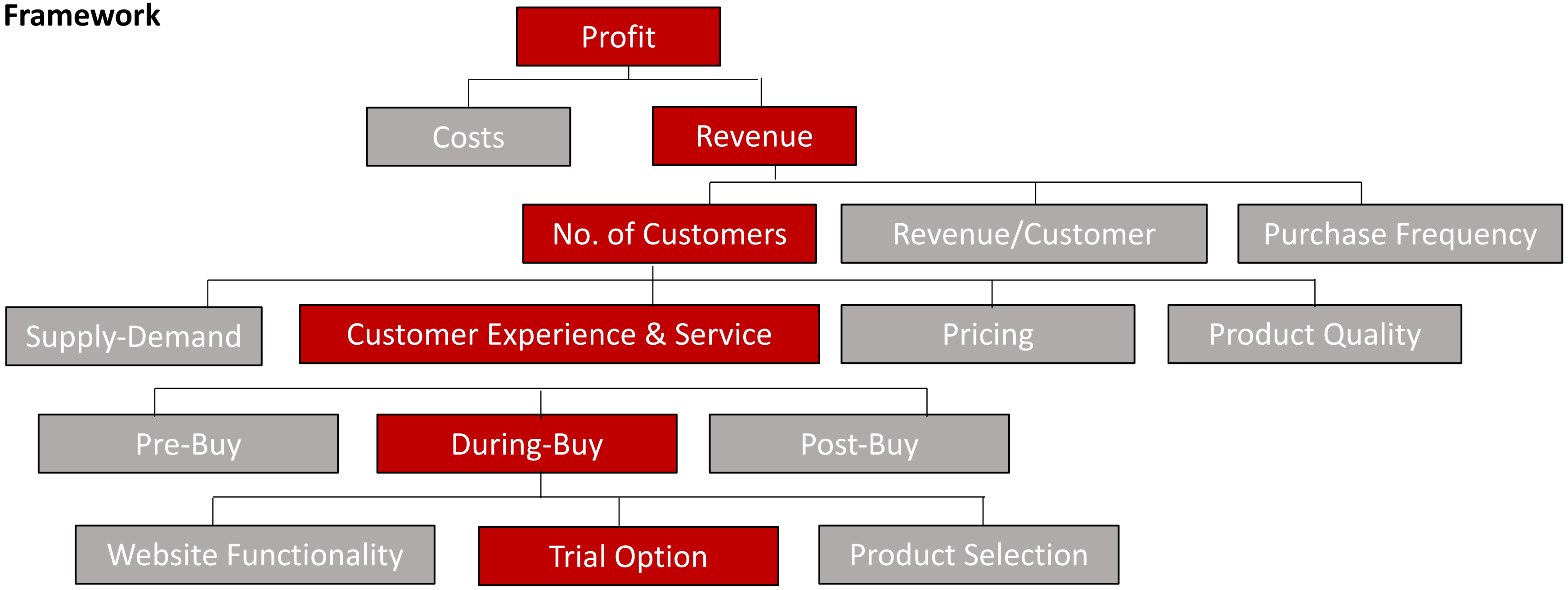
Case Statement

- Decline in profitability of online retailing channel of jewellery chain
- Analyze reasons for decline and provide solutions to overcome

Interviewee Notes

- Improve profitability with a focus on revenues
- Client specific problem
- Customer survey depicts preference to trial options

Structure/ Framework



Key Takeaways

- Understanding the consumer journey is the key to arriving at solution.
- Breaking down the customer experience to get down to delivery time is the important step.

Non Profit Organization - Church

Profitability | Challenging | Accenture (Buddy)

Your client is a church. They are observing reducing operating surplus and want to understand how to overcome the same. What would be your recommendation to them?

Thank you for the case statement. By operating surplus do we mean the difference between revenue and expenditure - i.e., the surplus or deficit - accruing from operations.

Yes, that is correct.

Alright, I would like to approach this with a revenue side and a cost side analysis. Do we know if the Church is facing both revenue and cost problems or only one of the two?

The Church has seen reducing revenues over the last 6 months, costs have remained same.

Alright, I have a few questions around the church, and there on I will try to identify their sources of revenue.

Okay!

Where is the church located? How old is the church? Has there been any changes in the # of people visiting the church? Has there been any change in the internal and external environment?

The church under consideration in located in Spain. It is a 100-year-old church has seen # of people visiting it reduce over the observation period.

Sure, I would like to state some sources of revenue for churches, maintaining grants from government (in case of Spain the Catholic Royal family will provide the grants), donation from church goers, fundraising events, community service engagements, revenue from allowing private events at churches, etc. Are there any that I am missing out?

That is comprehensive, the revenue from booking for private events has gone down and another source of revenue is the museum with the Church which has seen a declining tourist crowd.

Thank you for the additional information. First, I would try to understand why the bookings for private events have gone down.

Is it because the Church is failing to provide a platform for the conveyance of the events? Either due to poor human resourse availability or poor maintenance of the Church?

Correct, the Church is in dilapidated condition and requires reconstruction.

Okay, now we will try to identify why the revenue from tickets have gone down for the museum. Do we know if the factors affecting tourist attendance are contributed to the internal or external environment to the church?

The tourists are being driven down by external factors primarily.

To understand the changes in the external factors I would like to identify if there were any political, economical, social disruptions or instability in the country.

Yes, Spain has seen a lot of riots in the recent months and tourist do not feel safe to travel to the region where the church is located. What recommendation do you have for the Church.

The recommendations can be broken into short term and long term. In the short run the Church should take immediate efforts to renovate the structure and revive income from rent for private gatherings. In the long run the Church should lobby with the government to ensure tranquility in the region and create safe channels for tourist and pilgrim passage.
The church can also inspect opportunities with updating the ticketing system in the museum to digitalize the process for better management and record capture.

Thank you for the analysis. Let's wrap it up here.

Non Profit Organization - Church

Profitability | Challenging | Accenture (Buddy)

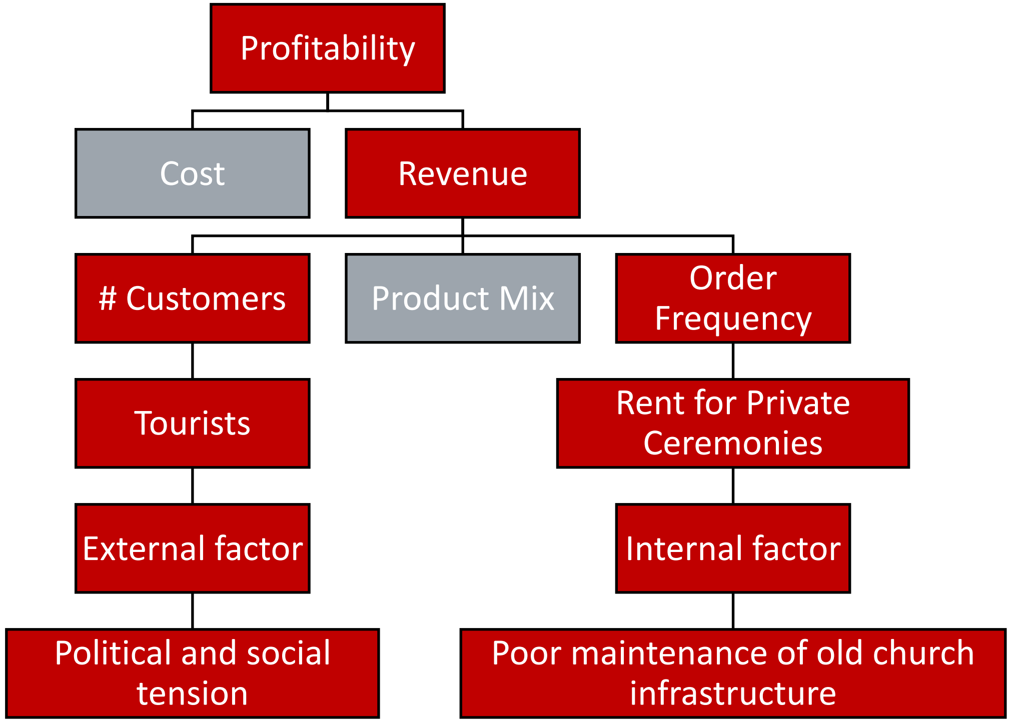
Case Statement

- The client is a church
- They want to recommendations to arrest negative operating surplus

Interviewee Notes

- The Church is in the European country of Spain
- The church has seen a drop in revenue
- Identify the revenue channels
- Check if there are external factors beyond the church’s control as tourists are involved as well

Structure/ Framework



Key Takeaways

- Every entity an be considered as business entity and a revenue model can be structured
- Importance of identifying key stakeholders as it drives better decision making while solving a case (eg. choosing to inspect external factors for tourists)

Your client is an Infrastructure & Construction Company based out of New Delhi. They have missed meeting their yearly cash-flow target twice in a row. Diagnose the problem and provide recommendations.

Interesting. Before I deep dive into the said issue, I'd like to ask a few preliminary questions to understand the problem better. Is that alright?

Yes, sure. Go ahead.

Great. So, in which all geographies does the client operate? Does it undertake projects just out of New Delhi? Also, to understand the revenue streams, do we know what type of projects are undertaken by the company?

The client is fairly new to this business and is currently operational only in two regions – NCR & UP. It has decided to either undertake highway construction projects or venture into building commercial offices. Although there are multiple projects in the pipeline, as of now, there are only two active projects. One is a newly constructed highway connecting Ghaziabad with NCR and another is a newly built office space in Delhi.

I see. Do we know the percentage share of the revenue from both these projects? Also, when were these projects completed? And are both these projects off their target?

Well, more than 90% of the client's annual revenue comes from the highway project. Both projects were completed 2 years back. For now, you can focus on the highway project. The office space seems to be doing fine.

Got it. So, let me start by breaking down the problem. Since we are unable to meet our designated cash-flow targets either we've estimated them incorrectly or we are seeing a variation from what was expected. Do we have any info on the validity of our estimates?

The estimates seem to be accurate and reasonable.

Okay, since the highway construction project has been completed 2 years back, is it alright to assume that cash outflows right now would be insignificant?

Yes, for the purpose of our analysis you can focus just on the cash inflows.

Got it. Is it also reasonable to assume that only significant revenue generation would be through toll collection?

Yes. That's fair.

Alright, so revenue through toll collection would be the product of the average number of vehicles passing through the toll plaza and the average toll collected per vehicle. Have we seen any decline in these numbers?

The average toll collection per vehicle seems to be as expected. You can explore the reasons for the declining average number of vehicles through the toll plaza.

Alright, so there'd be basically two types of vehicles - passenger and commercial. As I understand, commercial vehicles usually form the bulk of the revenue, so I'd like to analyze them first. Does that seem reasonable?

Well, the dip in numbers at 25% is more prominent for passenger vehicles than it is for commercial vehicles. You can consider passenger vehicles to be our only point of focus for now.

Interesting. So, there could be multiple reasons for this decline. Firstly, we can look at the need for this newly built highway. There could be alternative shorter routes that are being preferred currently. It could also be that people are not aware of this new stretch or maybe the connectivity with the city roads is not great and that is making it inconvenient to access. There could be further issues with toll rates or the collection process which might lead to queuing and making the highway less preferable. Lastly, we also look if the drivers are having a sub-par driving experience on this highway. This could be because of multiple reasons related to the safety and quality of roads, lighting, and availability of secondary services like hotels, restaurants, repair shops on the highway, etc.

Good, this seems exhaustive. Well, there have been safety concerns about the highway with multiple reports of theft and accidents since its inception. This has led to vehicles not preferring this route late in the night. Thank you for the comprehensive analysis. Let's close the case here!

Infra & Construction Company

Profitability | Challenging | McKinsey (Buddy)

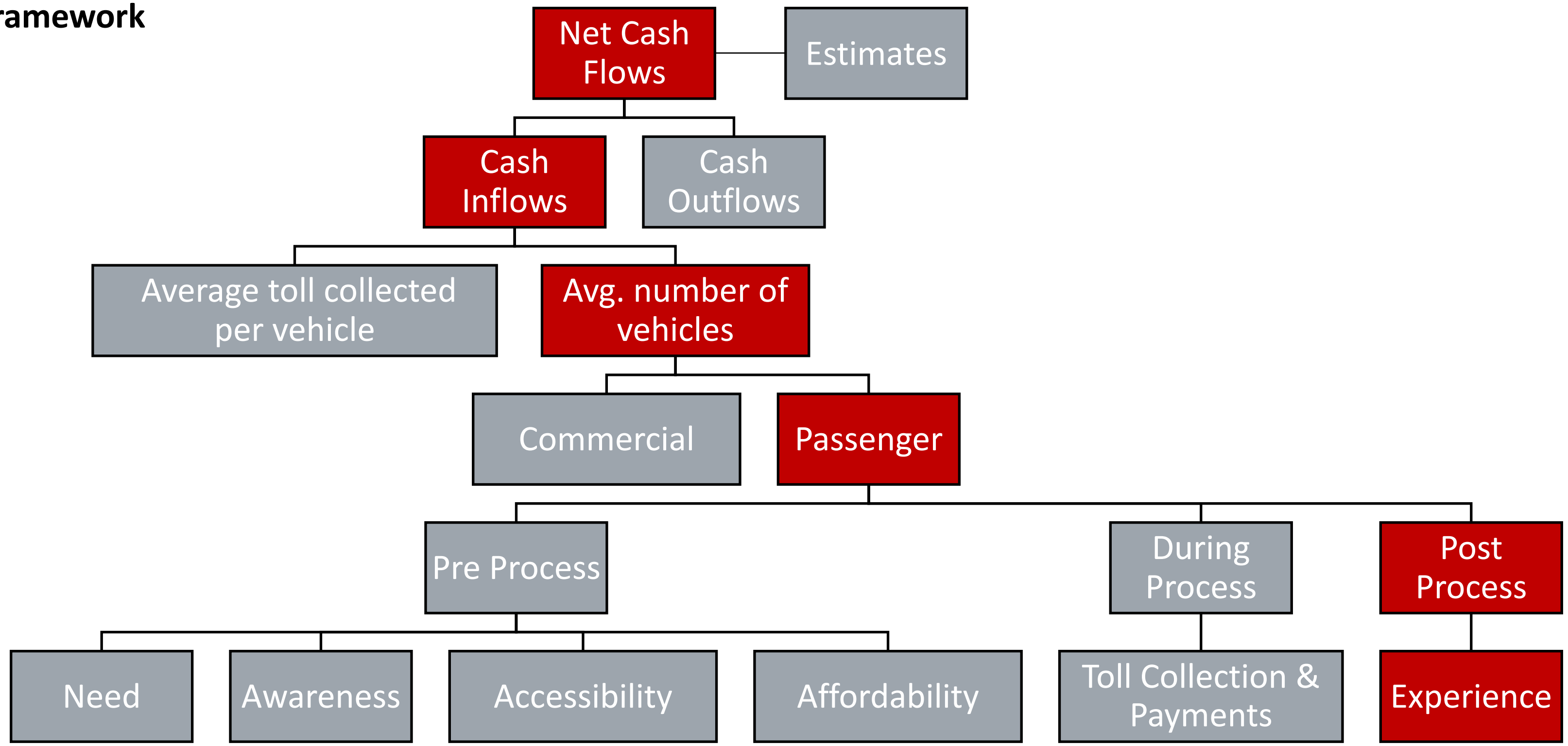
Case Statement

- Infra & Construction Company missing the estimated cash inflows due to reduced revenue from one of their highway projects.
- Figure out the root-cause and provide recommendations

Interviewee Notes

- Context: Geography – only in NCR and UP, Company – new player with few projects, Product/Projects – Construction of Highways & Offices
- Decline in revenue because of a 25% decline in the number of vehicles passing through the highway.
- Issues of safety and accidents.

Structure/ Framework



Key Takeaways

- While considering cash flows consider possible issues with estimations along with both inflows and outflows at any point
- Used the profitability framework to drill down to the core of the problem i.e. – the declining number of vehicles at night. Further divided into pre-process, during the process, and post-process. Pre-process: Need, Awareness, Accessibility, Affordability. In Process: Toll collection process and payments. Post-process: Experience – Hygiene & Additional

IIMB Market Entry Cases 2022-23

Market Entry Framework

Basic structure

Market Entry

- **Strategic Objective**
  - Why to enter?
  - Target Metric
- **Industrial Conditions**
  - **Market Attractiveness**
    - Addressable market
    - Growth rate
    - Profit Margin
  - **Customers**
    - Market structure
    - Reaction to entry
    - Segments
  - **Competition**
    - Price, Product, Place, Promotion
  - **Barriers to Entry**
    - Financial constraints
    - Capabilities/Resources
    - Suppliers
    - Govt. Regulations
    - Patents, IP
- **How to Enter?**
  - **Organic**
  - **Inorganic**
    - Joint venture
    - Acquisition

Good to know frameworks

1. Using **2 by 2s** for final decision like degree of control vs investments; competition vs own capabilities or your own set of parameters
2. **Porter's 5 forces**: Good to get the context of industry as a whole
3. **5Cs**: Company, Competitors, Customers, Context, Collaborators → very useful in scoping
4. **Value Chains** for various industries to understand nuances of market entry and objective metrics

Market Entry Framework (contd.)

Preliminary Questions

- Clarify objective, growth quantum and targeted timeline
- Geography – Why are we looking into this geography? Have they launched this product in another market?
- Business Model – Where does the firm lie in the value chain?
- What are the existing products/ services, capabilities and expertise of the firm?
- Who are the target customers? Market size and price sensitivity
- Any side-effects of product?
- Pricing – given or required, ask for targeted margin

1. Risks Involved

Risks
- Internal
  - Constraints
  - Resources
- External
  - Industry level
    - Market Attractiveness
      - Addressable market
      - Growth rate
      - Profit Margin
    - Customers
      - Market structure
      - Reaction to entry
      - Segments
    - Competitors
      - Price, Product, Place, Promotion
    - Barriers to Entry
      - Financial constraints
      - Capabilities/Resources
      - Suppliers
      - Govt. Regulations
      - Patents, IP
  - Macro Factors
    - PESTEL
    - Regulations
    - Currency Fluctuations

2. Market Size and Share

Economic Feasibility: Mkt Size x Mkt Share x (Price – Variable cost) – Fixed Cost

Solve the guesstimate to calculate market size, qualitatively find achievable market share

3. Modes of Entry

	Organic	Joint Venture	Acquisition
Advantages	- Retain business control - Build Experience Curve - Boosts Brand Image	- Less investment - Local Expertise - High Scale and Scope	- Extend market scope - Utilise local expertise - Produce synergy
Disadvantages	- High Capex - High Commitment	- Limited Control - Brand Dilution Risk	- Significant Investment - Threat to Brand Value

EdTech Business Strategy

Your client is an engineering and construction company. It does all sort of construction such as oil and gas refineries, equipment, rails, roads, power plants, etc. They have their own Tech Services as well. The client is now considering entering into the EdTech business. It is not like any conventional EdTech business (like Byjus, Unacademy etc.) existing already. The client is considering collaborating with engineering colleges and offer courses to the students. Suggest ways to strengthen their position and what partnerships should your client build?

This is a really interesting problem. This proposition seems to be quite different. May I know what is the objective of our client to enter the EdTech business?

Our client sees great potential in the EdTech business and wants to diversify for growth.

Which geography does our client operate in? And do they want to target colleges from the same geography?

The client operates in India, and they are looking to collaborate with Indian engineering colleges.

Alright! In that case, I would like to look at four things; first – which college our client should target; second – which courses to offer; third – how to build the platform, integrate courses and onboard students; and fourth – the future outlook for the client. Does the approach sound right? What should I look at first?

The approach sounds good. I would like you to look at which colleges to collaborate.

Sure. In that case, I would like to divide the total engineering colleges in India into different tiers – tier 1, 2 and 3. I believe tier 1 colleges are already well-established and hence it would be difficult for any EdTech business to take off in such colleges. Tier 2 colleges are good to start with, since they are huge in number and it also seems like a lucrative incentive for new admissions.

That sounds good. Consider any tier 2 college in Bangalore (Ramaiah for instance). The client is planning to offer a range of 20 unique courses. What are the value propositions that can be offered to different stakeholders?

Okay, I would like to look at three different stakeholders:

1. College administration – The college will be benefitted with the additional revenue through the EdTech platforms. Collaborating with a good company would also increase its brand name, admissions and rankings.
2. Faculty – Our client can collaborate with the faculty of the college to curate content that is relevant to the existing curriculum. Publishing such content on their platform would also increase the rankings of the faculty members.
3. Students – The courses will offer students with convenience of studying and quality content. The client can also provide job opportunities to students who subscribe to the courses.

That is an interesting proposition. Can you suggest what should the selection criteria for a job should be? Should all the students who subscribe to the course be offered with a job? Should our client alone provide job opportunities?

Our client should consider the following things:

1. Apart from academics, our client can offer live projects happening in the company or simulations as a part of their curriculum and evaluate students cumulative based on academic scores, performance in simulations and live projects. The client should also consider extra-curricular activities for selecting students.
2. Job opportunities should be provided to students with top performance in the courses, maybe top 5%ile of students who subscribe to the courses. If the client offers jobs to all students, they might get complacent to complete the course with dedication.
3. Jobs will be provided primarily by our client. However, they can also integrate with different other companies to help students find out jobs, thus strengthening their brand image.

Thank You. This was a good discussion. We can close the case now!

EdTech Business Strategy

Market Entry | Easy| McKinsey (Partner)

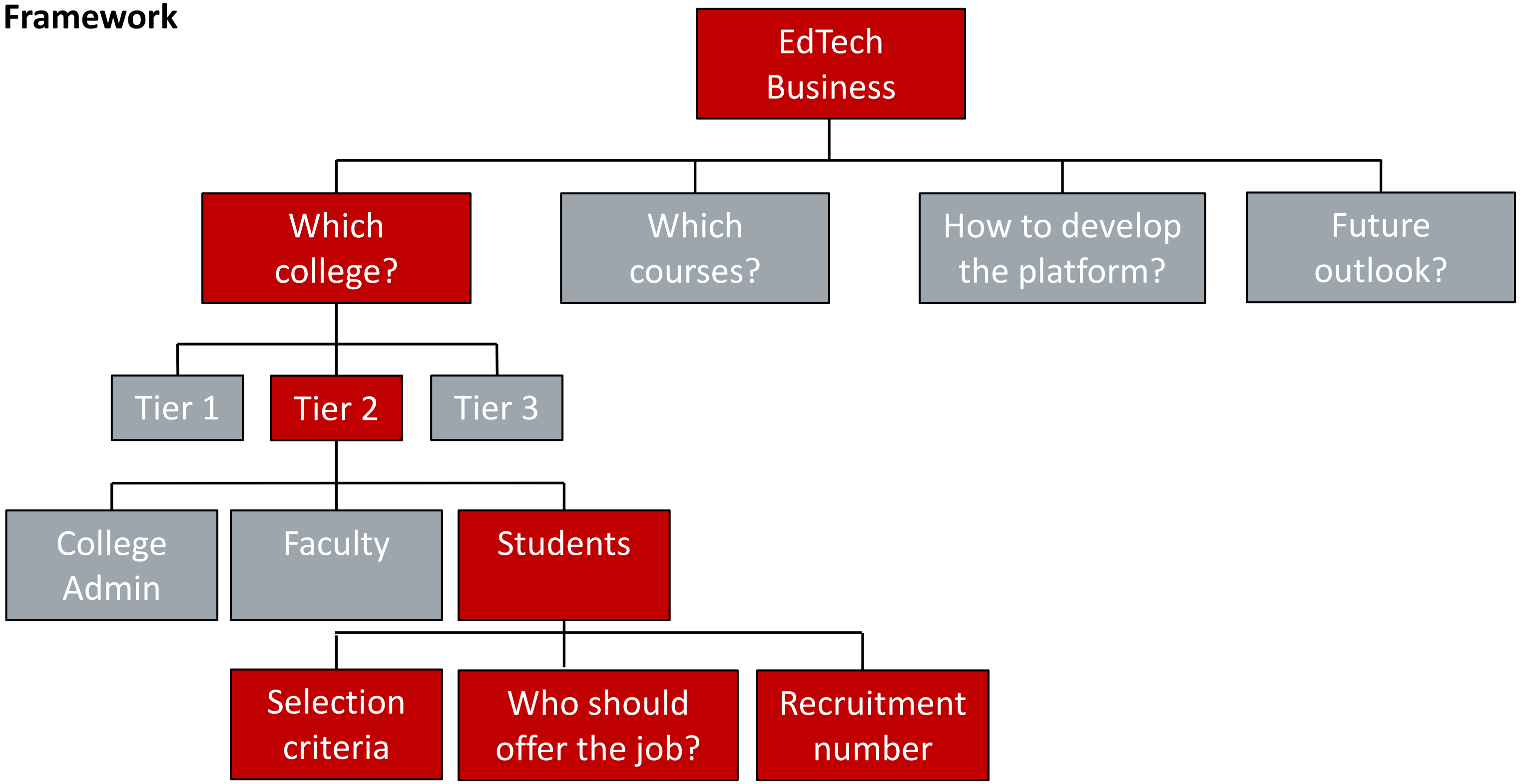
Case Statement

- Engineering and Construction company wants to enter EdTech Business.
- Client wants to develop collaborations with different engineering colleges and stakeholders.

Interviewee Notes

- Focused on building relations with existing engineering colleges
- Tech Services with a revenue of $5-10 Bn and great capabilities in the digital space.

Structure/ Framework



Key Takeaways

- No conventional framework used, conversational case.
- Think more in the perspective of incentives to different stakeholders involved in the process rather than just the client to make the value proposition stronger
- Take time before steps when you feel uncertain. Ask your interviewer if your approach is right and take his/her confirmation at each step.

Your client is a real estate developer. He wants to venture into new business idea catering to 60+ age category which seems like a lucrative target segment to him. There are multiple unicorns in US under the given category. Why don't you help your client with few business ideas which he can venture into. Assume you are developing a full-fledged startup.

Before moving on with the case I want to ask few clarifying questions. What exactly does our client do ? Does our client want to venture into the real estate segment or onto a new business all-together ?

Client has multiple real estate complex. He has also made a first in class real estate complex for 60+ citizens with all the amenities taking care of need of older citizens. He doesn't want to hear about business idea related to real estate and wants you to come up with something new.

Got it. I would like to lay out broad structure highlighting various buckets under which various business plan can be detailed out.

Sure, go ahead.

So since most of the old people would be retired and may want to explore or travel around during these time so **Travel** would be one segment we can look into. Old people often face trouble with regard to collection of pension so maybe we can do something around **Banking/Financial Service.** Old people have a different food requirement which is in stark contrast to younger age group so we can think of something around **Food Service** segment. **Medical** segment is one where we can look too, it can be further subdivided into two categories – **a. Checkup –** Old people have to undergo health checkup quite often so this is one category we can look at. **b. Prescription** – Old folks need constant requirement of medicine basis their health status, so this is one more category we can look at. We can further look into **Health** segment wherein it can be further subdivided into two categories – **a. Gym -** As far as old folks are concerned, there is no gym that caters to them. No gym/trainer is equipped with training old citizens, nor the equipment present serve the relevant purpose. So maybe we can look into this category where we can look for senior citizen specific gym facility dedicated to training just older folks **b. Sports –** Older citizens often find themselves lacking to find a player to play with. As sports facility is mostly used by younger or middle-aged folks who find older citizens lacking in speed and thereby avoid playing with them. So maybe we can look into this category where we can look to build an idea around community of sorts. Old folks have different taste in music and movies so maybe we can look something in **Entertainment** segment. Older citizens want to spend more time with their family especially their grandkids so maybe we can think of some idea to engage both generations. Hence, we can look into the **Fun** segment. These are few broad categories which I could think of.

Can you list down top three categories among these and rank them ?

I'll put Health segment as 1st, Medical as 2nd and Food as 3rd.

What's the reason for keeping Medical and Food as 2nd and 3rd respectively ?

For medical, we are trying to enter a niche segment of an already established business industry and the players present in the space can easily tweak their product offering with no or minimal capital investment to cater to said category and capture the market share. Similarly in food segment although the personalized food category for older citizens is a novel idea, the already established player can tweak their existing business model to cater to the needs of old with no or minimal capital, whereas this is not the case in health segment.

Okay. How do you aim to monetize the gym category under health segment ?

If it's our client, then he can directly offer the service in the old complex he has developed.

I want you to think in terms of some third-party service provider providing the said service.

Okay got it. Then the said provider can directly contact our client to provide service in his complex. The service provider can also tie up with the doctors/clinics where these senior citizens go to for their physio/health check up.

Okay. Tell me which category will have the highest spend by the older citizens.

When we consider the **Travel** segment, it would not entail much spend as the travel for most of the senior citizens would not be a frequent activity and mostly a bulk spend for would be made for the occasional travel. For **Banking/Financial** segment, the spend is again not much as the banking services in itself don't require much spend. For **food** segment, we know that the food requirement of older citizen is different and mostly majority prefer home cooked food. Hence this segment also doesn't entail much spend. Older citizens undergo regular health checkups and have different medicinal requirements so **Medical** segment would be one in which spend would be high. Under **Health** Segment, as mentioned present gyms don't cater to the present need of senior citizens so presently, I don't expect any spend in gym category. Similarly in sports category, the only spend might be of club membership. So, in overall health category the overall spend is minimal. All the major OTT subscriptions are under 1k so the spend in **Entertainment** segment is also minimal. Lastly **Fun** segment is something that has not yet been ventured into so the spend again is minimal or non-existent. Hence, **Medical** segment entails the highest spend by senior citizens

Okay. Thank you. We can stop here.

Senior Citizen Business Idea

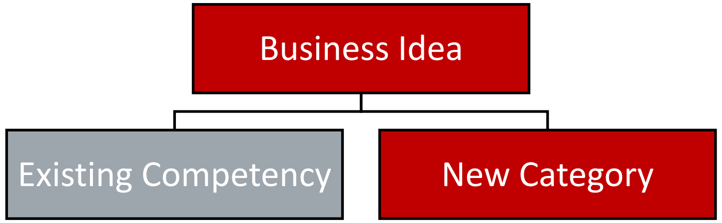
Case Statement

- Client is a real estate developer and wants to venture into new business catering to 60+ age category
- Client has developed a real estate complex catering to needs of senior citizens

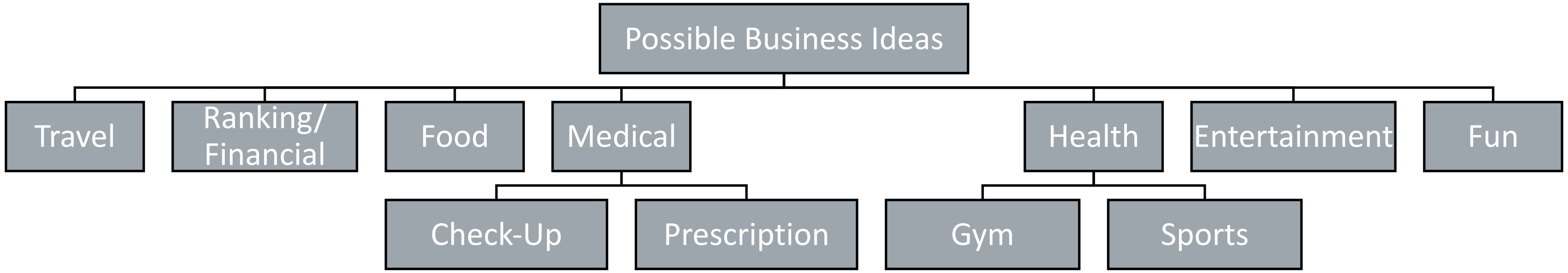
Interviewee Notes

- Client doesn't want new idea to be in real estate segment and wants to venture into new segment altogether.

Structure/ Framework



Idea Map



Key Takeaways

- Try to be as broad with your ideas as possible
- Try to give reasons for all the assumptions or ideas.
- Aim is to show the interviewer how extensively can you think given the time constraint and unconventional case model

Gig Workers Business Model

Your client is a startup that trains engineering graduates for entry level engineering jobs. They are currently thinking about venturing into a new business model where they train these graduates and send them as Gig workers to different organizations and charge them for the services. Discuss about the viability of the new business model.

Thank you for the case. To develop a better understanding about the client capabilities I have some preliminary questions about their current business model. I would like to know where is the start-up based out of, what is its operational model and what are the current revenue streams for the startup.

They are operating in a tier 2 city. They have physical training centres where students enrol themselves for 3-6 months industry training along with interview preparations. They even have training programs for people who have some work experience. Can you think about their probable revenue streams?

Their probable revenue streams can be split up into two, core and non-core revenues. The enrolment/ course fee that they charge the students forms their primary source of revenue. Since it's a training center, firms who are looking to hire competent candidates without having an elaborate hiring process can reach out to our organization for some quick hiring. This can bring us some non-core revenue.

That sounds fair. Can you talk about some cost heads that the client might be incurring.

Since it's a physical training center there will be significant infra requirements that will form a majority of the fixed cost that the client incurs, this includes leasing/ renting the training centers, setup costs, computer devices to setup learning labs, course instructor fee along with admin and maintenance costs. Significant amount of cost also goes in marketing activities.

Why do you think this startup is interested in reconfiguring its business model?

Before answering that I would like to confirm if I have the correct understanding of the new business model. So, the client will be sending their trainees to different organizations as Gig workers say for a particular project. So, the trainees will serve as their employees on contractual basis, right? And the client will charge the organization by evaluating the project work, and number and competency of the trainees being appointed for the same.

Yes, that's the correct understanding. Does this sound interesting to you?

We can approach the reconfiguration idea in the following manner, we can talk about the market opportunity, the risks and benefits associated followed by checking the financial feasibility for the new model.

Assuming that our client is preparing trainees for an entry level job in an IT company. Let's talk about the status quo, these IT firms hire in large numbers and spend huge costs in training the employees. There's a lot of attrition among new employees and level of competency remains low for significant number of hires. Our startup essentially is taking away the hefty hiring and training costs while ensuring competency of the employees. Also, IT firms have a lot of project-based work and need varying resources at different times, the contractual nature of the job will help them save costs as they wouldn't be required to pay the employee on a yearly basis but on project basis. So, from a firm's POV the idea seems attractive. If our client ventures into the new business model the market acceptability will be high.

Alright, talk about some risks associated with this business model.

Several risks associated are –

1. The industries have varying scope and dynamic nature hence there is a need of continuous training to ensure the competency and quality of our talent pool. Our training cost overheads will always be high.
2. Our trainees may leave us after acquiring the initial training and find jobs on their own rather than being our resources for the gig work.
3. Not all of our talent pool will be always appointed in gig work and there will be individuals who will be sitting idle, but we will have to pay them despite no work.
4. Firms would try to poach good employees and will eventually try to eliminate us from the equation. Ultimately best of our talents will be sieved out.

Okay. I want to know your approach for pricing this.

Okay, we will charge the firms variably as we have a talent pool with varying level of work experience as per the firm's project need, we will have customized pricing.
I will start with industry standard for entry level engineering jobs, is it fair to assume that an IT firm will have to pay 5 LPA for an employee for a year and maybe a 10% hike as the level of experience increases? Also, for simplicity can we assume that a firm will need the resources for a period of less than a year?

Fine you can assume that, consider that we have a talent pool of 1000 people with 600 freshers, 300 with an experience of 1-1.5 years and 100 with an experience of 2-3 years. Consider that you have to pay your resources for the entire year irrespective of whether they were appointed by a firm or not.

Alright that brings us to the fixed cost that the client will have to incur in terms of salaries. We have 5LPA, 5.5LPA and 6LPA packages. The total cost comes out to be 52.5 Crores for a year and additionally we will have some other costs such as infra, training, admin and maintenance cost. Do we have any idea about how much it adds up to? Also as discussed not every employee will be appointed to a job at a given point, do we have any idea about the resource utilization in terms of percentage?

Consider other costs to be 7.5 Cr for a year. And at any point we will only have 60% of the pool appointed to a job.

Alright a fixed cost of 60 crores and only 600 people employed at once. For breakeven we would have to charge 10L per resource for a project work. And to make our venture profitable we can keep a fair margin of 10 -15 % as profits. This leads to 11L or 11.5 L per resource.

Do you think is pricing is reasonable, what should our client do?

This is more than double the amount the firm currently pays to their employees. They could have two resources instead of one if they go through their usual route of hiring and training. This pricing would not work as firms will be reluctant to pay such an amount.

There can be another reason for reluctance for such firms they would want such employees to stay longer as they have dedicated enough time in understanding the firm's business and project requirements, they will lose on team synergies if they go for contractual model of work.

Any concluding notes or suggestions for the client?

Our client should reconsider this business decision as the pricing is the pain point. Price can be made viable only and only if at least 90% of the talent pool is appointed at any given point which is a very optimistic scenario. Even enormous trainings can not ensure such numbers and quality of the employees will go for a toss if the talent pool increases.

The client should work on optimizing their current practice, they can look into expanding their business by introducing online/ hybrid training programs this can help reduce the infra and training costs. Also, they can provide hiring and training services to the firms where they essentially aren't required to pay salaries to the talent pool.

Good. It was nice talking to you. Thank you.

Gig Workers Business Model

Market Entry | Moderate | BCG (MD)

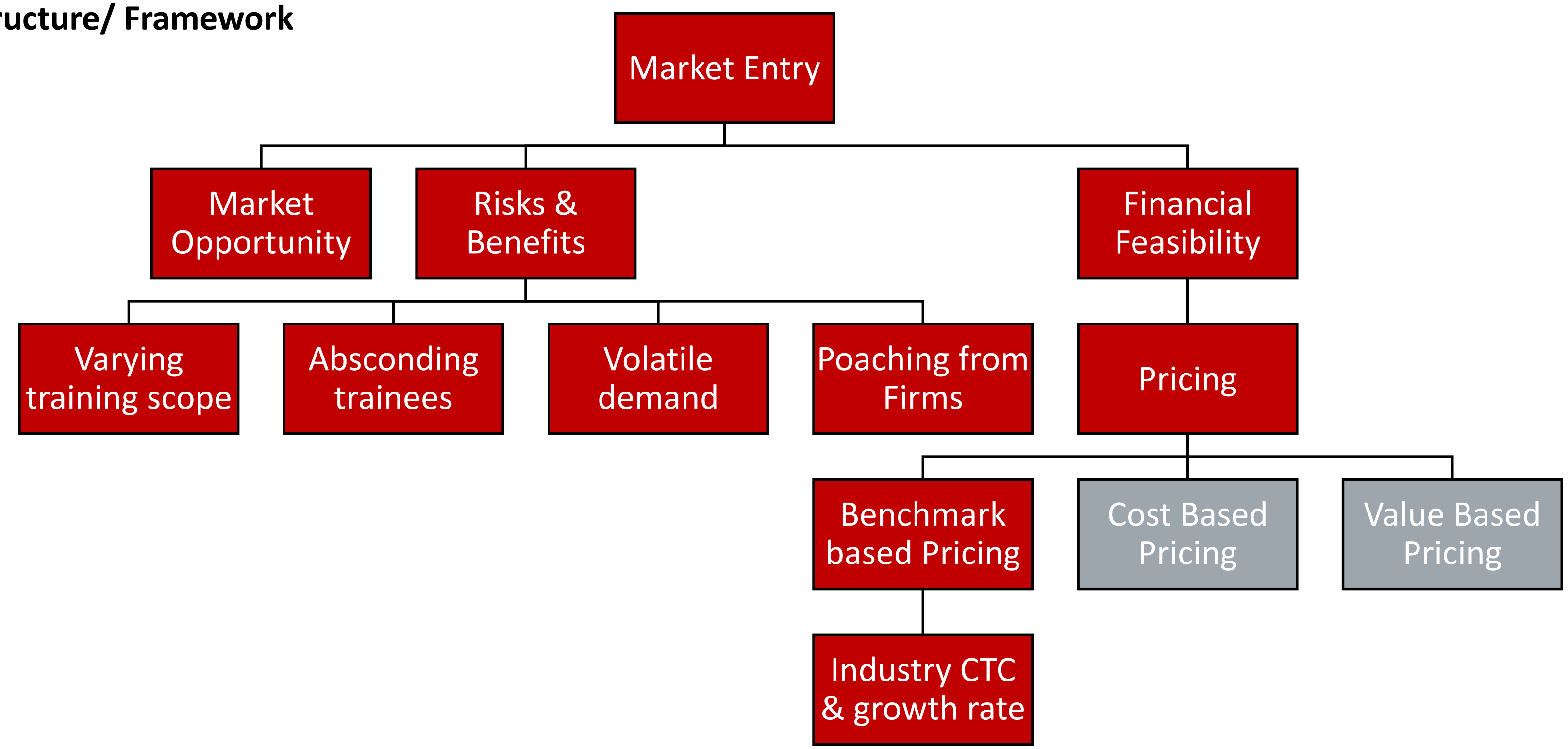
Case Statement

- Client trains engineering graduates for entry level engineering jobs
- Venturing into a new business model of sending these trained employees as gig workers in different organisations
- Objective: Identify the viability of the new business model

Interviewee Notes

- Operating in a tier 2 city
- Impart 3-6 months of physical training & interview preparation
- Revenue Streams– Enrolment fees, commission for conducting hiring processes for orgs
- Cost Heads – variable training costs, fixed infrastructure, rental & staff costs, marketing costs

Structure/ Framework



Key Takeaways

- Delving into the reason why the firm is venturing into the new business model is essential
- Giving a verdict on the financial viability and ways to act upon it was well received by the interviewer.

Multibillion Dollar Textile Conglomerate

Market Entry | Challenging | BCG (Buddy)

Your client is a leading multibillion dollar player in the textile business in India. They wish to launch a technical textile business outside of India. They need your help in evaluating which geography to launch the product in.

Before we go forward, I have a few questions regarding the client and also the product. What do we mean by technical textiles? Does the client have any history of launching a product/business outside of India?

There are two types of Textiles- Conventional Textiles and Technical Textiles. Conventional Textiles are your regular textiles used largely for making everyday fabrics(clothes, sheets, etc.) with aesthetic and some functional value. Technical textiles are fabrics that focus on functional value and have a technical application. For e.g. fabric in fire fighting, fabric in PPE kits, fabrics in automobiles and aircrafts.
The textile player has a rich legacy in conventional textiles but is launching a business in technical textiles for the first time. They have some limited business globally but are mainly based in India.

Thanks! Why are they thinking of launching a business in Technical Textiles?

They have recently acquired a German company that specialises in technology for technical textiles. They want to leverage this in launching a product overseas.

Does our client have a specific goal in mind?

In the short run they wish to gain some market share in the chosen geography and eventually consolidate as a profitable major player in the market

Great! I want to start my analysis by focusing on gauging the market attractiveness through evaluating the market size they can capture in the near term and then focus on operational feasibility by looking at our competition, value chain capabilities and finalizing on a mode of entry. Does this approach look okay?

Great! Let us focus on market attractiveness. Please proceed

Technical textiles have several applications across many industries. To gauge market attractiveness, we would have to think of which industry our client wants to enter? Does the client have any preference?

Good observation. Technical textiles mainly has applications across the travel tech(for automobiles and aeroplanes) and med tech(for PPEs, masks, medical equipment). What factors would you look at when evaluating which industry to enter?

Two main criteria: a) Industry Growth b) Adoption of technical textiles in that industry. Assuming this is post covid, we would have seen significant adoption in med tech while the adoption in travel tech would be more or less stagnant. The Medtech industry would have grown during covid and would see some stagnation in the coming years. Considering the boom in travel post covid, the travel tech industry would be growing.

Good points. Assume our client has chosen one of the industries as per your recommendation. What other factors would you look at while evaluating the market attractiveness?

Okay, once we have estimated the market size for our chosen industry, we need to look at the market share it can capture in the near term. We would look at the competitiveness in the market and see if the market is consolidated or fragmented. We would also look at the history of previous entrants and how much market share they captured initially.

Great. In most of the countries the technical textile market is characterized by a high HHI Index. Knowing this, how would you assess attractiveness?

A high HHI index would mean that the industry is highly concentrated. This would mean the few large players are creating barriers of entry. In the context of technical textiles, this could be industry lobby, regulation or patents. Would you like me to think of more?

Good catch! A few multinational textile companies(industry leaders) have created a lobby which keeps updating regulations making it tough for new entrants to sustain in the market. How would you counter this issue?

We can think of two approaches: a) Partnerships – Have a joint venture with an existing leading company to launch our product in that geography. b) Government/Political support: Choose a country which has good bilateral trade agreements with India, making it easy to enter the market.

Good points! We can close the case now! Thank you.

Thank you!

Multibillion Dollar Textile Conglomerate

Market Entry| Challenging | BCG (Buddy)

Case Statement

- A leading Indian multibillion-dollar textile conglomerate wants to enter a market overseas in the technical textiles business.
- Has a limited presence globally but has recently acquired a German company specializing in technical textile products.

Interviewee Notes

- Important to keep listing major factors at each stage- some industry knowledge was helpful
- Interviewer looking for creative ideas. Conventional approach less supporting.

Structure/ Framework

- Market Attractiveness
  - Industry Selection
    - MedTech
    - Travel Tech
  - Market Size
    - Industry Growth
    - Adoption
  - Competitiveness
  - Barriers to Entry
    - Technology
    - Joint Venture
    - Regulatory Lobby
    - Bilateral Trade Partner Country

Key Takeaways

- Asking relevant questions upfront is key to solving the case. Tendency to go down the rabbit hole as case statement is brief.
- Taking buy-in from interviewer during market attractiveness MECE is important.
- Choosing criteria for evaluating which industry to choose was critical. Interviewer looking for creative insights.
- Some industry insight was helpful. Useful to know what factors govern markets in traditional industries.

E-commerce (Furniture segment)

Market Entry | Moderate| Kearney (Partner)

You client is an e-commerce company which is currently in apparel segment currently and wants to enter in online furniture segment. Can you please analyze the current market and suggest if you client should enter in the market or not?

Before analyzing the current market, I would like to understand more about the client. Can I ask a few questions regarding the same?

Yeah sure.

May I know the where does the client operate majorly? In what specific segment of apparel does our client operate? Which kind of market do they serve B2B or B2C? What is the objective behind entering in furniture segment? Who are the major players in the market as of now?

Nice! So, our client is currently operating only in Indian market with major competitor as Myntra, Flipkart and Amazon. They are serving every segment, majorly women apparels and concentrated on in B2C market. The client has done some preliminary research and found out that the online furniture segment is something which is untapped as of now and seems to have lot of potential.

I think I have all the required information to proceed with my analysis. Can I take few moments to structure my thoughts?

Sure!

Alright, so I would like to divide the analysis in two parts, first I will analyze the market attractiveness then I will go in to check the operation viability and financial feasibility of our client. Does this seem correct approach?

Interesting! This seems fair approach. Please go ahead!

To start with market attractiveness, I would first like to understand the total addressable market in India then we can look at other factors.

You can just tell me the approach how will you reach to that number.

Okay sir. I will first divide the Indian population into two parts Urban and rural. Then we can consider the average family size Urban to be 4 and rural to be 5 to get the number of household in each segment. Then we can divide the furniture consumption into two categories as durable and nondurable and get the average annual consumption. We can consider the average life of durable furniture as to be 15 years and non-durable to be half of it. Summing all this up, we will we the final annual consumption in India.

That seems correct! Can you think of what will be the consumption pattern and customer base?

There will be two kinds of customer first will be who are buying a new furniture and second will be the group of people who are looking for replacement of old furniture. The consumption will be again be of two type new and repeat customers.

Nice! Now can you think of other factors which will help us to decide market attractiveness?

Other factors that will help us to decide can be market growth rate, profit margin, customer, competitions, barriers to entry, delivery cost, warehousing cost, return policies etc.

That sounds good, now you move ahead with the second part of the analysis.

To understand the operation viability, we should look at the value chain of online furniture segment. It starts with procurement of material that also includes onboarding vendors then we have inventory management where we must decide the optimal inventory as per demand then operations where we must look at the current our application and if needed, we can build a new app. Finally, we have distribution, marketing and post sale services in which we must decide how will we capture the market and retain customers

Pretty comprehensive. Can you investigate way to enter in the market now?

We can enter in the market either organically by setting up our own operation from scratch, or we can acquire small player who are currently operating in this segment, or we can do joint venture with a bigger firm. I would like to add one more point here that we can leverage our current customer base to market our product as we are doing well in apparel market and furniture in mutually exclusive from that.

That is a great idea. I think we can close the case here! Thank you.

E-commerce (Furniture segment)

Market Entry | Moderate| Kearney (Partner)

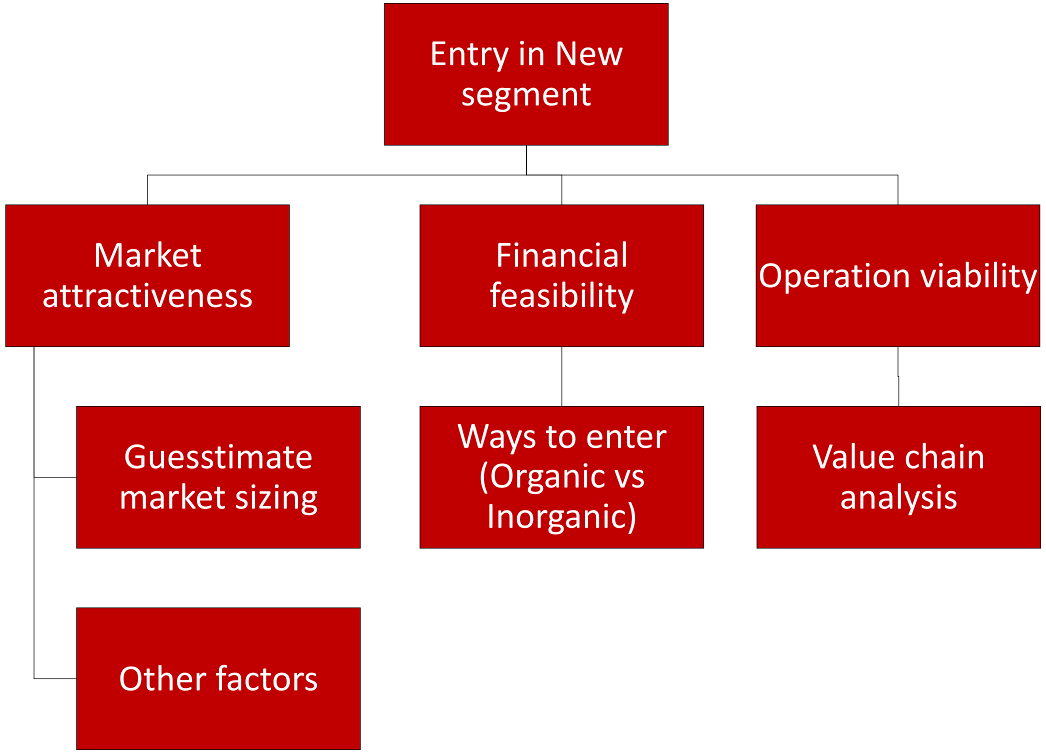
Case Statement

- Apparel ecommerce client who wants to online furniture segment
- Analyze the market and suggest the way to enter

Interviewee Notes

- Only operated in Indian market
- Major competitors – Myntra, Flipkart, Amazon
- Operating in B2C segment
- Done preliminary research and market seems attractive

Structure/ Framework



Key Takeaways

- Divide the market entry problem in 2 parts always – market attractiveness and (financial feasibility and operation viability)
- Try to incorporate information provide upfront while providing recommendation

Home Textile Manufacturer

Market Entry | Moderate | Kearney (Buddy)

Case Statement: Our client is a Home Textile Manufacturer. They have developed a new bed sheet range and they want to launch this product in UK market. Help the client in devising a strategy for the same.

Before I delve into the problem, I would like to ask a few preliminary questions to understand our client better. What kind of products does our client offer and what is the revenue breakup? Where does our client lie in the value chain and where does our client operate currently ? How does the competitive landscape look like?

Our client manufactures Bed linen, Bath linen and Kitchen linen. The revenue breakup is 30%, 40% and 20% respectively. Apart from manufacturing, our client also handles 50% of the distribution. Rest is handled by a 3rd party. Currently our client operates in US, UK, India, Germany and Japan. It is a completely new product. There is no similar product in the market.

Is there any thing unique about this new bed sheet range that our client wants to launch in UK? At what price would our client be launching this product? Also, what is the main objective of entering the UK market ?

Good question. This new bed sheet range has a unique temperature regulating property. Depending upon the ambiance, it automatically adjusts the temperature. The price would be around 40 pound per bedsheet. Their main objective is to maximize profit in coming 2-3 years.

Now that I know enough about the client, I would like to get into strategizing part. I would divide the entire market entry strategy into three parts – Market attractiveness, Economic viability and Operational viability. Does this seem a fair approach ?

Yes. This seems fair..

Sure. Under market attractiveness I would first like to analyze the macroeconomic factors and then would like to do industry analysis. After that I would like to do market sizing for the product.

The market seems attractive enough. Let's get into market sizing.

Sure. I would first like to divide the entire UK population into 2 parts – Urban and Rural. Then I would divide each of them by average family size i.e., 4 for urban and 6 for rural, to calculate the total number of households. Next, based on the income I would further divide both the categories into 3 parts- High income, middle income and low income. Next, I would concentrate mainly on the high- and middle-income class who would be willing to try this product. Based on the requirement of the type of product, I would further divide these two categories into 2 parts i.e., single bed sheet and double bed sheet. Also, I would factor in the frequency of purchase for both these categories depending upon the life of the bed sheets i.e., Bed sheets bought in 1 year = ((Population*Avg no of bed sheets owned)/life of bed sheets). Hence, Market size = (Population)*(%Urban or Rural population/average family size)* (%High income or middle income)*(single or double bed sheets required)*(%Willing to purchase)*(frequency of purchase in 1 year)*(Price of single or double bed sheet). Is this an exhaustive list or am I missing any factor ? Do we have any data for the same?

This seems a very comprehensive approach. No need to get into the numbers. Can you tell me top 3 entry barriers that our client would face in this market ?

Sure. Firstly, our client might face a threat from substitute products like heaters, woolen wears and coats. Secondly, since it is a new product in the market, there's a high chance that other competitors might copy the technology and launch similar products. Hence, our client should file a patent for this product as soon as possible. Thirdly, our client might face dilution in the sales of their current products like woolen bed sheets and blankets due to their new product launch.

Okay. Those were actually a few of the entry barriers that our client faced. It was nice interacting with you. Let's close the case here.

Home Textile Manufacturer

Market Entry | Moderate | Kearney (Buddy)

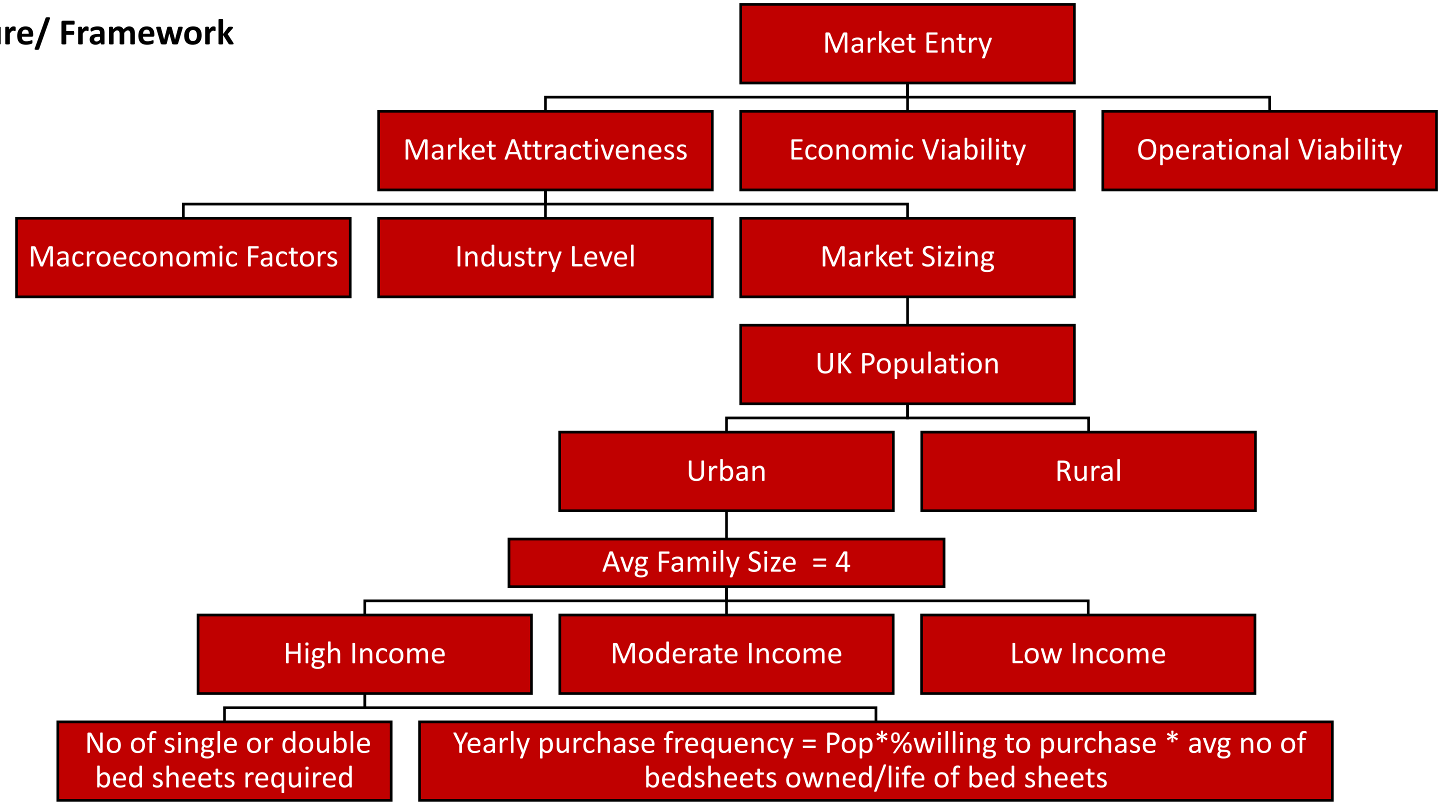
Case Statement

- A Home Textile Manufacturer has developed a new bed sheet range.
- Market entry strategy needs to be decided.
- Main objective is to maximize profits in 2-3 years.

Interviewee Notes

- New bed sheet range does not have any competitor
- It has a unique temperature regulating property
- Bed sheet costs 40 pounds each
- Operates in US, UK, India, Germany and Japan
- Market sizing of bedsheets
- Entry barriers

Structure/ Framework



Key Takeaways

- Explain your market entry strategy by dividing it into adequate buckets
- Include the product SKU in market sizing
- Make valid assumptions wherever necessary in market sizing

Telecom Operator in the 80's

Market Entry | Moderate | Strategy& M.E. (Buddy)

Your client is a Telecom operator in the US in 1980's. They run telecom landlines in the US market. They want to get into the home security business and want you to assess if they should enter this segment or not.

That's interesting. Before I get into the analysis, I would like to understand the client better. What part of the landline value chain does the client serve in? Do we have any information about the market structure and competitors?

So, the client provides end-to-end landline services in the market. They operate the total value chain themselves. They are a monopoly in the US and there are no competitors.

Understood. So, what type of home security business do they want to get into? Will they service only the existing customers? What is the primary objective of wanting to get into this segment?

The home security product is a hardware-based, plug & play system that alerts the homeowners about attempted break-in attempts. It is connected to the landline system and calls 911 in case a break-in happens. They currently want to target existing landline customers. The primary objective is growth and increase in revenues.

Great. I think I have a fair idea about our client. I'd like to start by assessing this new business line from 3 perspectives: Financial Feasibility (What is the market size? How much can we capture? Profitability analysis?), Operational feasibility (Do we have the operational capability to actually implement the business?), Market Attractiveness & Risks (How attractive is the market and are there any risks to enter this segment?)

Okay, you can start with the financial feasibility. Let's start with sizing the potential market.

To size the market, I would like to go with the demand side approach and start with the population. The current population of the US is around 34 Cr. Assuming a low growth rate of 1-2%, the population in the 80's could have been roughly 20-21Cr. Because it is a home security product, we must look at the number of households. For US, I would like to assume a family size of 3 because they usually have nuclear families. That brings the number of houses to 21/3 = 7 Cr households. Does this seem like a fair starting point?

Seems fine. Tell me how you would go ahead to segment the market?

Next, I would like to split the market on a rural-urban basis and divide each group into the relevant income segments such as low, medium, high. I think home security will be relevant only to middle- and high-income segment of the market, so I'll make assumptions accordingly while sizing the market. I'll also look at the ratio of apartments, gated communities and individual homes. Do we have any information about the proposed pricing of the product to confirm if my assumptions are fair?

Seems fair. We currently charge 30$ a month for the landline service. What do you think should be the relevant pricing model for the home security device?

For the device, I think it is something that will be used by households for longer durations. So, instead of charging a high upfront cost, does a monthly fee seem relevant here?

Yes, that seems relevant. The proposed pricing for the device is 12$/ month. Let's assume that your market sizing gives you 10Mn eligible households. What would be the market size?

The annual market size in this case would roughly be $1.4Bn (10Mnx12x12)

What is your opinion on the market size? Is it big enough?

On the outset, the number does seem big enough for the 80's market. But I would need to benchmark this value to get a more accurate idea.

Fair, let's say that the market size is desirable. How will you analyze the profitability now?

Profitability is a function of Revenue & Costs. We know that the revenues are 144$/unit per year. To break down the costs, I'd like to understand more about the value chain that we plan to set up. Will we make the device in-house or source it from another manufacturer?

Good question. We plan to purchase the device from a Chinese manufacturer and the total cost per device is $300. There are no other costs of production for now.

Okay, home security is something that people buy for longer terms. If I assume that people would use the device for an average of 5 years, the total revenue comes up to be $720 (144x5). To break even, the customers will have to use the device for 25 months (25x12). Does that seem okay?

Seems fine. Let's move ahead. What next?

Next, is the operational feasibility. We'll have to check if we have the operational capabilities to launch this new product. This includes R&D, raw material procurement, inbound logistics, warehousing/storage, outbound logistics, selling strategy. But because we're procuring a ready-made device, I think that we don't have to work on R&D and raw materials. Do you want me to focus on any of these aspects in particular?

Let's assume that the operational capabilities are sorted until outbound logistics. Let's focus on selling strategies

Okay, so the selling strategies will include administrative aspects and the marketing aspects of it. Under administrative aspects we'll have to check if our current workers have the capabilities to install the home security system or if we will have to hire new workers. We also need to plan the marketing strategies to create awareness and drive purchases.

Good insight. Our current workers can install the new product, we don't have to hire any new workers. Also, our client wants to keep the marketing expenses to zero. How would you go about this?

That's great. To keep our marketing expenses zero, I think we will have to leverage our existing landline operational network in the market. I can think of 3 specific touchpoints where we interact with the customer: routine maintenance of telephone lines, Calls made by customer, monthly payment collected from customer. Do these seem okay?

Good breakdown. How would go about utilizing these customer touch-points to minimize our expenses?

I think that each of these touch-points can be used to drive awareness in the customers. During the maintenance, the staff can visit the customers and inform them about the new device. Secondly, we can put a voice prompt which introduces the product when customers dial calls. However, this might be a little intrusive. Thirdly, because the telephone bill is generated monthly, a brochure can be sent to the customer when sending or collecting the monthly bill. These strategies will ensure that we keep our marketing expenses zero by leveraging our current operational network.

Great suggestions. I think the third option seems to be the best one. We can close the case here.

Case Statement

- Client is a landline provider in the US in 1980's. They want to enter the home security business
- They want to figure out if they should enter this product category

Interviewee Notes

- Monopoly, landline business, US, 1980's
- New home security product launch
- Wants to assess profitability
- Monthly subscription is $12 for the security device
- Marketing costs need to be zero

Structure/ Framework

- Market Entry
  - Financial Feasibility
    - Market Size & Share
      - Household Approach
    - Profits
      - Revenues
      - Costs
  - Operational Feasibility
    - Value Chain Analysis
      - Resources & Capabilities
        - Selling Capabilities
          - Marketing Touch Points
            - Maintenence
            - Customer Calls
            - Monthly Billing
          - Administrative/ Set-up
  - Market Attractiveness/ Risks

Key Takeaways

- Clarify the business model & value chain of the client, and the objective of market entry in the start of the case
- Double check the assumptions made with the interviewer to ensure that you're on the right track

After School Tutoring Client

Your client is an after-school tutoring client who is looking to explore entry into the Indian market. Analyze the available opportunity and arrive at decision parameters which can be used by the client to arrive at a decision.

I would like to understand more about the client to gain better clarity about the problem. Does the client have previous experience in running such a business? What are the target customer segments, and are their other players also competing in the same space?

The client is focused on school going children as their target consumers. You can consider children in grades 1 to 12. There are 10 companies in total in the market, including our client who are offering similar services. For our client, this is a first time venture.

That information is very helpful. I would further like to understand more about the product offerings from our client, how they are priced, how does the client plan to handle distribution of its products, and what are the available promotion channels?

Great questions. The product is a tablet computer with an application where students can access the content. While some part of the sessions are live-streamed, there is a proportion of content that is pre-loaded. The device is priced at Rs 1 Lakh/student/year. Since it's a new venture, client is open to suggestions on retailing and promotion strategies.

So, let me summarize the case for clarity. Our client is an after school tutoring client, looking to setup a market for its product, which is a tablet-based device. Its target customer segment is school going children in age group 5-17 years. The device hosts both offline and online content and product is priced at Rs 1 lakh/student/year. The client wants us to analyze the entry opportunity in the market. Does that sound good?

That's a good summary. Go ahead.

Great. So, for my analysis, I look at two aspects: external factors and internal factors. Within external factors, I would proceed first by doing a market sizing followed by an industry attractiveness analysis. Within internal factors, I would focus on operational feasibility, availability of financing and possible risks.

That sounds comprehensive. Let's begin with market sizing. Tell me your approach.

So, for market sizing, I'll focus on calculating 3 values: Total Addressable Market (TAM), Serviceable Addressable Market (SAM), and Serviceable Obtainable Market (SOM). To calculate TAM, I begin with total population of India as 1.4Bn. Since median age of the country is 28 years, I can assume that number of people in age range of 0-28 is 700 Mn. Does it sound good so far?

Yes, the approach is fine. Carry on.

Next, we calculate number of children in age group 5-17 years old. Assuming uniform distribution of age, number of children in target age group is (12/28)*700Mn = 300Mn. Assuming a rural to urban split of 2:1, we get 200 Mn children in target age group in rural areas, and 100Mn children in urban areas. The number of school going children in this age-group is calculated by using Gross Enrollment Ratio.

That is correct. It is good that you know Gross Enrollment Ratio. Tell me, if GER of India is 0.7, and GER in rural areas is 0.6, what is the GER of urban areas?

Well, let the GER be x. So, 0.7*300Mn = 0.6*200Mn + x*100Mn. This gives us GER of 0.9 for urban areas. So, TAM here is school going children in age group 5-17 years, i.e., 210 Mn.

Very good. Tell me how you would proceed with calculating the SAM? Assume a share of wallet of 20 times.

Okay, since share of wallet is 20 times, we need to assume a minimum parent income of 20 lakhs per year to afford this device. We can use income tax data to calculate number of people who fall in this category. Assuming total taxpayers to be 3.5 crore, we know minimum income required to pay taxes is Rs 5 lakh/ year. Assume 5 tax slabs beyond 5 lakhs, with highest slab being 20 lakhs and above. So, number of people earning 20 lakhs and above is 70 lakhs.

Good. This is an intuitive analysis. How will you use this data now?

So, percentage of population with required income is (70 lakhs/1.4Bn)*100 = 0.5%. So, 0.5% of children among my TAM of 210Mn can actually afford my product. This leaves me with 1.05 Mn children who can afford my product.

What other factors will you consider when looking at SAM?

Among the children who can afford my product, there will be many who may not opt for after school coaching. Among those who want coaching, many may prefer physical classes to online tutoring. Assuming that 10% of the 1.05 Mn children are actually interested in our service. That leaves me with a SAM of 1.05 lakh.

Excellent. That's very close to the number we actually got in the case. Assume SAM to be 1 Lakh. Next tell me the SOM and total potential revenue that our client can hope to capture.

We know that including the client, there are 10 companies in all that provide similar services. Do we have any data to indicate whether the client's product is differentiated in any manner?

No. Assume each firm provides identical offerings.

Then, we can assume the market to be equally divided among each firm. This gives a SOM of 10,000 students for our client. At the current prices, our client can capture a potential market revenue of Rs 100 crores.

Okay, so at this revenue level, should the client actually make the decision of entering the market?

To decide that potential revenue is not the only number I would focus on. Its also important to understand what margins our client can hope to make by selling these products. To calculate profit margins, we can look at the cost structure of the business by analyzing the overall value chain. Next, we calculate PAT to understand burden of fixed assets, leverage and taxation for this business. All these will be factors in my analysis

That sounds comprehensive enough. Suppose the client tells us that he is unhappy with the current market share and wants us to explore ways to expand market share. What would you recommend to the client?

When we talk of increasing market share, our focus is on topline or revenue growth. There are 3 levers of revenue growth: price of the product, sales volume, and product offerings. We can individually analyze each lever to check its impact on market share.

Analyse each lever with respect to this case.

So, changing price will not really impact sales as a whole, since the demand among the target customer segment is price inelastic. Our client can focus on increasing volume of sales by expanding their distribution network and advertising costs. However, for a newly setup business, the cost of expanding reach at this scale might be very high.

Finally, I believe the client can focus on creating a differentiation in the market by providing a better range of services. A key target market could be the high stakes examinations market such as JEE, NEET etc. The client can also focus on unbundling its offerings and expanding into a market purely based on educational content. Lastly, the client can explore expanding into new geographies with similar curricular structures.

These are great recommendations and in line to what we did while solving this case. Great analysis overall. I really enjoyed our conversation!

Thank you, sir. I really enjoyed discussing this case with you. Hope you have a pleasant day ahead.

Alright. Thanks a lot. Let's close here.

After School Tutoring Client

Market Entry | Moderate | LEK Consulting (Manager)

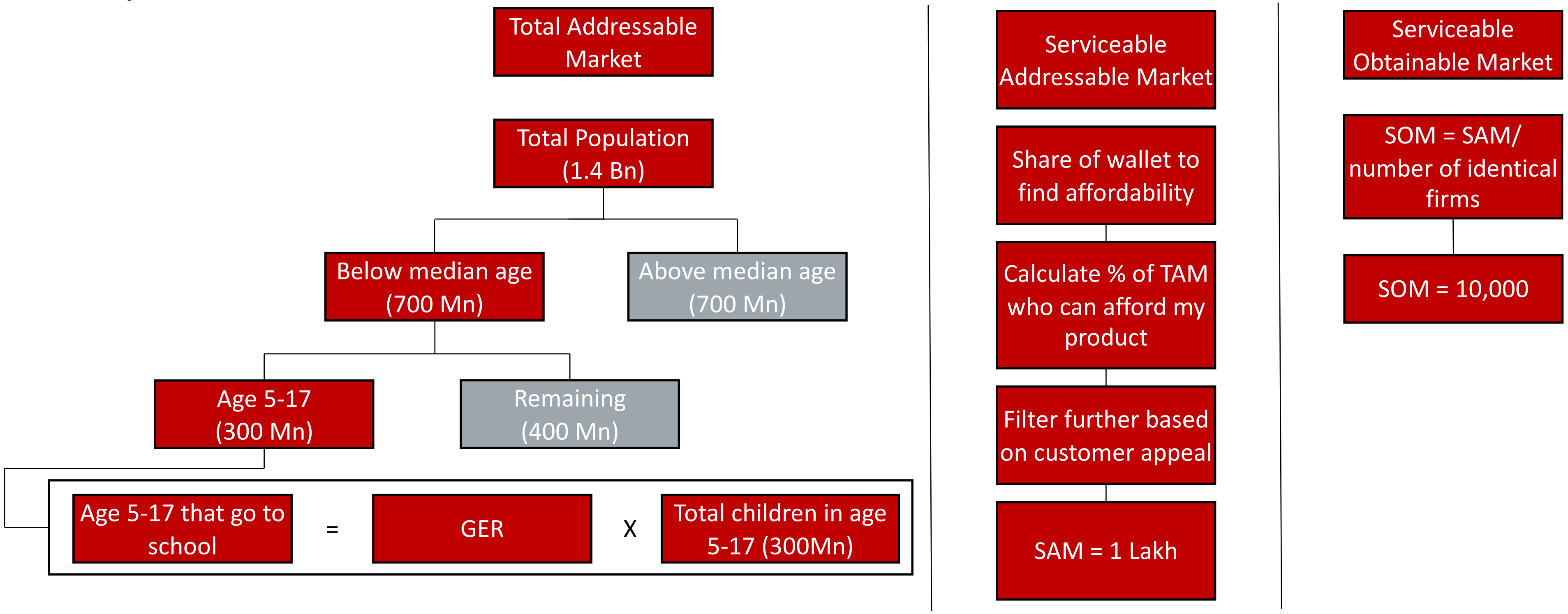
Case Statement

- Client is an after-school tutoring service provider
- Looking to expand into the Indian market
- Client has asked us to evaluate the attractiveness of the opportunity

Interviewee Notes

- Target customers: School going children in grade 1-12 (Age 5-17)
- Product provides both offline and online content
- There are total 10 firms (including client) providing similar services
- Price = Rs 1 lakh/student/year
- Assume a share of wallet of 2 times to evaluate affordability

Structure/ Framework



Key Takeaways

- Structure the problem following MECE approach at each stage
- Long cases are intended to test patience. Stand firm on your analysis.
- Market sizing should be done by calculating TAM, SAM, SOM.

Uber for Helicopters

Your client wants to start an Uber for helicopters. They have several questions:
1. What do you think of the proposed idea?
2. Where would you start this service?
3. Who will the customers be and why would they pay?
4. Also, do a guesstimate and calculate the market size for this service.

Before I begin tackling all these issues, I'd like to ask a few clarifying questions about the company. What is the client's objective behind doing so? Are there any specific metrics the client is looking to track to check their progress?

The client is simply looking to start this new service and make money.

Alright. And is the client looking to start this business in India only or should I consider international operations?

India only.

Alright. And what does the client do currently?

Why do you think that is relevant here?

I am trying to understand the starting point for the client. For instance, I would like to understand whether the client owns a fleet of helicopters or is there a plan to lease these vehicles?

You can assume that we have money. There is no other information that I can help you with.

Sure, I'll just take a minute to structure my thoughts before I begin with the analysis.

Sure. I'll leave the room for five minutes. I hope that'll be enough for you to find the answers.

(Upon the interviewer's entry) I think that the major advantage of the proposed service would be the time saved and of course the luxury and convenience on offer.

Sure. Please move on to the next questions. Where would you start this service?

Considering a similar service has started in Bangalore recently, offering helicopter rides from the city to Bangalore, I would suggest that the client targets the major Indian cities. We can target the primary 4-5 cities to begin with- namely Delhi, Mumbai, Bangalore, Chennai. Moreover, we can look at hill stations as well, where helicopter services are already an acceptable mode of transport. For instance, religious places like Vaishno Devi.

Where would the destinations be for the helicopter rides in these cities?

If we consider the example of recently started helicopter rides in Bangalore, the proposed advantage is dodging the infamous traffic of the city. We can leverage such advantages in all these cities and target the highly frequented decisions. For instance, in Mumbai, we can start rides from the city to airport or from the city to Khandala and nearby tourist destinations. In Delhi, the obvious trip is from the city to Gurgaon, but we need to consider that the metro infrastructure in Delhi is very good. So, we can target the popular destinations from Delhi such as Jaipur, Agra, etc. In hilly areas, we can obviously offer time-saving and quick transport.

Great points! Please move ahead.

Sure. Since there would be very high costs involved, the customers would come from the ultra-rich class of the population, at least to begin with. We can divide India's population in 60-30-10, i.e., Poor-Lower Middle, Upper Middle, and Rich class. I would say that considering this is a new service and high costs are involved, the early adopters would come from only half of the rich class, i.e. only 5% of the population, at most.

Great! Can you tell me why customers would pay for this service?

Since the customers would come from the ultra-rich section, they would be willing to pay for the time-saved and convenience on offer.

Fair enough. Let's move on to the guesstimate. No need to be very strict about the numbers. Just give me the approach with loose numbers and make assumptions wherever necessary.

Sure. Let's assume we are targeting 4 major cities. Considering Mumbai's population is approx. 2 crore, Delhi's is a little more, and Bangalore's is a little less, we can assume the mean population to be 2 crores. That gives us a total target population of 8 crores. Again, I would divide this population into buckets of 60-30-10 in terms of wealth or economic prosperity. That leaves us with a population of 80 lakhs. Again, considering the nature of this service, it'll take time to pick up with customers. At the most, if we assume to bring 50% of this segment into the fold, we end up with a population of 40 lakhs.

Great! How will you price the service?

It has to be value-based pricing in this case. Let's assume an average trip of 1 hour. Now, a salary of 30-40 lakhs puts you in the upper class of Indian population comfortably. Since we are targeting the ultra-rich section, I am going to assume an income around 60-70 lakhs, (72) for convenience. This gives us a monthly income of 6 lakhs or 20,000 per day. If we assume a workday of 10 hours, that leaves us with an hourly income of 2000. If it's an hour-long trip with a helicopter, it would save at least 3 hours for the customer. Therefore, we can easily price the service at 8000-10000 rupees.

Nice points! Anything else you are missing?

Yes. We arrived at a population of 40 lakhs. Because we did not do age-segmentation, we need to look at families. Assuming a family size of 4, we arrive at 10 lakh families. Not going into the occupancy capacity of the helicopter, if we assume, on average, 2 members from each family to become a customer in the first year, we arrive at a number of 10 lakh*2*10000, i.e., a market size of 2000 crores.

Wonderful! You have mentioned the 'ultra rich' section a couple of times. Can you tell me some traits of this target segment? Like their profession or other traits?

I want to say that these would be people who take chartered flights or always travel business class. But since we started with the idea of 'Uber' of helicopters, I believe the motive should be to make the service as affordable as possible in the future.

Great! That's what I was looking for. We can close the case here. Thank you.

Uber for Helicopters

Market Entry| Challenging | GEP (Partner)

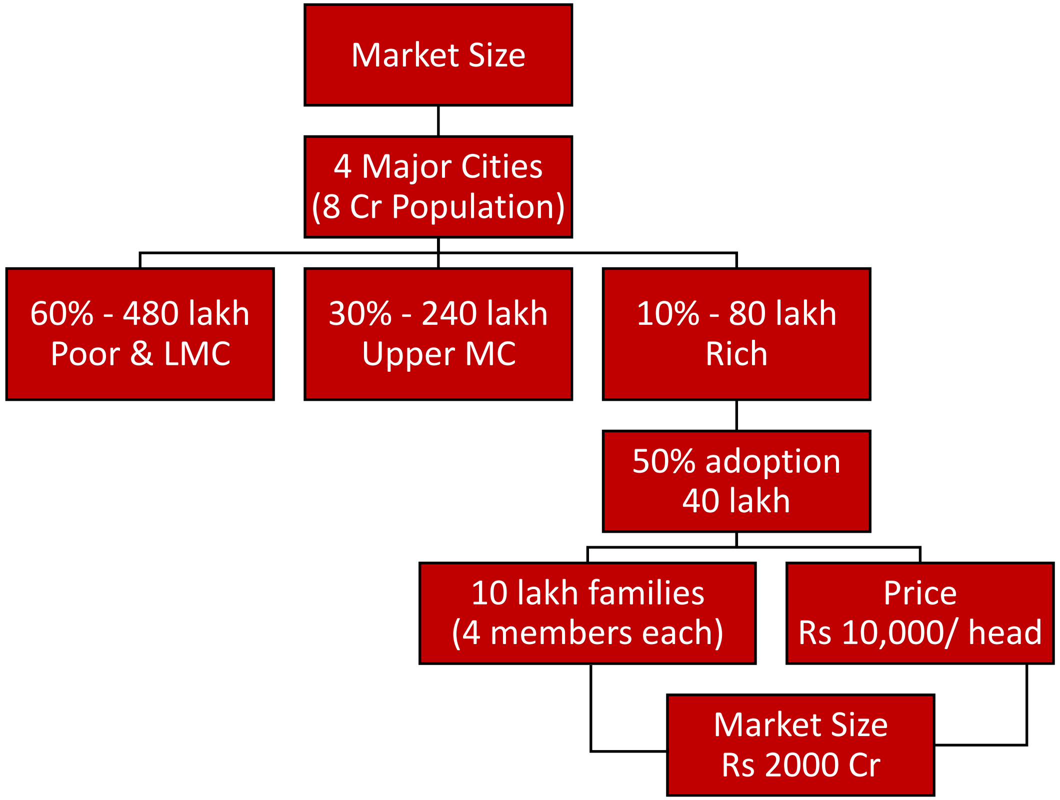
Case Statement

- The client wants to start an Uber for helicopters.
- Need to answer multiple questions – including where will you start the service, who will the customers be and why will they pay.
- Also, a guesstimate of the market size is required.

Interviewee Notes

- Uber for helicopters
- No other information on offer.
- Budget is not a constraint, only the approach is required.

Structure/ Framework

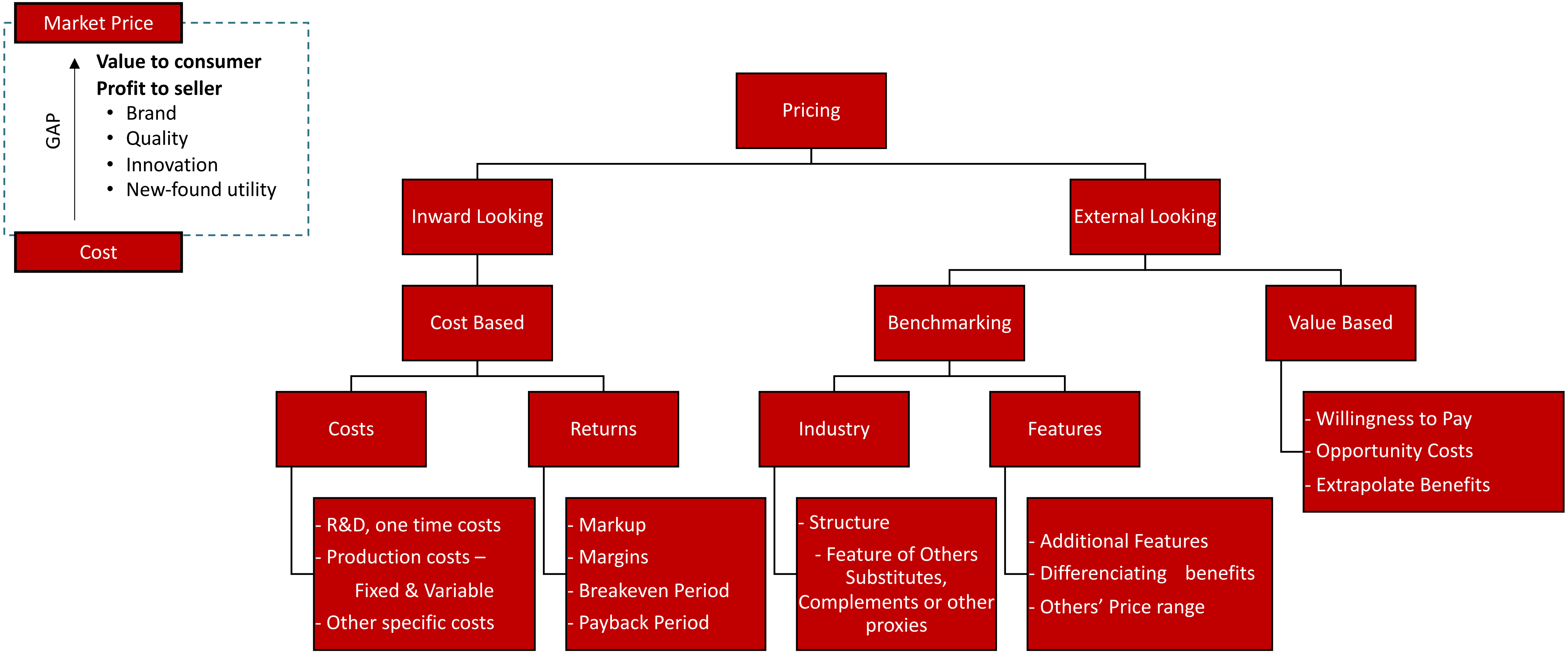


Key Takeaways

- Important to control nerves when the interviewer does not share any information. Keep in mind that if there is no information, they're looking for the approach only.
- Always state your assumptions out loud and buy in the interviewers before proceeding.

IIMB Pricing Cases
2022-23

Pricing Framework



Factory Owner

Your client owns factories which they lease out to a manufacturing firm. They are currently exploring whether to automate the factory or not and, if so, the new pricing. Could you advise them on this?

I would like to ask a few preliminary questions about the client. Could you let me know a bit about their factories and current pricing system? Also, why are they looking into automation?

The client owns three factories in Coimbatore and leases them to textile manufacturing firms. Their current pricing is an annual lease and is competitive with the market. The client wishes to see if they can increase their profits with automation. Can you think about where all there will be cost reductions through automation?

I would like to map this on the value chain. So, the factory process for the textile firms can be broken down into raw material procurement, manufacturing, packing and distribution. Through automation, they can probably reduce raw material and manufacturing expenses (utilities and labour). However, they will find the increased fixed cost of investment and maintenance as well.

That sounds correct. Can you now tell how they should go about pricing it?

So, I would start with floor pricing based on the increased cost. Do we have any information on the cost of investment and maintenance of machines? There can also be increased labour costs for operating new machinery.

Assume that the new machinery costs INR 2.5 Cr, with an annual maintenance cost of INR 50L. The net labor cost remains unchanged.

The client can look at spreading the cap-ex over 5 years. Hence the initial annual cost can go up by INR 1 Cr. This would be the floor pricing. To get a ceiling, we need to know the additional value generated by automation. Do we have any information on that?

Assume that the current margin of the firm is INR 50 Cr & automation would expand it by 10%.

This means additional annual savings of INR 5 Cr. Hence, the client can price the automated factory lease at an additional INR 1-5 Cr. You told me that we are already competitive in the pricing; hence we will need to find a benchmark we can take to price between INR 1-5 Cr.

That's correct. Can you think of some options?

I can think of 3 options:

1. Look in the past to see how price increases were negotiated and what might be the appetite of the textile firm
2. Try getting industry data on what are the percentage increase in lease prices when new efficiencies are introduced
3. Initially propose an increase of INR 1Cr with gradual increase of INR 50L each year

That sounds good. Thank you for your time.

Factory Owner

Case Statement

- Factory owner, leased out factories to textile firms
- Wants to know the change in pricing for automation

Interviewee Notes

- Wants to increase revenues from lease
- New machinery costs INR 2.5 Cr, with an annual maintenance cost of INR 50L

Structure/ Framework

Value chain analysis for cost saving

Raw material	Manufacturing	Packing	Distribution
• Reduction in raw material for new automated machines	• Utilities • Labor	• Utilities • Labor	• Unaffected

Pricing

Price floor — Actual price — Price ceiling

Cost based pricing	Benchmark to set actual price	Value based pricing

Key Takeaways

- Break down problems in structured way.
- Take regular interviewer buy-ins for all the assumptions which you make

New Medicine Launch

A Pharma company has developed a new product to control diabetes for patients in India and need your help in pricing it.

That's an interesting problem. Can I ask some questions to better understand the client?

Sure, go ahead.

What is the objective of pricing? Is it to maximize the profit or something else

Yes, it is to maximize the profit.

Can I have more details about the product? Basically, how it is different from normal insulin injection & information on how restricted its availability be i.e.. Will it be available over the counter or requires a prescription? And how is the competitive landscape in the market

It's an oral tablet instead of an injection and has lesser side effects. It'll be available over the counter and the market is highly competitive.

I want to breakdown the Pricing of the tablet into three broad strategies - 1) cost based 2) Competitor based 3) Value based pricing
The final price will be dependent on all the three factors

Yes, that sounds fine. Why don't you list down all the factors. I don't want you to go into details. Just tell me all the factors.

Okay, let me start with Cost based approach. Over here Total cost is composed of one-time R&D costs + Cost of production which again can be divided into Fixed cost and Variable cost. This along with our production volumes will give the minimum price for the tablet. We need to now find profit margin in top of that. Profit margin can either be something company is targeting, or we can use some proxy to find it.

Yes, that's sound fair. Let's explore other factors you have listed now.

So now we can look into competition and substitutes for our product and figure out a price based on our product's position with respect to them. For that, I already have the information on lesser side effects and the fact that medicine is in oral form which makes it superior to the injection-based insulin. Is that fair to assume?

Yes, the new product is superior to insulin.

In that case, we should certainly price our product more than Insulin as we are providing more value than insulin. Again, how much should be the markup depends upon the perceived benefits of our product amongst the consumers.

Yes, that's correct, anything else you want to consider here?

Yes, we can also consider substitutes in the form of Ayurveda, Homeopathy which might eat up on our Market share if we price too high.

That's a fair assessment. Let's move on.

Okay, now I want to consider how much value we are providing to the customer and how much we can capture it. For that we can do price elasticity analysis of the product to arrive at a price which maximizes the profit and can also investigate Supply v/s Demand gap of the existing market to determine the best price of the product.

Yes, that's a detailed enough analysis. Let's stop the case here.

New Medicine Launch

Case Statement

- Oral tablet for diabetes patients
- Lesser side affects
- High competition in the market

Interviewee Notes

- Follow a qualitive approach rather than a quantitative one

Structure/ Framework

- Cost
  - Fixed Cost
    - RnD
    - Salaries
    - Depreciation
    - Rent
  - Variable Cost
    - Sourcing
    - Manufacturing
    - Distribution
    - Sales and Marketing

- Pricing
  - Cost
    1. Cost of production - fixed cost and variable cost
    2. R&D expenses
  - Competitor
    1. **Competition**: Insulin injection
    2. **Substitutes**: Ayurveda, homeopathy
    3. **Value Addition:**
       - Lesser Side affects
       - oral tablets instead of injection
  - Value based
    1. Willingness to Pay: Elasticity analysis
    2. Supply and Demand tradeoff

Key Takeaways

- As interviewer hinted for qualitative discussion, the candidate made sure that all the factors were listed out before going in detail to anyone.
- The interviewer was trying to speed up the case. Make sure that you are not taken aback by it
- My case ended abruptly when interviewer started asking me about one of my resume points, make sure that you are confident in such situations, and be thorough with your resume. Don't lose the structured approach even if you are asked a question from your resume.

Autism Digital Therapy Product

Pricing | Moderate | McKinsey (Partner)

Your client has developed a new digital therapy product for autistic children. The product imitates the therapy that is provided by a doctor in person through use of interactive videos, audiobots, games etc. How would you go about pricing the product?

Sure, I would like to ask a few preliminary questions about the product. Can the product be considered a replacement of therapy through doctors, or how is it different from it? Also, what is the competitive landscape like?

The product reduces the need for doctor therapy as children can use it at home. Plus it can also reach people who currently don't have access to doctor therapy. Although doctors can also use it to expand their reach through the digital solution, but here you can assume it reduces the need for doctor's therapy by 50%. The product is available in English language and is used on a tablet. In terms of competition, you can assume there are 2-3 other similar new products in the market.

That is informative, thanks. I can think of three broad ways of pricing the product – 1) cost based 2) competitor based and 3) value based. I can start off with value based as the value of this product is directly equivalent to therapy. Is there info on the costs of normal doctor therapy?

So, doctor therapy is very expensive and costs ~INR 3L per year, and doctors are very scarcely available, which is why this product can reach out to those who cannot afford or avail such services.

So, if the product can reduce the need for doctor therapy by 50%, it implies it can be priced at INR 1.5L per year. But this is the upper limit as it would not solve the problem of affordability and scarcity of doctors, and this will not be competitive with other digital therapy players. Next, we can look at benchmark pricing. Is there any info on their prices?

No not really, it is a novel product and there is no info on other competitors' business plans. Maybe you can focus on cost based instead.

Sure. I would like to proceed by dividing costs into fixed and variable costs. The fixed costs would be amortized over multiple periods and divided with the user base to arrive at fixed cost per user per year.

Then we will add variable costs and a desired profit margin on top of these. Is there any data available on these figures?

That's good. The total fixed cost is known, but how would you go about arriving at the expected user base?

We can look at the total market size and multiply with expected market share

So it is estimated that there are 5 million autistic children in India. How would you proceed?

I would like to compute the addressable market from this. I would like to apply filters of 1) income levels and 2) internet / tablet penetration and English-speaking population on this total market size. Based on this we will reach at the following number for the total addressable market-

Income Levels	No. of children	Internet/Tablet Penetration/ English speaking Population	No. of children	Total
Low Income (50%)	2.5 mn	10%	0.25 mn	2.15 mn
Med Income (40%)	2 mn	70%	1.4 mn	
High Income (10%)	0.5 mn	100%	0.5 mn	

Great, do you think this is the addressable market or would there be additional filters on this 2.15 million figure you have arrived at?

Yes! We have to, now account for competitors and doctors also. Since this product competes with doctors also, they might create negative publicity for such a product. Given that this market would be split amongst 2-3 competitors and, also competing with the doctors, we can aim to capture 25% of this, approximately 0.5 million.

That's very good. We are running out time. Are there any more filters you can think of?

Yes, other factors could be 1) people not willing to get treatment / social taboos 2) people opting for alternative treatments apart from conventional therapy.

Thanks. We can close the case here. It was a pleasure interacting with you.

Autism Digital Therapy Product

Pricing | Moderate | McKinsey (Partner)

Case Statement

- Pricing problem for a digital therapy solution for autism
- The product imitates the therapy that is provided by a doctor in person through use of interactive videos, audiobots, games etc. It is available in English language and needs a tablet to be used

Interviewee Notes

- Learn about the product first, how is it different from normal doctor therapy. The value provided is similar to conventional therapy, use that for value-based pricing
- For user base calculations, use factors of internet and tablet availability, and English-speaking population
- Maintain balance between qualitative and quantitative approach.

Structure/ Framework

- Pricing
  - Cost Based
    - Fixed costs per year per user
      - Total fixed costs per year
      - No of users
    - Variable costs
  - Competitor/ Substitute Based
    - Novel product, no mature competition
  - Value Based
    - 50% of conventional therapy costs – INR 1.25L

Key Takeaways

- Use the data provided by interviewer thoughtfully, factors of English language product and tablet were used later in interview
- When interviewer is asking to list down factors, focus on qualitative aspects instead of quantitative numbers
- The pricing case ended with a mix of guesstimate and market sizing, do not rigidly stick to frameworks and focus on problem stated by interviewer

Tooth brush manufacturer

Your client is a toothbrush manufacturer. Their R&D division has come up with a product innovation which is a toothbrush which stays forever. They want you to analyze the pricing strategy for the toothbrush.

That's interesting. Before I dive deeper into the analysis, I want to understand a bit more about the context. Can I ask a few clarifying questions?

Sure go ahead.

I would also like to know more about the firm and the product. What products do they currently manufacture and the geography they operate in?

The client only sells toothbrushes and has operations only in the US. I would like you to look into the factors which influence whether the client should go ahead with the product release.

We need to first analyse the customer need for the product, then the firm's ability to capture value and the ability to scale the manufacturing. And the differentiating feature the product has over the existing product which will increase willingness to pay.

No market study has been done for the product yet. What would be some of the pros and cons for the firm to introduce the product.

The pros will be the firm will be having the first mover advantage and will be a market disruptor. The firm can use the existing expertise in the toothbrush manufacturing, operators and marketing. The cons will be that we do not know the need for the product and the new product will be a one time sell and there is a cannibalization of the existing traditional toothbrush business of the firm.

Please suggest the pricing strategy for the new toothbrush. Assume that the firm has spent on the R&D already and it is a sunk cost.

We can consider 3 types of pricing.
Cost base: This would be the minimum price that the client must charge the client based on the costs incurred for R&D. Irrelevant as it is sunk cost.

Competitor –based pricing: Since there's no competition, it would not be relevant.
Value based pricing: This is the maximum price that the customer would be willing to pay based on the value that our product offers to them.
Since, the firm might want to capture most of the value for the innovation, can I go ahead with the value-based pricing.

Please go ahead.

For calculating the value that the customer will gain out of the eternal toothbrush, I'm assuming that the toothbrush will be used by only one person, because of hygiene reasons and he/she uses it for the lifetime. Also, that there's only one type for kids and adults.

You can proceed with the assumptions and one person uses the toothbrush for lifetime.

The value of the toothbrush will be present value of all the toothbrushes the person will buy in a lifetime. Assuming that cost of one toothbrush is $1, life expectancy is 70 years, and one person replaces toothbrush once in 3 months. Assuming a discount rate of 7%, the lifetime cost of toothbrushes will be around $57. We need to price slightly lower than this.

Suppose a competitor approaches you to buy this innovation for $10B, what is your suggestion to the client.

Assuming US population of 300M, the market size is $17B considering only the US market and since the firm will have patents for this innovation and potential to expand in other markets, the firm should not sell it for $10B. The growth depends upon the birth rates.

Can you think of some ways the client can further their revenues from the product.

The client first needs to focus on the US market and gain market share. The firm can also think about selling the license for the technology. They can further expand to new geographies and also can think of leveraging this technology in other products.

Great recommendations. We can close the case now.

Tooth brush manufacturer

Case Statement

- Pricing strategy for an eternal toothbrush

Interviewee Notes

- No competitors
- R&D expenses are to be assumed as sunk cost
- Consider discounted cashflows
- Growth strategy framework for recommendations on increasing the revenues
- Inflation factor can also be considered in calculating the present value

Structure/ Framework

- Pricing
  - Cost Based: Irrelevant as it is stated by interviewer to treat as sunk cost. No data available.
  - Competitor Based: Irrelevant as there are no competitors.
  - Value Based: Calculated using the present value of future expenditure on regular toothbrush which is 57$ (below eqn)

Market Size computation:

Population*toothbrush price

=300M*$57

=$17B

Growth= birth-rate

$$PV(eternal\ toothbrush) = \$1 + \frac{\$1}{(1+0.07/3)} + \frac{\$1}{(1+0.07/3)^{\wedge}2} + \cdots \frac{\$1}{(1+0.07/3)^{\wedge}(70*4)}$$

Key Takeaways

- The interviewer was impressed by the recommendation on how the value of the innovation can be increased by using the underlying technology in other products
- Ask for interview buy-in to your approach at every step. Don’t hesitate to give creative solutions or to derive insights from your experience.

Coca Cola Pricing

Your client is Coca Cola. The firm is planning to increase the price of it's product. What would you advise them?

So before going ahead I would like to ask some preliminary questions to have a clear idea of the problem statement. Can I go ahead with my questions?

Sure you can.

So can you tell what is the objective of the firm in increasing the prices? Has there been change in the products for the change in pricing?

They want to increase their revenue. That is the only reason for the price increment. There has been no change in pricing

Fair enough. Coca Cola has a large product mix including PET Bottles, cans, etc. The price increment is applicable to which of these and in which geography? Also do we have any data with regards to how much is the current price and how much increment is the firm planning?

Answering your first qs, they are planning this pricing change in India and for the canned beverages. The current price is Rs 23/can and the increment is Rs 4/can.

Great, the data gives me a more clear picture. I would like to know If we have any data regarding Coca Cola's market share and also the Competitor landscape.

Sure. Currently Coca Cola has 50% of the market share. It's main competitor is Pepsi which holds about 45% of the market share and the remaining 5% is with local fragmented players.

So now that I have a clear idea about the company and it's competitors. I would like to look at the Economic feasibility involved in hiking the price. Can I go ahead with this approach?

Yes. It sounds good to me. Tell me how would go about evaluating the economic feasibility.

Sure. Firstly, Economic Feasibility can be stated as:
EF = [Market size * Market share * Growth rate * (Price – Variable Cost)}

We have data regarding the market share and the price points, in order to figure out EF I would go ahead with a comparative analysis. Can you give me some regarding how our market share or growth rate will be affected if we increase the price

It is a valid question. We have data insights from the industry analysis that increasing the price by Rs4 will reduce the growth rate from the current 6% to 1% per year.

That is a useful insight. So considering that our variable costs won't change since we are not making changes in volumes of production or the process. I am not sure about the exact market size of the carbonated drinks market that Coca Cola is into so I will assume a market size of 2 billion. Can I go ahead with these assumptions in mind for the analysis?

Yes you can go ahead with these assumptions.

So in the case that we change the pricing:
EF = 2 bn * 0.5 * 0.01 * 27 = 0.27bn
If we don't increase the pricing:
EF = 2 bn * 0.5 * 0.06 * 23 = 1.38bn
So increasing the pricing doesn't seem like a good decision given that there is a drastic change in growth rates. Does the analysis look intensive enough or do you want me to consider some other approach?

No your analysis looks good. Can you tell me when would be the pricing change justified ?

Sure. Given that we are not making any changes in the product currently, an upgrade in the can design, beverage quantity or a new product variation can help justify the price increase as these factors can help us expand the market share itself and also give a boost to the growth rate which is forecasted to be 1% post pricing changes are implemented.

Fair Enough. We can end the case here. It was a good discussion.

Coca Cola Pricing

Pricing | Moderate | GEP (Associate)

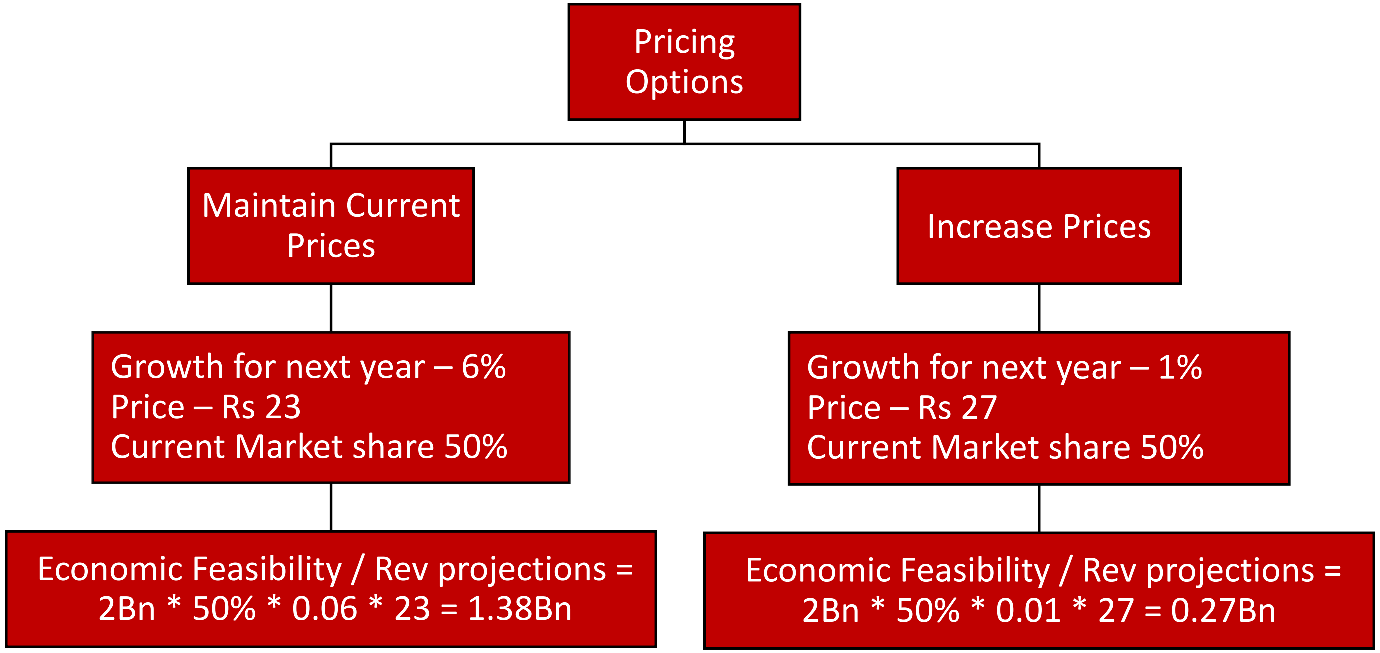
Case Statement

- Evaluate if increasing the price would be a feasible decision for Coca Cola
- Price change to be applicable in India for their canned beverages
- Client wants to increase their revenues

Interviewee Notes

- Market share of Coca Cola – 50%
- Main competitor Pepsi holds 45% market share
- Current price of Can products is Rs 23. Price to be increased by Rs 4
- Current YoY growth of Coca Cola is 6%
- If Pricing change is implemented the growth rate falls to 1%

Structure/ Framework



Key Takeaways

- Details about objective, product, competitor landscape, current pricing and growth rate should be asked in the beginning
- Confirm with the interviewer at each step if your approach seems logical. Voice any assumptions that you are making or ask for any data you feel necessary to go ahead with your analysis
- Have a set of preliminary questions and framework draft in your mind. Navigate the framework as you proceed with the case.

IIMB Growth Strategy Cases
2022-23

Growth Strategy Framework

- Market growth rate lower than management's growth expectations
- High market share w.r.t. closest competitor
- Concentrated in a small market
- Demand in other markets
- Typical Market Entry Case!!

- Market growth rate in line with management's growth expectations
- Low market share w.r.t. market leader
- Growth rate w.r.t competitor
- A derived profitability case!!

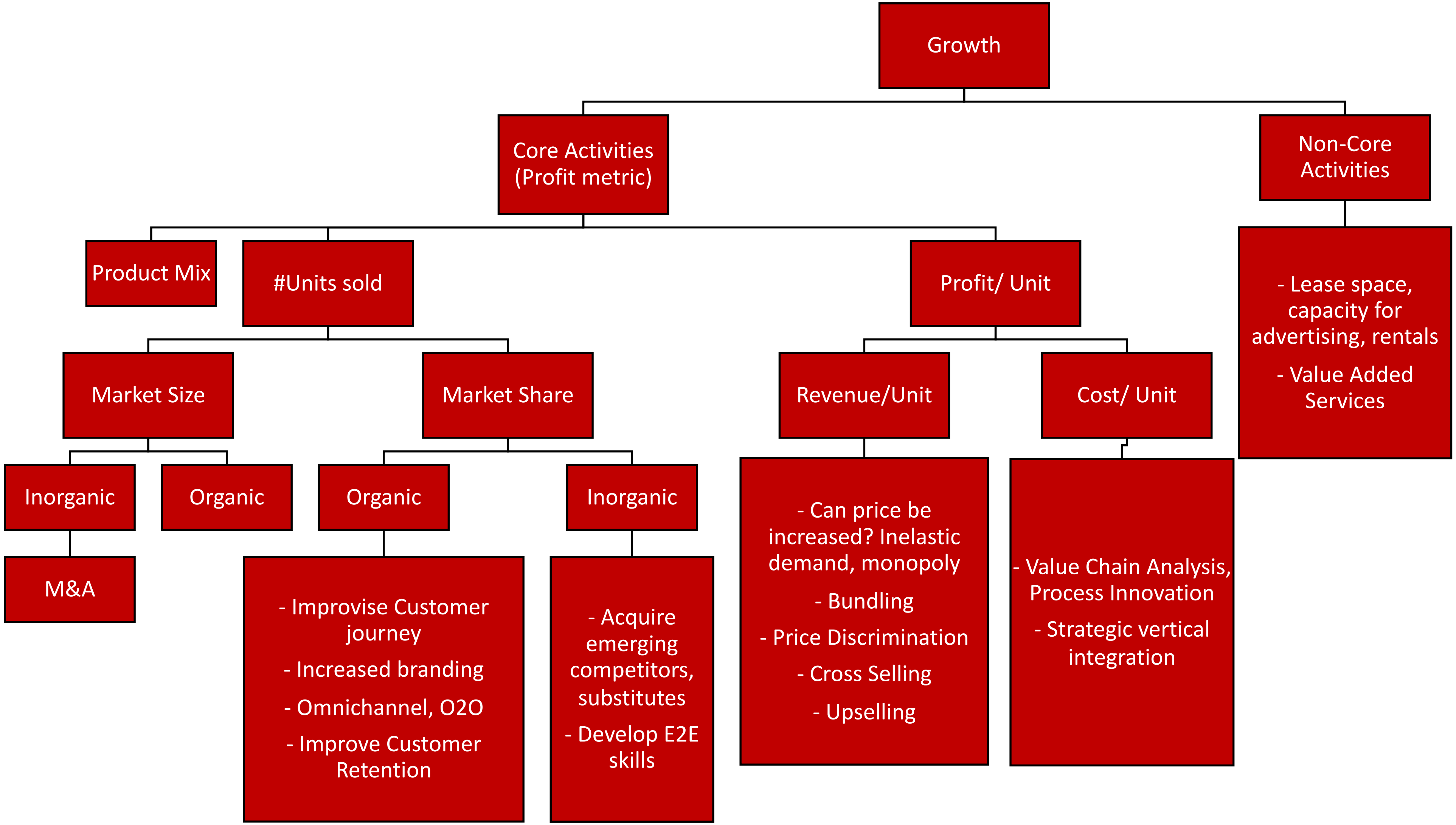
- Product - Market growth rate lower than management's growth expectations
- Management's objective
- High concentration in a single product/ category
- Diversification strategy case!!

- Market growth rate lower than management's growth expectations
- Product in maturation or decline phase
- Product Launch Case!!

Growth Strategy Framework (Alternate)

Preliminary Questions

- Clarify objective and quantum of growth, timeline
- Business Model – Where does the firm lie in the value chain? What are its revenue streams and distribution channels?
- Understand customer segments
- What is the product mix? Any differentiating/ new features in products?
- What is the competitive landscape?



iPhone Manufacturer

Growth Strategy | Easy | BCG (Partner)

Your client is an iPhone manufacturer based out of Germany. Post covid they are facing a huge spike in demand and are not able to meet it with the current capacity. What should they do to ensure that demand is met as soon as possible?

Thanks, understood. I have a few preliminary questions to understand more about the company and the situation at hand. Where does the client lie in the value chain? Also, does it cater to the demand of only Germany or some other countries too?

Okay. The client only manufactures the iPhones and caters to the demand globally.

Thank you. Can I know about the number of plants it has and the capacity utilization of each? I am asking this to know if we can increase our current capacity or if there is a need to set up new plants.

Good question. So we are confused among 3 options. 1. Set up units in Germany, 2. Manufacture in India, 3. Manufacture in Taiwan. Please evaluate these 3 options for me.

For evaluating these options we should look at three things. 1. Regulatory restrictions, in which I would look at the FDI norms, labor laws, export rules and also the economic stability and mutual ties between the countries. 2. Financial feasibility, in which I will look at the various costs that we'll incur- Fixed costs and variable costs and the corresponding profits. 3. Operational feasibility in which I will evaluate the ease of operational setup in each option.

Okay, Why don't you rank the three options based just on the restrictions?

Sure. Looking first at the Taiwan option, it should be ranked last based on the economic instability and high barriers of entry and setup. For India, we'll look at the FDI approval, Export laws, labor laws, the mutual ties between the countries and if all that is in favor then India would be a good option to consider. But India still ranks after Germany because all this will take considerable amount of time.
Since we already have an existing infrastructure in Germany, we can leverage that and expand in Germany itself.

Okay. How would you go about evaluating the operational feasibility?

I will start by looking at the entire value chain. Procurement of raw material-> Inbound Logistics->Manufacturing->Outbound Logistics. In case of setting up plants in Germany, we already have a network of suppliers and logistics, hence we will focus on finding land, setting up plants and hiring labor. In other cases, we need to start by finding reliable suppliers, focusing on high quality, low cost, mutual relationship, contract terms. Then we will look at the plants, labor, capacity utilization. This will be followed by outbound logistics, where we will look at export duties and ensure the safety of the products.

So what would be your final basis of decision?

First, we will eliminate the options which have high regulatory restrictions- Taiwan. Between the other two options, we will see which one costs us less to produce and also provide us an opportunity to expand, for example if we manufacture in India, we might be able to focus more on capturing more market share. All this clubbed with the ease of setting up the operations will lead to our final decision.

Very well. Thank you.

iPhone Manufacturer

Case Statement

- iPhone manufacturer based out of Germany seeing sudden spike in demand
- Evaluate 3 options of manufacturing in : 1. Germany 2. Taiwan 3. India

Interviewee Notes

- Only 1 product : iPhones
- Implementation must be as soon as possible
- Caters to the demand globally
- Focus on manufacturing only

Structure/ Framework

Regulatory Restrictions → Financial Feasibility → Operational Feasibility

Regulatory Restrictions

- FDI approval
- Export/import laws
- Labor laws
- Economic stability
- Mutual ties between the countries

Financial Feasibility

- Fixed costs: Land, plants, machinery, labor wages, logistics, storage
- Variable costs: Raw material procurement, safety and quality check, transportation losses, export duties

Operational Feasibility

- Reliable suppliers ensuring raw material of high quality, low cost, close vicinity
- Production: Cheaper land, plants, hiring labor, capacity utilization, economies of scale
- Safety in the mode of transportation, minimum transit losses

Key Takeaways

- Take your time to think through each step, the partner wants you to think and then speak
- While giving the final solution give a quick recap of everything you have covered in the case

Increasing WhatsApp Pay Share

Your client WhatsApp has approached you to increase the Market Share of WhatsApp Pay from 0.2% to 5% in 2 yrs.

Thank you for the case. Before we deep dive into the specifics, I have some preliminary questions to better understand about the firm. Starting with the industry, may I know the current competitors and their market shares? Coming to our client, can I assume that it WhatsApp pay is currently providing peer to peer transaction services only? Also if there are any budget or resource constraints with our client?

You can assume Google Pay has 31%, Paytm with 45%, Phone Pay with approx. 10% market share. Yes, assume the current services provided by WhatsApp. and there are no budget restrictions from client side.

Thank you for the information, it was quite helpful. Can I take 30 sec to draft my approach?

Yes please take your time.

So growth in market share can be achieved through 2 ways either through acquisitions like acquiring small players and integrating their customers, technology and offerings or through increasing our own usage. Would you like me to focus on either one of the two?

You can start with suggesting ways of increasing apps usage

Based on my understanding, we can either increase the revenue per customer or increase the customer base itself. Under increasing revenue we can look for adding usage charges or transaction cost (Service Charge) but since there is already an intense competition we cannot go ahead with this but we can find ways to increase transactions per customer.

With the limited offerings that WhatsApp pay provides how do you plan to increase transaction per customer?

Assuming that WhatsApp pay only provides transactions we can provide rewards system something like google but we would be crediting a small amount back in the bank account rather than any coupons etc. Additionally, we can also incentivize the customers by dispersing bonus rewards for high frequency customers.

Got it. Can you now suggest our client to increase its customer base now?

One of the distinct advantage in the favor of our client is its WhatsApp user base. With approx. 2 billion users, our client can push sell its pay feature to its new users. This can be done by quick onboarding status nudge and some joining rewards.
Another option can be of a WhatsApp pay app. You mentioned the client has no budget restrictions so we can develop a standalone app which will enable our client to include additional features like bookings, bill payment etc. Options of multiple offerings could really increase the current customer base exponentially.

Suppose that you are asked to provide recommendation on any of the above recommendations which one would you prioritize? Remember the target is achieve 5% by end of 2024

Got it. So one of the USP of WhatsApp pay it its seamless integration with WhatsApp. I would suggest if we can add in a bit more features in the same platform and incentivize users to drive to payments through WhatsApp. That should help us achieve the required target. Another benefit with this would be that cost or investment required as compared to other option would also be substantially less

Great we can close the case now.

Increasing WhatsApp Pay Share

Growth | Easy | BCG (Partner)

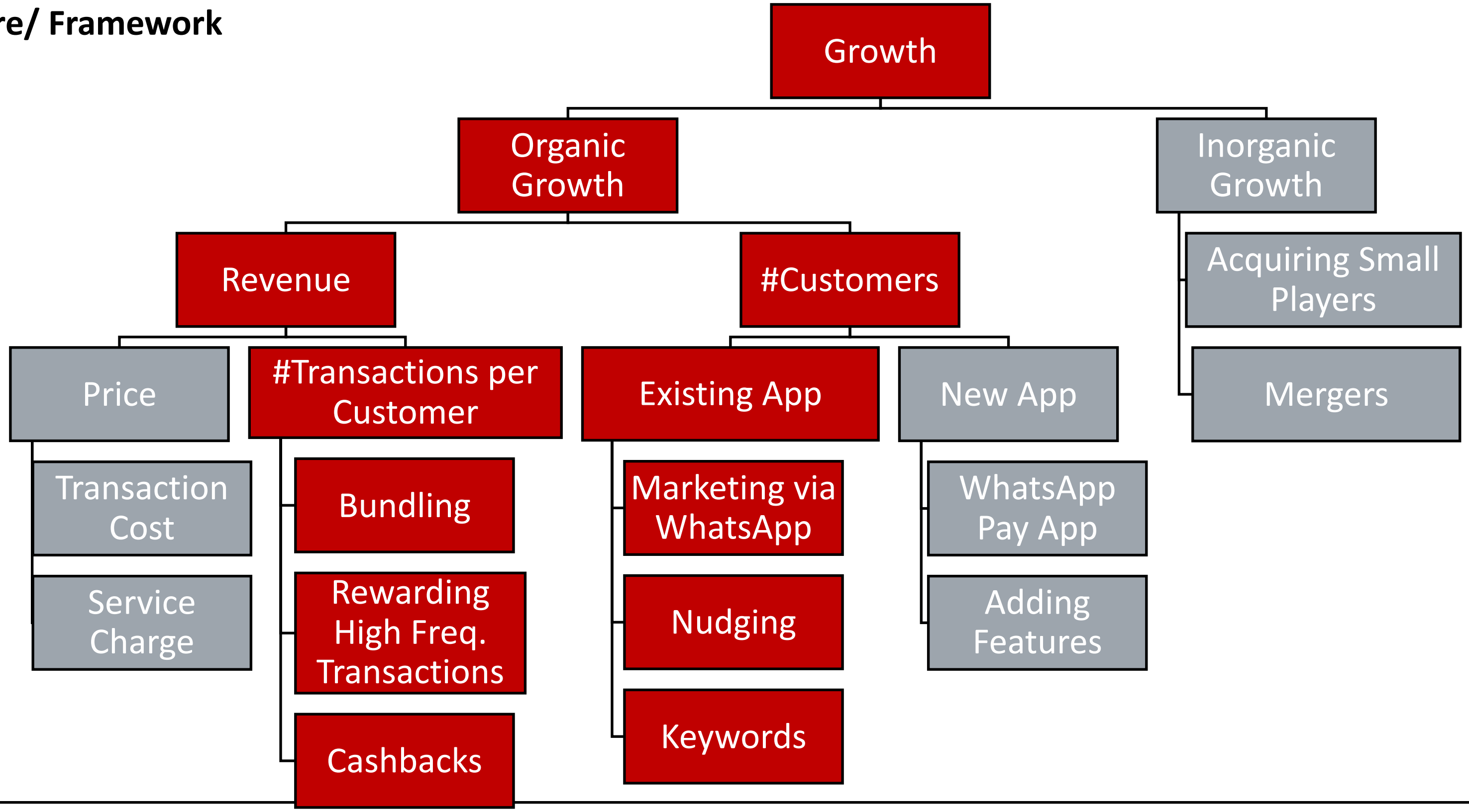
Case Statement

- Your client, WhatsApp wants to increase the market share of WhatsApp Pay
- Need to devise a growth strategy to increase its share from 0.2% to 5% in 2 yrs.

Interviewee Notes

- Current Market Share for our client is 0.2% in 2yrs.
- Current competitors Google Pay has 31%, Paytm with 45%, Phone Pay has 10%
- There aren't any budget constraints from client side

Structure/ Framework



Key Takeaways

- The interviewer was keen on understanding the various splits I made especially the one with Acquisitions
- Leveraging WhatsApp for marketing to move the current user base to WhatsApp pay
- The long term solution of a standalone App could be more explored upon

Express Logistics Company

Growth Strategy | Moderate | Kearney (Partner)

Your client is a surface express logistics company, and it is looking for recommendations to increase their market share.

Thank you for the case statement, can you help me understand what we mean by an "Express Logistics" company? Does our client run a B2B or B2C model?

Sure. An express logistics service provider allows smaller consignment sizes of 30-150kg where as traditional cargo carries would require renting an entire carrier (6/7T). Express services therefore are better suited to B2C but can also indulges in B2B like traditional services.

Thank you! In the interest of our discussion, I would like to ask some preliminary questions around the client's operations.

Yes, go ahead.

Thank you! Do we have information regarding, the market position of our client? The largest revenue contributing sectors to our client's business? The operating span of the client?

Our client is not a market leader in the space. It has been seen for market leaders that 50% of business is driven by SMEs while in out client's case it is only 30%. Such businesses are run using a hub and spoke model and the client's services are available across the country.

Okay. Evidently the client has some ground to cover with SME businesses. Do we know if the portfolio of services that the client provides matches the competitors? Does it want to improve services offered? How is their pricing against competitions propositions?

Detailed research show that the client's service fulfillment feedback is better than competition, but the services are priced consistent with competitors.

Interesting, even with better service feedback at the same prices the client is gaining market share. For the interest of further discussions, I would like to pursue the possibilities of market development or market penetration for the client as their product is already up to the mark now. Is that a fair approach?

Yes. The client is inclined towards a market penetration approach.

Okay, to ensure a successful market penetrations I would like to look at the demand side and the supply side of the client's operations. The demand side for the client would be # of customers served in the current geography and # of repeat orders. The supply side would comprise, presence of infrastructure, i.e., network of hubs and spokes, delivery trucks (carriers), last mile delivery agents, etc. to fulfill demand. Is that a fair approach?

Yes. We may want to delve deeper into the supply side.

Sure, do we have data points on the number of hubs and spokes/ customer touch points operated by us versus our competitors? Do we know if the client's pan India presence is skewed to a particular geography?

Good questions. We have 28 hubs and 300 branches across the nation, whereas our competitors have 40+ hubs and 500+ branches. It is also observed that the client's presense is greater in the western part of India.

I believe this is the root cause of our client's share not increasing sufficiently among the competition. Given adequate investments, the client should plan to increase customer touch-points in the Eastern part of the country through franchise contracts. They should also hire contractual riders for last mile delivery. The client's presence should meet that of the competitors. They should also convey their better than competition price-service proposition to customers and businesses. These measures should help them capture more business from SMEs and meet business mix benchmarks set by current market leaders.

That sounds good. This will be all. Thank you.

Thank you for you time.

Express Logistics Company

Growth Strategy | Moderate | Kearney (Partner)

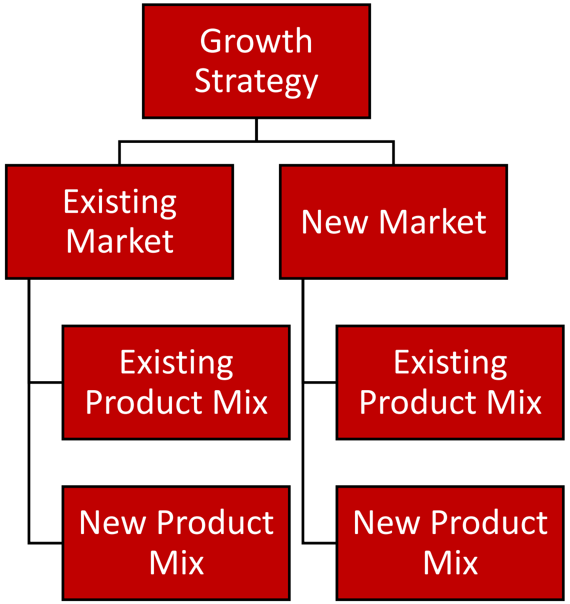
Case Statement

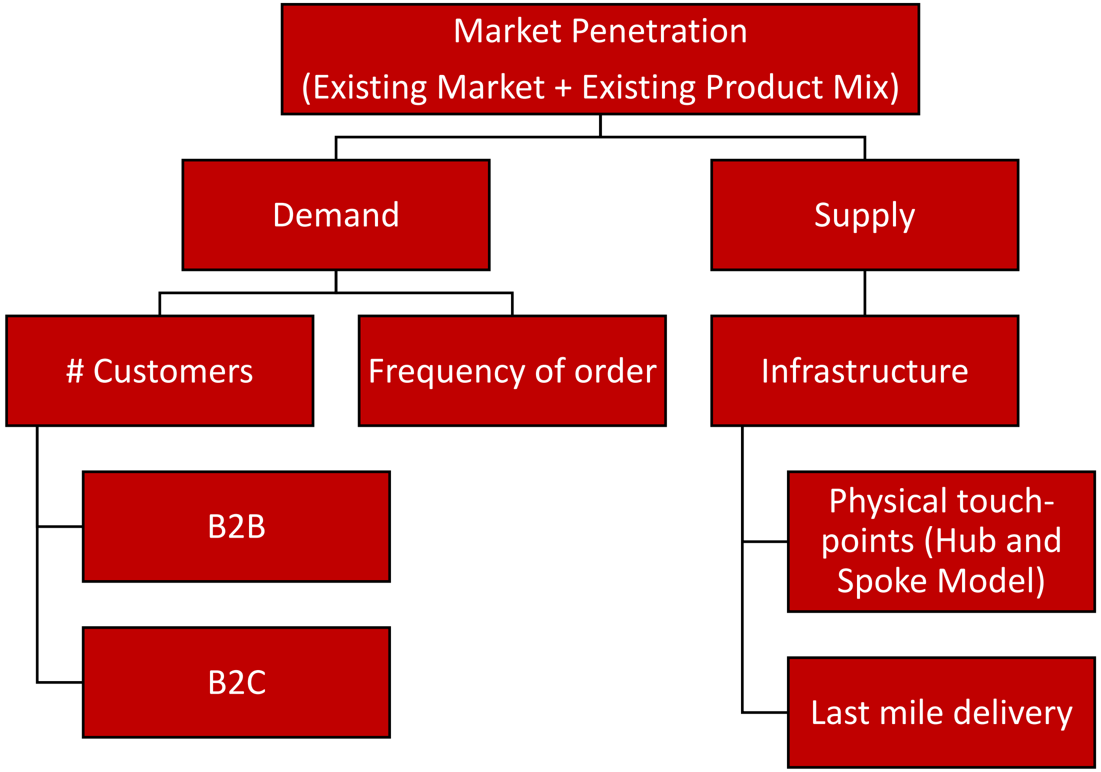
- The client is a surface express logistics company
- They are pursuing market leader status
- Recommend a growth strategy for the client

Interviewee Notes

- Client fulfils requests pan-India
- 30% of business is contributed by SMEs compared to 50% of market leader's business
- Product mix adequate
- Client leads in service-price proposition
- Footprint is biased towards west India
- # of hubs and spoke lower than competition

Structure/ Framework





Key Takeaways

- Pan-India presence does not ensure equally able and efficient pan-India service, the client's operations were concentrated in the West
- Better product proposition will not convert into market shares if organisation does not have adequate infrastructure across serviceable geography

Have you heard of Fantasy Sports companies? Imagine that your client is a PE-VC firm and they want to understand the growth potential of Dream 11, a fantasy sports company.

Okay. So, before structuring the problem and analysing the case, I have a couple of clarifying questions. Can I go ahead and ask those questions?

Sure, go ahead.

I would want to understand the business model of a typical Fantasy sports company to begin with. Also, which countries is Dream 11 present in and what % of the Fantasy sports market does it currently have access to?

There are 2 models here: 1. Free: No winning price or entry fee is required to participate in fantasy sports contests.
2. Premium: A bounty-based model where an entry fee is to be paid and the winner or top rankers take a lucrative amount based on their rank in the fantasy league
Currently, Dream 11 is present only in India and 80% of it's business is from cricketing fantasy leagues. You can assume it is the market leader with 60% share.

Thanks a lot for the information. Going forward I would like to break the case into 3 parts : (1) Revenue sizing of Dream 11. (2) Operational barriers/risks (3) Growth opportunities

Sounds good. Let's begin with market sizing of the firm and then move on to the others

Given India's population in 1.3Bn, an Internet penetration of 50% and assuming the age group of 18-40 to be around 30% of the population. We have around 200 Mn eligible players. I would next look at the intent among male and female participants separately.

Ok, now how would you estimate the conversion from eligibility to actual players on Dream 11 ?

Income segmentation seems like a good way to begin with, but a more reliable substitute or estimate might be subscribers of Hotstar who actually invest into streaming sports online.

That is what I was looking for. Let's get back to the calculation now.

Going back to our calculation we had around 200 Mn eligible players. I assume around 10 % of intent among males and 2 % of intent among females. That would translate to around 12 Mn players of Fantasy sports (Male : Female ratio assumed was 1:1 here). If this seems alright, I will require the percentage of active users *average spend per session * avg no. of sessions per active user. Further, I would check the growth potential of the market

Fair enough, the metrics seem to be exhaustive but why don't you make reasonable estimates for the above metrics. The growth rate seems to be steady and assume CAGR of over 15 % for this industry. The average spend per event is around Rs. 100

I am aware that with e-commerce firms the conversion seems to be about 20-25 %. For a fantasy sports company, it would be around 50%. The number of paid events per year would be 0 for free users. For the remaining 50% it would be 10 per year for amateur users (40%) and 50-100 per year for frequent players (10%). The numbers I have used as reference are the sporting events happening annually in India (domestic + international matches)

Seems fair, in the interest of time let's now skip to the operational risks.

1. Legal–betting/gambling-related regulations could dismantle the industry. Currently, fantasy sports are seen differently from betting.
2. Social- Post covid, the tendency to engage in online gaming could be lower and social concerns around betting can be a concern in some states
3. Threat of new entrants and substitutes as the business seems to thrive on the basis of having a huge user cohort to subsidize the winners

Excellent, now say that the industry is in fact a winner takes all industry and as you mentioned has a low entry barrier. How can Dream 11 ensure sustained competitive advantage and revenue ?

Increasing either the user count or ARPU (Avg. revenue per user). For user count – increasing the number of sports and international expansion can be explored. Tie-ups with OTT streaming can also help net in new users. For ARPU, advertising revenue, bundling of events and a laddered incentive scheme for users to continue playing on the platform.

Well done. We can close the case now. Thanks.

Fantasy Sports Company

Growth Strategy | Moderate | Bain (Partner)

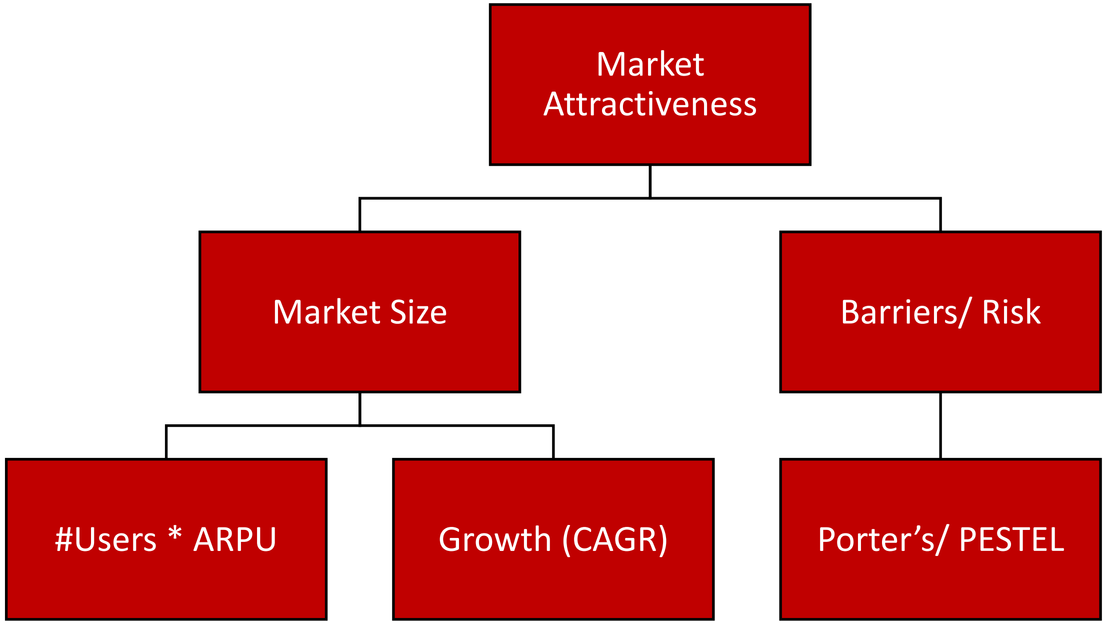
Case Statement

- Analyzing the market attractiveness of an Indian Fantasy sports company and suggesting ways to increase revenue. The analysis is to be done from the point of view of a PE-VC firm that is the client

Interviewee Notes

- For the interview, the bounty-based model is of concern. Players pool in their money and the top rankers win an amount from that bounty
- 80 % of business comes from televised cricket matches during which Dream 11 hosts events
- The CAGR of the industry is 15%. Industry is attractive
- ARPU per event Rs.100

Structure/ Framework



Key Takeaways

- The candidate took sufficient time to understand the business model of a fantasy sports company
- The case was conversational but at the same time the candidate took buy-in on assumptions at each stage and clearly stated the framework he was following

Pharmaceutical Company

Your client is a Pharmaceutical Company. They are facing stagnant growth since past 6 months. They need your help in improving the growth.

I would like to first know, whether it is a company specific stagnation. What products do we manufacture? Also, need some details about the value chain and geographies in which we operate. What is the objective in improving the growth?

The company manufactures Medical Devices and OTC drugs. Other companies are doing fine. Company operates in Russia and India. Its R&D is in Russia and rest of the value chain is separate in both the countries. The main objective is to improve the revenues.

Can I get some details on the competitive landscape, USP, and major customer segments?

It is an oligopoly market with few major players. We are one of them. Our USP in India is the low price that we offer whereas in Russia we provide advanced devices. We are a B2B business with 95% of the customers from Urban. The products are for everyone.

I would like to first focus on India and then if time permits, we can look into Russia. In India, we can either focus on existing products or try to introduce new products. Like, right now we are just having common drugs, we can plan to manufacture very specific drugs for other illnesses. If we consider only the existing products, then we can look into either market penetration or market diversification by going to other markets. Do we have any information why couldn't enter the rural market?

I liked the way you are approaching the problem. We currently only have 5% customers from rural market. The major reason is that most the rural drugs and devices are through government contracts for which we need political connections. As of now, I would like you to focus on the market penetration.

Revenue = #hospitals/medical shops/labs * revenue/customer. To increase revenue from each of them, we can either use upselling or cross selling by selling high end products or selling other similar products. Which part of the equation do you want me to focus upon?

You can focus on the number of medical shops and see what can be done.

Would look at this from two sides, one is acquiring new customers through organic and inorganic ways. The other is to look at old customers and resolve if they are facing any problem. In organic ways, I would consider Affordability, Availability, Accessibility, Awareness. We are already affordable. To make products more available, we can sell through online websites. We can hire more Market Reps to improve awareness. In inorganic ways, we can consider joint venture or acquisition of companies which are doing well in rural markets. Do we have any information if the existing customers have any problem?

Really liked all the different aspects you are looking into for improving the growth. We observed that the number of existing customers is dropping and we don't know the cause exactly. Can you please think why we are facing drop in existing customers?

I would like to divide the issue into supply side and customer side. Do we know if there is any issue with supplying the products required by existing customers?

No, there is no issue with supply side. You can focus on the demand side.

On the demand side, we can look into pre-service, during service, post service. In the pre-service, I would divide into need, awareness, affordability, accessibility and availability. During service, I would divide into cost and benefits associated. Post service, I will look at returns. Do you want me to focus on any one part?

You can look at the pre-service and particularly the awareness part.

We can look at both internal and external factors. Internal factors include any change in number of market representatives(MRs), change in incentive structures to market representatives, hiring and firing of MR. External factors include competitors and their awareness activities. Did we recently see any changes in any particular mentioned headers?

Yes, some of our existing Market Representatives have left and we had to hire new Market Representatives. We observed that these new hires were unable to maintain the relationship with existing customers. Due to which, there was a drop in #existing customers. It was nice interacting with you. Really liked your thought process and structured approach.

Pharmaceutical Company

Growth Strategy | Moderate | Accenture (Buddy)

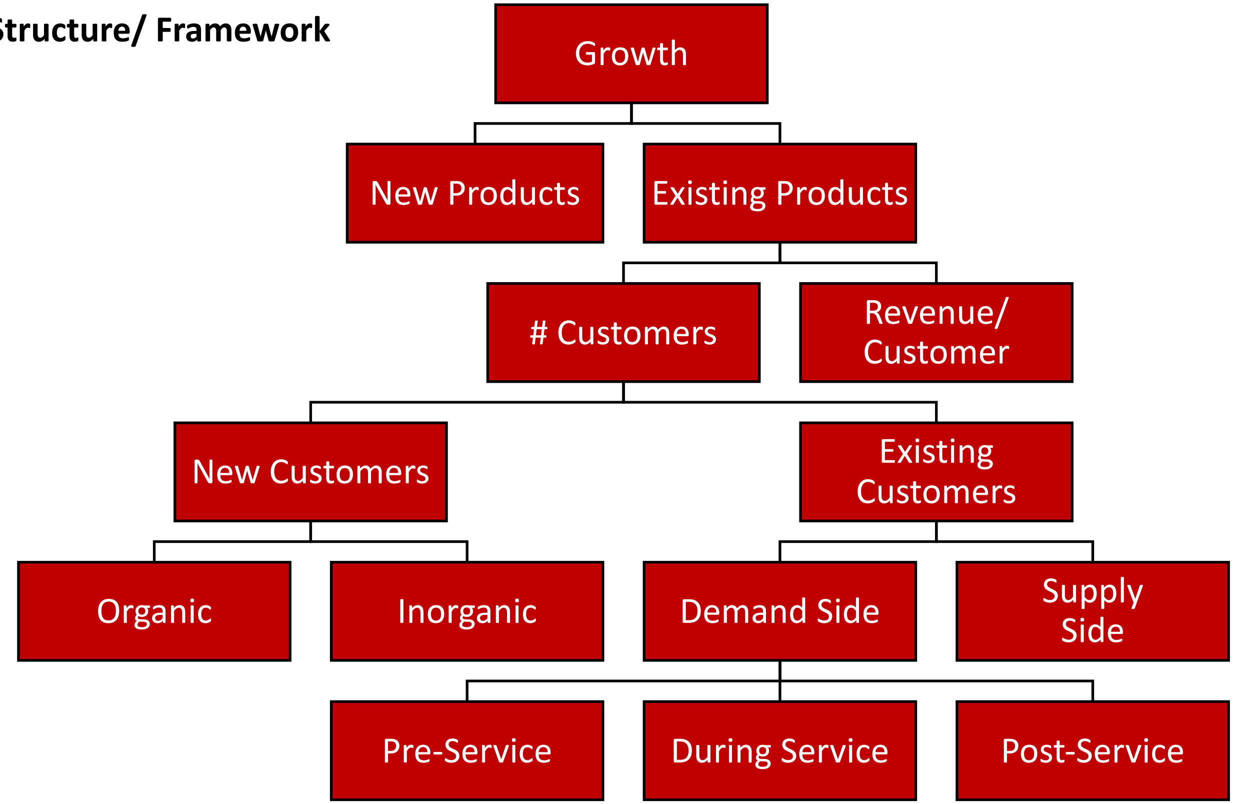
Case Statement

- Pharmaceutical company is facing stagnant growth since past 6 months.
- Objective is to increase growth by focusing on revenues.

Interviewee Notes

- Operates in Russia and India
- Oligopoly market
- Manufactures common OTC drugs and medical devices.
- B2B company with 95% of the customers from urban cities.
- In India, USP is the low prices.

Structure/ Framework



Key Takeaways

- At every step, MECE is must. Try to divide into various headers and mention them to take buy-in from the interviewer.
- Ask the interviewer if you should focus on particular headers and follow in that path.
- Ask all the required questions to understand the context fully which include Company, Competitors, Customers and Products.

E-commerce Client

Growth | Moderate | Strategy& (Director)

Your client is a US based company who has 2 business verticals under them, with one of them being e-commerce. The head of the e-commerce vertical is looking at growing the business and increasing profitability and has approached you for the same.

To reiterate the problem statement, our client is the head of e-commerce vertical of a US based company and wants to focus both on growth and increasing profitability. If my understanding is correct, can I please proceed with a few preliminary questions to understand our client. What kind of products do our clients sell and to which geographies do they cater? Also, what is their current market share?

Our client has a seasonal business and sells mostly backyard products like lawn mover and barbeque products. They currently cater to the entire US market and have recently expanded to EMEIA as well. Their market share in EMEIA is less than 1%.

What part of the value chain does our client operate in and how does their distribution channel look like? Does our client sell only online or have brick and mortar stores as well?

Our client majorly deals with retailing, that is they buy, store and sell the products. They have a purely online mode of business and do not own any brick and mortar stores.

Does our client have any target growth numbers in their mind? By how much do they want to increase their profitability?

The growth rate of our client currently is 10% and they're looking to increase it to 30%. Our margins are also currently 10% and we're looking to increase it to 15%.

What does the competitive landscape of our client look like?

70% of the market is catered by mom and pop stores. Of the remaining 30%, a major chunk is served by big box retailers like Walmart who have both brick & mortal as well as e-commerce channels. You can imagine our client to be a watered down version of Amazon in terms of scale and size.

What customer segments does our client cater to?

Our clients customers are usually people living in duplex houses. Since our client sells backyard products, their customers generally tend to have bigger houses with backyards.

Thanks, I have got all my questions clarified. Shall I proceed with looking to increase profitability first and then evaluate the growth strategy?

Let us first look into the growth strategy and then go ahead with profitability.

Sure. So we can look at four aspects in the growth strategy. One way would be to look into product diversification. Since we deal with seasonal products, diversifying our product mix would help us generate more sales all round the year. Alternatively, we can also look into product development where we can work on building different varieties of the products we have based on customer preference and try to tap the untapped market. Another way would be to expand to other geographies like we did with EMEIA. Another alternative would be to increase the penetration of the products in the market. This can be done by targeting other customer segments than the ones we cater to currently.

Okay great, you have covered all the aspects comprehensively. Lets look into profitability now.

Sure, profits can be increased by increase in revenue or decrease in costs. Would you like me to look into any of these parameters or dive deep into both?

Let us focus on costs first and then move on to revenue. Can you list all the costs that our client would incur?

The major costs our client would incur will be procurement of raw material, inbound and outbound logistics cost including last mile delivery, warehousing costs, after sales services.

You have covered all the costs. Let us look into increasing revenue now.

Revenue can be increased by increasing our customer base, increasing the price of the products or by increasing the frequency of purchase per customer. But since these are seasonal backyard goods with warranty, households would not tend to buy them often. Hence, increasing the frequency of purchase does not seem viable.

Sounds good, you were talking about increasing the price. How would you go about pricing the product.

We can sell our products based on the customer value that would be generated out of it. Since our customers are typically the higher income segment, they do not tend to be as price sensitive. Since the market is fragmented and our client does not have a huge market share we would need to benchmark against the competitors to some extent. But the pricing can be done based on the customer value.

Great, that would be all. It was nice talking to you.

Thank you, Sir. It was nice meeting you as well.

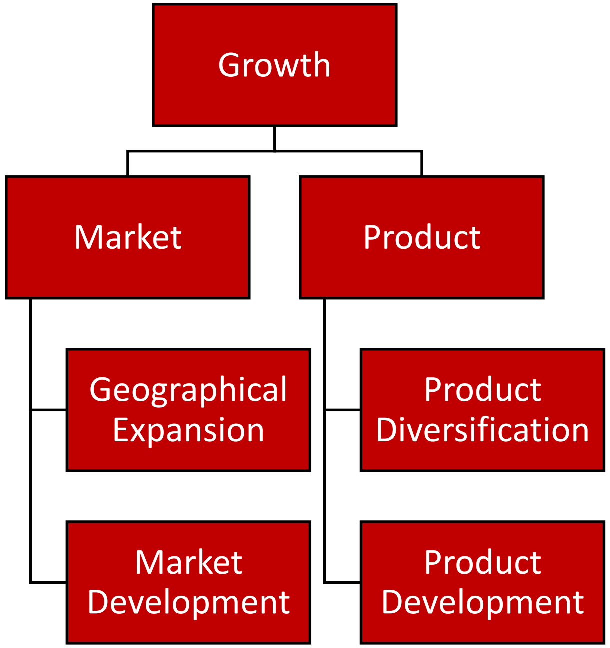
Case Statement

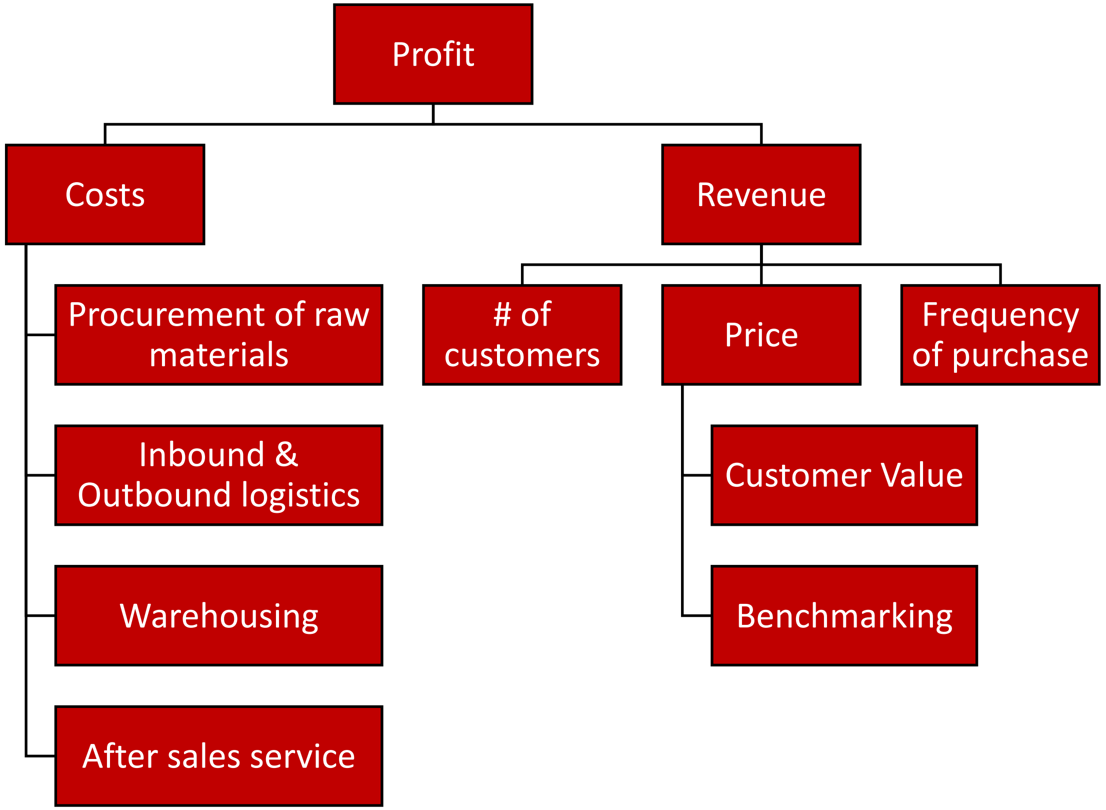
- US based e-commerce company
- Wants to evaluate growth options and increase profitability

Interviewee Notes

- Seasonal backyard products like lawn mover and barbeque grills
- Presence in US and recently expanded to EMEIA
- Target growth 30% and target profit margin 15%
- High income population with houses big enough to have a backyard
- 70% of market captured by mom & pop stores

Structure/ Framework





Key Takeaways

- The interviewer wanted to test if the candidate will critically analyse all available options. List down all alternatives and reason out why one should prefer or not prefer that alternative.
- The interviewer also did not want to arrive at the root case of increasing profitability. He just wanted to check if the candidate can list down all drivers.

Your client is a newspaper distributor company in France. The client's business is facing stagnation. They have asked you to evaluate and diagnose their current situation and provide recommendations.

Interesting problem. In order to understand our client and their business better, I would like to ask certain preliminary questions.

Sure, go ahead.

I would like to first understand the product mix as what kind of newspapers does our client deal with as well as the key customers our client caters. As a distributor, I believe our client can either directly cater to end customers, or they may cater to intermediatory like shops or both.

Good question. The client is one of the largest distributors of a famous National French newspaper. All the sales for our client are through local stalls and shops.

I would like to understand the reason behind the stagnation. In order to do that, I would like to know the current competitive landscape in France and if our competitors are also facing similar stagnation in growth.

While there exists competition from various distributors, our client is the market leader when it comes to distributing the National French Newspaper to local stalls. Similar stagnation is being faced by other players as well. What do you think could be the reasons behind this stagnation ?

There can be reasons internal as well as external to our client. Since our client operates in the distribution part of the Newspaper industry value chain, Internal factors such as 1. choice of channels, 2. Supplier & Buyer Contracts 3. Planning & Optimization 4. Training & Commitment of workforces etc. But since other players are also facing similar stagnation, I assumed that External factors would be the reason behind the stagnation like 1. Market size stagnation, 2. Change in customer preferences, 3. Regulations, 4. Demographic factors and 5. Technological factors.

I feel that with the shift towards digital technology, more customers are consuming information through digital channels and thus their preferences are changing. Further, this could have led to an overall stagnation of newspapers market.

The reasons provided by you are quite comprehensive. In fact, as you rightly mentioned, there are multiple external factors are leading to the stagnation, the foremost being the shift in consumer preference towards digital over physical newspapers. What all factors, no need to provide numbers, would you consider to project the future decline in the market size of newspapers in France ?

In order to project the decline in future, I would first start by find out the current market size of newspapers in France. To estimate the current market size, I would start with the population and households of France, literacy rate, physical newspaper preferences and consumption patterns. Once I have the current market size, I would project it in future based on the annual percentage shift in consumers form physical to digital. Further, I would also take into account the changing demographics and the willingness to shift form physical to digital.

Good. A survey done by our client indicates that the annual shift in customers form physical newspapers to digital mediums is expected to increase YoY due to availability of better digital substitutes. What short-term and long-term strategy would you recommend to the client to remain relevant and profitable in the industry ?

In the short term, the client should focus on their existing newspaper distribution business to sustain their current revenues. At the same time, considering the projected future decline of the newspaper industry, they need to diversity their scope in the long term.

Alright. What steps can the client take to grow the business in the short term ?

The client can explore new customers. Currently they are only catering to local stalls. They can target corporate customers like cafes, airports etc. as such locations also require daily newspapers. Further, the client can diversity their product portfolio by leveraging their existing distribution network. In addition to the French national newspapers, they can start distribution of popular local and international newspapers. And lastly, the client can venture into new nearby geographies to increase their customer base. These steps would help the client to sustain their sales in the short term. However, more radical steps would be required, and the client should explore pivoting in order to grow in the future.

Alright. All the recommendations you mentioned make complete sense if the newspaper market size was on a growing trend. As you rightly mentioned, these steps would not add much value in the long term. What long term recommendations would you give to the client?

Since the newspaper industry is projected to decline in the future, the client should start looking for opportunities to diversify its distribution products. They can build upon their already existing capabilities of distribution, supplier and customers to start venturing into distribution of similar items such as magazines, journals, books etc. They can even venture into distribution of dissimilar items. The key focus being on leveraging their already existing capabilities as distributors.

Sure. Those are some good suggestions. One last thing, how should the client go about reducing their costs for their current operations ?

As a distributor, I believe that our client's major cost head would be logistics. Should I focus on logistics or do you want me to consider other cost heads as well.

You can go ahead with logistics costs.

Sure. In order to reduce cost of logistics, our client can implement route optimizations techniques in order to deliver more material with less resources. They can consider different modes of transportation such as EV or even bicycles for short local distances. Since items like newspapers hold no value once the day is over, accurate prediction of demand is extremely important to prevent excess inventory. Therefore, they can implement accurate newsvendor inventory models to purchase optimal inventory based on demand.

Great. The client can surely implement some of these suggestions. Do you have any other recommendations for the client ?

The client can set up reverse logistics to buy back old materials from its customers. Selling the old material to recycling agencies in bulk may allow our client to develop a simultaneous revenue stream as well as enable them to portray the image of a sustainable distributor.

Sounds good. We can close the case here. Thanks.

French Newspaper Distributor

Growth Strategy | Moderate | Strategy& (Manager)

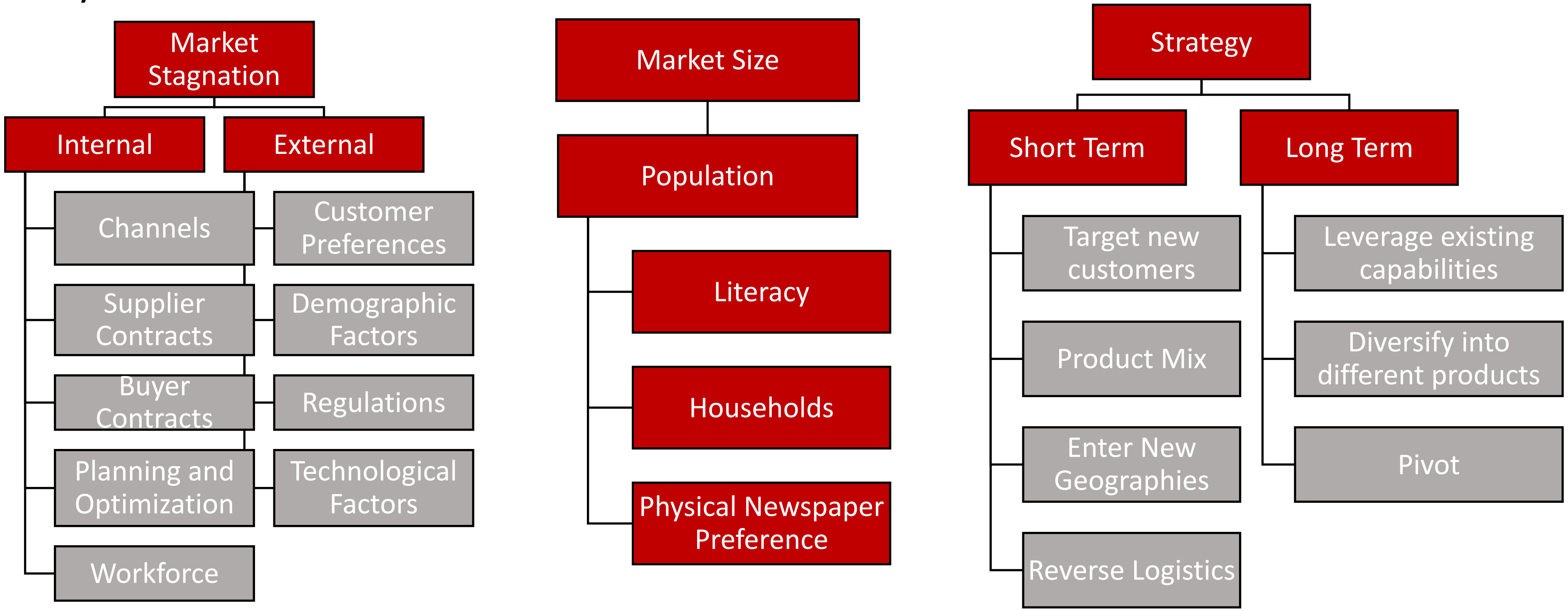
Case Statement

- Client is a newspaper distributor in France
- The business is facing stagnation in growth
- Diagnose the current situation and recommend solutions

Interviewee Notes

- Understand the key customers
- Industry wide issue
- Figure out the reason for the stagnation in market
- Provide both short-term and long-term recommendations

Structure/ Framework



Key Takeaways

- The case required the candidate to analyse the problems from different lenses. No specific framework was used, however, small portions of different frameworks seem to have helped the candidate
- The preliminary questions could have been more exhaustive in order to understand the client better.
- It is always beneficial to have a hypothesis, in this scenario, since this was an industry wide issue, the candidate himself mentioned that it could be an external issue.

Your client is the Ministry of Railways, China. They oversee all rail networks in China, including infrastructure, operations and regulation. They oversee the working of 16 railway bureaus and 22 railway group companies. They are considering investment in a high-speed railway line between Beijing and Shanghai. Advice them if the project is go or no go.

Seems like an interesting problem. Could you tell me a little but about these two cities? What are the existing modes of transportation between them? Any USP that these cities have as compared to others?

Sure. Beijing and Shanghai are 2 of the largest cities in China with dedicated Economic Zones. Currently, there is a regular railway line as well as a flight that operates between these cities.

Okay. And what is the added benefit that our high-speed railway line is going to provide? Could you also tell me the price of a flight ticket and a ticket of the regular railway? Also, what is the price point that we have decided for our new railway line?

The regular railway line currently takes 12 hrs, while the flight takes 1.5 hrs. The new high-speed rail line is going to take around 3 hrs to travel the distance. Price of a ticket is $250 for the regular railway line and $500 for the flight. Regarding pricing for the high-speed rail ticket, what would you recommend to do?

Pricing can be done in 3 ways – Competitive pricing based on what our competitors (regular railway/flight) are offering, cost plus pricing based on the margin that we want above the cost price and value-based pricing, for which we will need to assign a price to the additional value we are providing our customers.

Which one would you want to go with?

Since alternate modes of transportation already exist on this route, I would like to go with competitive pricing, with my competition being the flight operating between the cities. I would want to price it close to $500, because although the actual flight time may be 1.5 hrs, airports require a lot of formalities as compared to railway stations which would increase the time taken for the air journey close to 3 hrs too.

Makes sense. What other factors would you consider to decide on your final answer?

I would check external factors like market attractiveness in terms of competition, suppliers for construction & operation of the new line, regulations, market size and customer behavior. I would also consider internal factors, namely operational feasibility, financial feasibility and strategic viability with regards to the firm's capabilities and resources.

Let's take each factor one by one. What would you check in operational feasibility?

I would look at the value chain in detail and check the distribution channels that I can leverage and if I can reuse existing machines or expertise of existing staff.

What about financial feasibility?

I would look at the fixed and variable costs first. Fixed costs would include infrastructure related costs, actual train cost, salaries of newly appointed employees and finances needed to develop online booking platforms, if needed. Variable costs would include fuel and facilities cost. I would also analyze my sources of revenue to see how I can break even.

Let me give you some data for reaching a breakeven point. Fixed costs are $2.5 bn. Variable costs are $50,000 per train per day. Assume that we are going with competitive pricing of $500 per ticket. Additionally, currently there are 20 flights operating per day with 150 passengers per flight.

Assuming 30% net market penetration of flight passengers, the revenue we would generate per day = 0.3*150*20*$500 = $450,000. Variable cost would be $50000*number of trains running per day. If one train has a capacity of 150, and we need to make 20 trips (with each trip taking ~5 hrs for the journey, including waiting time), we need to make 4 trips an hour. Hence, we need 4 trains to run everyday. So, variable cost = $50000*4 = $200,000. So, profit per day is 450,000-200,000 = $250,000. Since fixed cost is $2.5 bn, break even point is 250,000/2,500,000,000 = 10,000 days = 10,000/360 = 27 years.

Now given that breakeven will happen in 27 years, what would be your recommendation?

I would still go ahead with the investment, because aim of most governments, while implementing such projects, is not breaking even. The goals can be political (such as promises made during elections), economic (improving trade in the Economic Zones of the two cities), Social (employment generation, improving the image of China in front of the World) or Financial (extending the high-speed railways for transportation of goods, improving customer penetration %), etc.

That’s sound judgement. We can close the case.

Ministry of Railways

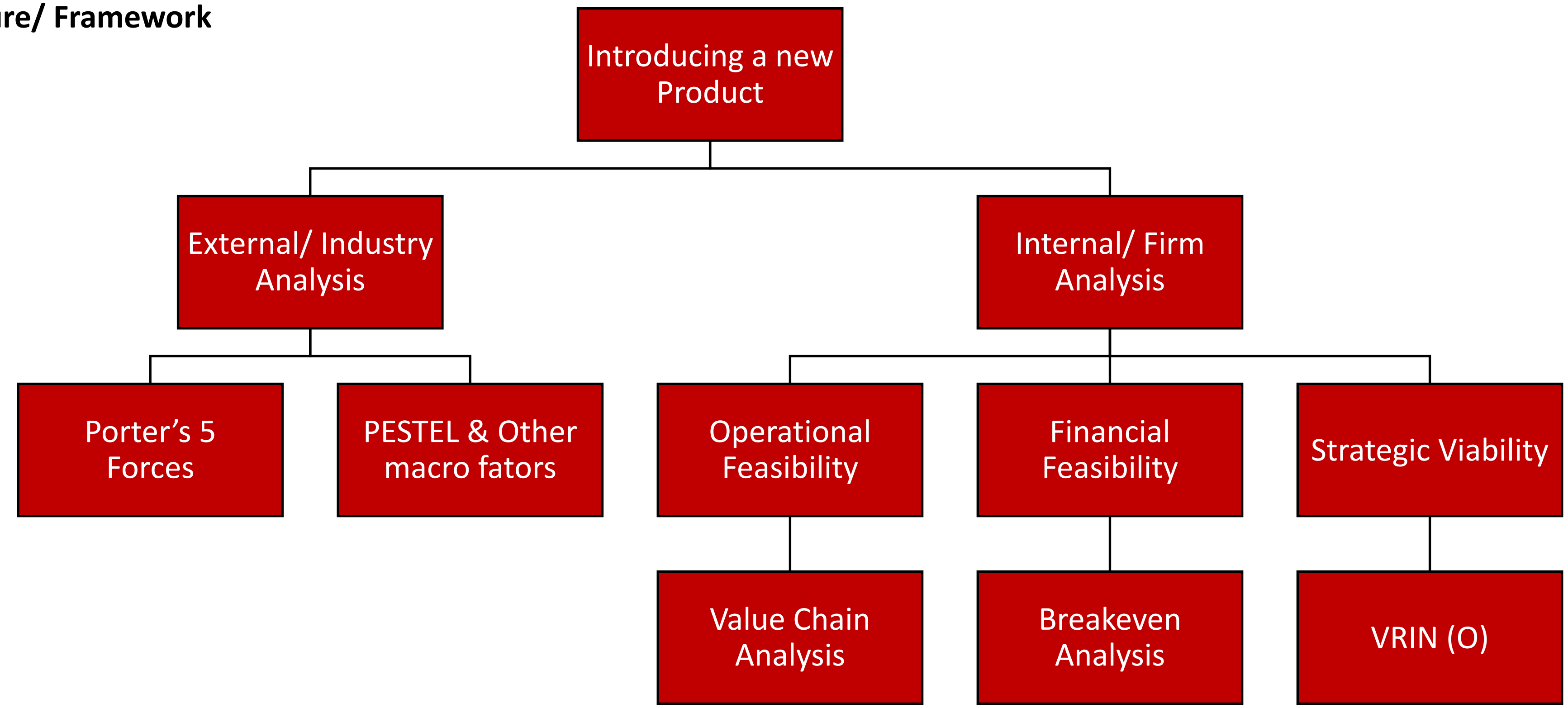
Case Statement

- Analyzing feasibility of investing in a high-speed railway line in China
- Railway line to operate between Shanghai and Beijing

Interviewee Notes

- Chinese Railways
- Shanghai and Beijing – Economic Zones, large cities
- Air travel, regular rail already present in the route
- Pricing – 3 types
- External & Internal Considerations
- Operational, Financial feasibility – break even point

Structure/ Framework



Key Takeaways

- Ask USP of introducing new solution/entering new market.
- In the financial analysis, try matching units to reach the breakeven point

IIMB M&A & PE Cases 2022-23

PE/VC Framework

	Financial Feasibility		Synergies and Business Model		Exit Options and Risks	
Factors to be evaluated for the time-period of investment	**Financial Factors**	**Acquired Firm's Factors**	**Synergies**	**Business Model**	**Exit Options**	**Risks**
	Market Size (Guesstimate)	Unique Value Proposition	Demand-side Synergies	Company's Evaluation	Total Exit	P E S T L E
	Growth Rate	Competitors	Supply-side Synergies	Operations	Partial Exit	
	Profitability	Current Equity Structure	Efficiency Synergies	Financials	IPO	
Use information from above parameters to calculate Free Cash Flows (FCFs) to estimate the valuation of the company being acquired						

Factors needed to analyze a company

Structure
What structure do we need to execute the strategy?

Systems
Business system needed to execute the strategy?

Style
Analyzing Leadership style and cultural qualities

Staff
How should we help our managers in their growth?

Strategy
What should we do to solve the business problem?

Structure
What structure do we need to execute the strategy?

Shared Values
Current Values and culture of the firm

Healthcare Facilities

Your client is a leading healthcare group, they are acquiring a standalone healthcare facility and want your recommendation on the undertaking.

Thank you for the case statement. I would like to ask a few preliminary questions to better understand the current state-of-affairs, use them to build an analysis of the situation and then proceed to the recommendation. Would it be correct to understand a health care facility to be a hospital/clinic?

Sure and yes, we can consider the healthcare facilities to be hospitals for this discussions.

Do we have more information on the proximity of the hospital to the Client's hospital?

Both the hospitals are located in the same Tier 1 city, within 10km of one another.

The proximity of the two facilities will influence the key decision-making parameters for this acquisition.

Good. Which parameters will you use to judge the effectiveness of this acquisition?

For merger or acquisitions, we can split the parameter into soft factors such as such people, culture, brand image, mission, vision, and hard factors such as due diligence around the finances of the hospital, capabilities, organization structure, operating practices, government regulations and permits, and other expenses such as marketing, etc. The attempt would be to ensure that "the whole is greater than the sum of its parts". Would you prefer I proceed along these line?

Agreed. Due diligence on the finance and financial viability of the acquisition move have been approved. Let us check the other other dimensions one at a time.

I would first like to know how many medical departments/ capabilities that the two hospitals host. Do we know if they are similar of diverse?

Right! Emergency Ward (ER) is the only department common between the two hospitals.

This a good start. The acquisition of the two hospitals will bring more specialties under the parent brand. Now I would look at the cultural sync between the two hospitals and ensure that they maintain the same patient centric service and goals. The integration should ensure that the two hospitals are perceived as one entity.

Okay! What else do you want to look at?

As there is no significant overlap between departments, intra department integrations are negligible. However, a protocol has to be drafted to standardize the operation of the ER dept. in both hospitals with clarity of hierarchy across two hospitals. The Client should also refresh the organizational hierarchy with the acquisition of the new hospital, eg. absorbing experienced and leading doctors from the daughter hospital into leadership roles.

Fair, beyond the capabilities, culture and organisational structure what other things should be looked into.

Yes. We would have to account for measures and expenses to amend all regulatory permits like fire regulations, elevator operations, supply procurement tenders, tax documents and agreement with health care payers (public or private) under one name. Client also should align all public relations, marketing communications to bear on identity for both hospitals.

Are there more bases to cover?

Yes, I can also think that the client will have to update its Customer Relations Management systems, consolidate all patient database across the two hospitals and streamline processes for appointment booking, emergency service assistance and delivery across the two hospitals for a seamless patient party experience. Is there anything I am missing?

No, that is all. We will close the discussion here!

Thank you for your time.

Healthcare Facilities

M&A | Moderate | BCG (Manager)

Case Statement

- The client is a leading healthcare provider, take hospital chains like Apollo Hospitals/ Narayana Healthcare group for example
- It is acquiring another healthcare facility in its proximity
- What are some of the bases that they should cover as they make this decision

Interviewee Notes

- The hospitals are in the same city/town
- They do not have overlapping capabilities except the ER (emergency) department
- Cultural and people fit across work location
- Need to align operations
- Need to maintain same identity
- Ensure seamless experience for patients

Structure/ Framework

- Factors for M&A decision
  - Soft Factors
    - Organization Culture
      - Mission & Vision
    - People
  - Hard Factors
    - Organization Hierarchy
    - Capabilities
    - Operation Protocols
      - Permits and Regulation Updates
      - Patient Relations
    - PR (Public Relations)

Key Takeaways

- Ensure the benefits/ hurdles of all stakeholders involved in the business model are being accounted
- In mergers, identify the current attributes (location/ capabilities/ services/ positioning) that contributes to value of post-merger proposition being greater than than the sum of individuals

Army Cantonment Hotel

PE | Moderate| Accenture (Buddy)

Your client is a PE firm looking to invest in a hotel in India and need your help in figuring out whether they should go ahead with it.

Thank you for the case. Before we deep dive into the case, I'd like to give a structure to the case and ask a few preliminary questions. Can you give me a brief idea about the client?

Sure, our client is one of the biggest PE firms in India and has a diverse portfolio. Lately, they have been investing in a lot in real estate since they believe there is a significant potential there for the next 10-20 years owing to rising population.

Has the client already decided on the hotel that they want to invest in or are they yet to decide the same?

Good question. The client has actually already decided on the hotel they are interested in and need your help in understanding if the investment is worth making.

Sure. In that case, I would like to understand more about the hotel. Where is it situated? Who are the customers and their purpose of visit? Do we have any details on the tariff rates?

The hotel is situated in a small town in India in an army cantonment area and provides basic amenities. It became operational 3 years ago. As such, more than 95% of the visitors are trainees who visit the town to attend conferences. People do not spend a lot of time in rooms and use it only for keeping their luggage and sleeping. The trainees receives an allowance of $80/night during the course of their visit. I don't have information on the tariff rates but you can estimate the same if required.

Are there any other hotels in and around the area that could be potential competitors?

Not in the same town but there is a town nearby with ample number of hotels.

Thank you for the all the details! I would like to evaluate the financial attractiveness of the asset, followed by growth drivers and then finally analyse the risks and synergies. Does the approach seem fair to you?

Sounds good. You can start with the financial attractiveness aspect.

I would like to look at the different revenue and cost streams for the hotel and come up with a valuation of the hotel based on expected cash flows and the discount rates to account for time value of money. Revenue streams will include accommodation charges, food, laundry and other services. Cost stream will include fixed costs like staff salaries, utilities, maintenance etc. and variable costs like grocery, house keeping expenses etc. Do we have any idea around the different revenue and cost streams as well as discount rate?

You can assume accommodation charges to be the only source of revenue. Costs are $30/night for an occupied room and $0 for an unoccupied room. Discount rates are not known. You can calculate the payback period on investment to evaluate financial attractiveness. If payback period is less than 7 years, the client is good to go.

Accommodation charges can be calculated as No. of hotels room * Occupancy Rate * Tariff rate * No. of nights operational. Do we have data on these parameters and also the investment amount?

There are 400 rooms in the hotel with an average occupancy of 75%. Hotel is operational throughout the year. The investment amount is $65000/room. You will have to estimate the tariffs. Assume that all the rooms are similar and a single tariff rate applies to all customers.

The tariff can be calculated based on three approaches: value-based pricing, cost plus pricing and competition based pricing. Since the hotel provides basic amenities and there are hotels in nearby town, I feel pricing is most likely to be influenced by competition while ensuring that operational costs are being covered. Do you think that's fair? If yes, can you tell about the tariff rates for hotels in the nearby town?

Sure, that makes sense. There are three types of hotels in nearby town – Economy with a tariff of $50/night, Utility with a tariff of $75/night and Luxury with a tariff of $125/night. It takes $10 to travel to and from the nearby town to the cantonment area

After including travel costs, the cost of staying in Economy, Utility and Luxury hotels comes out to be $60, $85 and $135 per night. Given the trainees receive an allowance of $80 per night, it makes sense to keep the tariff between $60-$80 to keep the prices competitive as well as affordable for the trainees. Is that fair?

Yes, that's correct. You can assume the tariff to be $70/night.

Sure, I will take a minute to calculate the annual profit and breakeven period. According to my calculations, the annual profit for the hotel would be $4.4M and the payback period would be 6 years (see working below), which is acceptable as per the client's expectations.

That looks good. Can you tell me some of the risks associated with the investment?

Risks can be divided into two parts: Internal and External. Some of the internal risks include attrition of human resources, decline in quality of service and deteriorating infrastructure due to lack of maintenance. External risks include emergence of competing hotels, changes in trainees' allowances and shift in conference location. All of these factors can potentially impact our estimation of cash flows and payback period.

Excellent. So what's your final recommendation to the client?

I feel the client should go ahead with the investment since it is financially attractive to them. The internal risks should not be a major issue since the hotel is just 3 years old and hence, it should be in a good shape for at least next 4-5 years. As far as external risks are concerned, army locations are usually strategic in nature and not changed frequently. Hence, the demand is fairly inelastic and cash flows should be as predicted for the hotel with minimal variation.

Great! We can conclude the case here. It was really good interacting with you.

Army Cantonment Hotel

PE | Moderate| Accenture (Buddy)

Case Statement

- PE firm looking to invest in a hotel located near army cantonment
- Identify payback period
- Risk analysis for investment

Interviewee Notes

- Hotel located in army cantonment area
- Used by trainees attending conferences
- Hotels available in nearby town:

Type	Tariff (/night)
Economy	$50
Utility	$75
Luxury	$125

- Cost of to and travel from nearby town = $10

Structure/ Framework

- Investment Analysis
  - Financial Attractiveness
    - Revenue
      - Food
      - Laundry
      - Accommodation
        - No. of rooms
        - Occupancy Rate
        - Operational nights
        - Tariff rate (per night)
    - Costs
      - Fixed
      - Variable
  - Growth Drivers
  - Risks
    - Internal
      - Attrition
      - Service Quality Dip
      - Poor Infra
    - External
      - Competition
      - Change in allowance/venue
      - Value based
      - Cost based
      - Competition based
  - Synergies

Annual Profits = No. of rooms * Occupancy Rate * Operational nights * (Tariff – Expenses)
= 400 * 0.75 * 365 * $(70-30) = **$4.38M**
Payback period = ($65000 *400)/$4.38M ~ **6 years**

Key Takeaways

- Important to showcase breadth of thinking and MECE at every step
- Case solving can get numerical, get comfortable with calculations under time crunch

Pre-Kindergarten School Investment

PE | Moderate |McKinsey (Partner)

There is a PE firm which wants to invest in a pre-kindergarten school chain like Kidzee which operates in Mumbai. What advice would you give them?

Can I ask some clarifying questions?

Yes of course

Is it the first time that the PE Firm is venturing into the education industry

Yes, this is the first time

What is the horizon of investment that the PE firm is looking at?

5-10 years. Can you tell me what all elements would you consider while analyzing the case?

First of all, I would like to estimate the size of the pre-kg industry, look at the market share of the pre-kg chain that our client is looking to invest in and then look at the growth rate of the industry and the target's market share.

Good. Please proceed

To estimate the market, I would divide Mumbai into 5 zones. For each zone, I would estimate the number of married couples in the age group of 27 to 35. Before, I proceed, I want to do a side analysis about who can afford to enroll their kids in pre kg schools

Ok. Please go on.

<I assumed some per annum fees for a pre-kg school. Then I assumed that families spend x% on rent, y% on housing needs, z% on leisure etc. Using the per annum fees assumption and the percentage of income spent on education, I was able to calculate the cutoff for families who could afford to enroll their kids in the pre-kg school based on their income>

Ok. How will you use this information?

Now we can further segment the married couples between 27-35 into those who can afford and those who cannot

Ok, the market size is fine. What else will you advise the client?

We should also look at the financials of the pre-kg chain. By looking at their assets, liabilities, income and expenses we would be able to determine what percent of their revenues come from operating activities.

What kind of expenses do you think are applicable for a pre-kg chain?

As they are operating in Mumbai, rent and lease would form a major part of their expenses. Apart from rent, they would incur expenses for salaries, maintenance and advertising.

Ok. What else? Do you foresee any risks for the client?

One risk could be that the client is not able to find suitable teachers for engaging with pre-kg children.

Wait, who is our client?

I'm sorry. It is the PE firm. <Since this was a PE client who was looking to invest in another company, I got confused about the perspective from which the question is asked>

No worries

The risks for our client are that the pre-kg industry could become irrelevant in the future. The government could come up with a law where children below x years are not allowed to study. The schools could start opening their own pre-kg chains.

Interesting. Anything else?

The technology is evolving so fast. In future, robots could be developed to take care of and educate children when their parents are not at home.

Hahaha. That is still 15-20 years away. It was an interesting discussion. Let's wrap it up here!

Pre-Kindergarten School Investment

PE | Moderate | McKinsey (Partner)

Case Statement

- A PE firm client has approached you for advice
- Objective: Evaluate whether or not to invest in a pre-kindergarten school chain like Kidzee

Interviewee Notes

- Horizon of investment: 5-10 years
- Target company is in Mumbai
- Estimate market size using no. of married couples, affordability cut-off

Structure/ Framework

- Invest in Pre-KG kindergarten?
  - Pre-KG Market Opportunity
    - Industry Size
    - Industry Growth Rate
    - Target’s Market Share
  - Financials
    - Assets
    - Liabilities
    - Income
    - Expenses (rent, salaries, maintenance, advertising)
  - Risks
    - Relevance
    - Technology

Key Takeaways

- Important to give step-by-step approach for market sizing followed by a verdict of whether the opportunity is lucrative
- Analysis of all 3 – market opportunity, financials and risks is required to be studied when evaluating a decision for a PE firm

Coal Mine Investment

PE | Challenging | McKinsey (Buddy Case)

Case Statement: Your client is a PE firm who is looking to invest into a coal-miner based out South Africa. Evaluate if it is a valuable investment for your client

Sure, thankyou for the case. Before I drill down to the factors to be analyzed, I have a set of preliminary questions for our client. Firstly, I wish to know about the current portfolio of our client and the future vision of our PE client?

May I know the reason for asking this question?

Typically, PE clients look to invest into firms which are in line with their portfolio and/or their vision. Eg – If our PE client, invests in green firms and is concerned with the ESG impact of its invested firms, then investing in a coal mine wouldn't be a part of my recommendation.

Great. Out client is not into green stocks, its current portfolio contains traditional energy firms (Petrol, Coal, Gas). Hope that answers you question. Do you have any more questions?

Yes; Further I would I like to know if we have a quoted valuation from the coal-mining firm?

No, nothing as of now.

Understood; Also, apart from the fact that coal-mining is in synchronization with our PE client's portfolio, is there any other purpose of investing into the coal-mining firm?

Our client wishes to earn a decent RoI from this investment in the next 6-7 years. There is no predefined RoI preferred. You are expected to evaluate whether this coal-mining firm has the potential for the same.

Understood, Further, I would like to know about the customer profile of the coal-miner, and if there are any outstanding contractual obligations of the coal-miner.

Its clients are based outside of South Africa, and there are no current contract obligations on the coal-miner

Understood; Further, I would like to enquire about the number of mines and their location in terms of distance from ports, if not, what are the transportation facilities available? As per my understanding, the coal-miner ought to have interconnectivity with the ports for transportation to its clients outside of South Africa

Good question; the miner operates one mine and is a major player in South Africa. Also, the mine is located relatively closer to the ports, and the coal-miner has interconnectivity with the ports for transportation outside of South Africa; the miner itself transports to the ports and thereafter based on the contract the shipment is shipped

Understood; I now have a fair understanding of the case. I would request few seconds to structure my thoughts and come up with parameters to be analyzed.

Sure, take your time.

So, in order to evaluate if the coal-mine is a valuable investment for our client, I would like to follow a 4-pronged approach. Analyze the following:

1. <u>Macro-economic factors</u> (related to the industry)
2. <u>Micro-economic factors</u> (related to the firm – due diligence and financial feasibility)
3. <u>Operational feasibility:</u> Possibility of our client, PE firm, to tinker the operations of the invested firm (coal-miner) in order to earn a higher RoI after 6-7 years, the client's stated period of investment
4. <u>Exit Options and Risk</u>

Is there anything else you want me to look at or anything specific you would want me to dive in?

Can you please elaborate about what you meant by macro-economic factors?

Sure. So, following are the pointers that I'll be looking under macro-economic factors:

- Analyze the **supplier** (labor unions, equipment manufacturer) and **buyer** (in the form of geographical locations of major buyers) landscapes
- Future growth potential in the industry
- Competitive landscape inside the coal-mining industry

Great; can you now elaborate on the financial feasibility analysis?

Sure; I would want to calculate the NPV using a discounted cash-flow model wherein the parameters will be as follows:

1. Free cash flows [basing future free cash flows based on growth (of buyers, new mines) and risks]
2. Hurdle rate (based on the current equity-debt structure)
3. Terminal value; since coal is a non-renewable resource, hence as per my understanding the coal-mine would be evaluated every 5/6 years based on the rate of mining to gauge the amount of coal left to be mined. Thus, terminal value will be a critical factor

Interesting analysis. Thankyou, we may stop the case here.

Coal Mine Investment

PE | Challenging | McKinsey (Buddy Case)

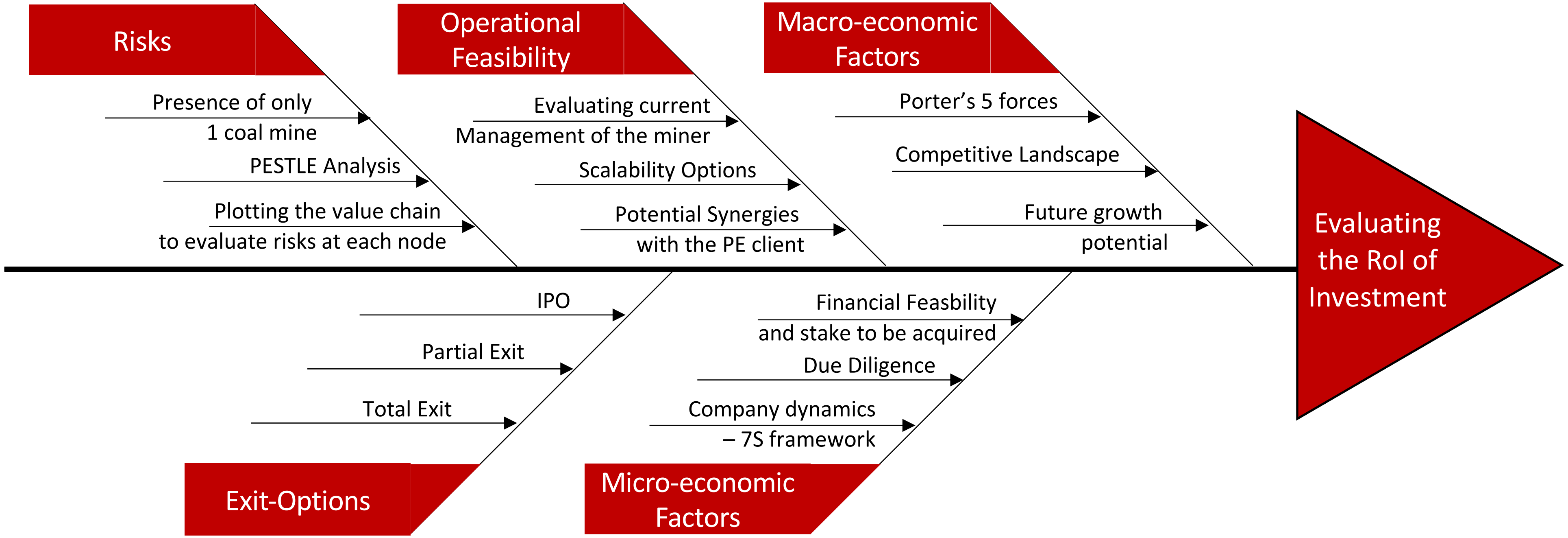
Case Statement

- Our client is a PE firm looking to invest in a coal-mining firm in South-Africa
- Portfolio of the PE firm is in traditional energy stocks (Petrol, Coal, Gas); not willing to invest in green stocks
- Overarching objective is to evaluate the investment opportunity

Interviewee Notes

- Since there is no standard framework for such case, aim was to evaluate from the lens of our PE client and form a coherent (yet MECE) set of parameters to be evaluated, hence in that regard the 4-pronged approach was suggested
- Thought-process ought to like a fishbone-diagram (or a decision tree), wherein the final objective formed the core of the diagram (See right)
- When the interviewer pointed out 1 mine, then it should click as one of the risks

Structure/ Framework



Key Takeaways

- Critical to understand the rationale for investment
- The Interviewer might not be looking at the final problem to the solution, and maybe looking to evaluate the interviewee on a specific set of parameters
- In case of M&A/PE cases, adequate time should be given to preliminary questions as the interviewer is looking to check your initial hypotheses with them
- There is no specific framework for such cases, hence it is critical to form an overarching framework (during the case) based on ones hypotheses of the case

IIMB Unconventional Cases 2022-23

Firing Strategy for Twitter employees

Unconventional | Easy | BCG (Partner)

Your client is Twitter. They have decided to cut down costs by reducing the workforce post Elon Musk's acquisition of the company. Create a firing strategy for the employees of the company.

Thank you. This seems like a very interesting case. I would like to start by confirming if this case is in line with the current news. Also, I would like to know the quantum of cost reduction and the number of employees the company is looking to lay-off.

Yes, this case is based on current events. The client does not have a number for cost reduction but they would like to lay-off 50% of the staff.

Does the client have any metrics to keep in mind while laying off staff? Or would you like me to explore this further?

Why don't you tell me what you have in mind?

I want to first analyze which employees to fire. My focus would majorly be on productivity. But some other metrics I'd also like to consider would be their history of discipline and the ability to meet goals and work within a team. These metrics would vary from function to function and we need to tailor the metrics for each function. Then I would like to figure out what severance package should be given to the employees being laid off. Finally, I would like to look into how to handle the negative PR this mass firing would generate.

Go ahead.

I would like to split the workforce as technical staff, management staff and support staff. Am I missing anything here?

No, you are not. Please go through these one-by-one.

Starting with the technical staff, this would include teams in development, testing, system architecture, etc. As per recent news, Musk is firing employees based on the number of lines of code they have written. This is obviously not the best way of firing people. An alternate approach the company could take would be looking at other holistic productivity metrics like 360-degree peer evaluations, engineering leader evaluations, task-completion predictability, etc. Would you like me to explore this further or shall I move to the next function?

Amongst the three that you mentioned, which function do you think Twitter can do away with?

I think Twitter can afford to do away with the top management. This is because of a clear disagreement in the vision for the company. Musk can bring in people he trusts from Tesla or SpaceX. The developers and the engineers are crucial to the functioning of the company, but they are also highly paid. Twitter would be able save costs by letting go some people in this function.

Okay. Let's talk about the support staff. Which teams come under this?

The major components will be HR, Marketing & PR, Admin and the Maintenance crew.

What will your considerations be under Marketing & PR?

Tesla does not have a marketing function. Elon Musk's Twitter handle is the only voice from the company. Musk might want to follow the same strategy for Twitter. The PR team will have to wisely navigate the backlash Twitter will get for firing employees. There is no way they can justify this to the general public. Then the only thing they can do is cover it up with some positive PR.

Give a brief summary of your analysis

The workforce can be split into engineers, management, and support staff. We discussed changing the top management and letting go of engineers based on set productivity metrics. We also spoke about how Twitter can handle the negative PR.

Thank you, we can close the case here.

Firing Strategy for Twitter employees

Unconventional | Easy | BCG (Partner)

Case Statement

- Twitter wants to cut down costs through reduction in workforce.
- What are the considerations?

Interviewee Notes

- Very open-ended case
- Classify employees based on work-type
- Mention metrics that are relevant for each department

Structure/ Framework

Firing Strategy

Who to fire?

- Management
- Tech Staff
- Support Function

Severance Package

- Pay-to-Quit Policy
- 3 month severance

Negative PR Management

- External consultant

Key Takeaways

- Specific preliminary questions help in tackling open-ended cases
- Make a structured approach
- Be fast during analysis

Cancellation rates of a cab aggregator

Your client is a cab service provider with a business model similar to aggregators like Uber, Ola, etc. The client has an app through which customers can make their bookings. The client has seen a rise in cancellation rates for the past 10 months. The client wants your help to figure out the reasons behind the same.

Thank you for the case statement. Before I delve deeper into the problem, I would like to ask some clarifying questions to get a better idea about the problem. Is that alright?

Sure, go ahead.

Could you help me out with the geography of operation of the client and whether the problem is persisting in a particular region or across all geographies? I would also like to know whether this problem is being faced only by us or by other cab aggregators as well.

The client has a pan-India presence since 10 years. However, in the last year or so, it has tried to enter into smaller towns, especially in South India. The cancellation rates have mainly seen an increase in some cities of South India. And no, our competitors are not facing this issue.

Okay, so it seems to be a region-specific problem. Just another question, is the rise in cancellation rates seen across all the cab types we provide, or is it specific to one particular cab type? I'm assuming there must be different types of cabs since the model is similar to Ola/Uber.

You can assume that the type of cab is not a factor for the analysis. The cancellation rates have been uniform across cab types.

I think I have sufficient information to break down the problem. I would like to begin by looking at the customer journey to isolate a potential problem area in the same. Then, I would like to look at the factors which could potentially create an issue. Once the root cause is identified, I can recommend some suggestions. Does this approach seem fair?

That sounds good. Why don't you begin with the customer journey.

Sure sir. So as I understand it, initially the customer will realize a need for the cab to travel from one place to another. In order to book a cab, the customer would search different platforms and compare the prices and waiting times. After deciding upon a particular service provider, the cab would be booked. From the point of booking the cab till the point when the cab reaches the customer's location, the customer has the option of cancelling his ride. I assume that once she boards the cab, the customer would not be able to cancel the ride since the model is similar to Ola/Uber.

That's a fair assumption about cancellations. The customer journey seems fine. Could you think of some reasons because of which a customer might cancel her booking during the wait time?

A customer usually cancels her ride due to high waiting times. The reasons for this can be categorized as follows- (i) Inaccurate location mapping, (ii) Inability to connect to driver and/or miscommunication, and (iii) Availability of better alternative transportation post booking. Would you like me to look into any specific aspect sir?

You can assume that the technology is at par with other competitors. Moreover, the customer books a cab only after considering different alternatives, and its unlikely that a better option would arise after booking. Why don't you focus on the potential communication issues?

Right, sir. So you mentioned that this increase in cancellation rates has been seen in some cities over the past 10 months. Could you help me understand a bit more about the cab drivers in these cities where we have newly entered?

So in a lot of these cities, there was limited availability of drivers but sufficient demand. As a result, we provided incentives to drivers from neighbouring states to come work in these cities, in the beginning, to get our operations going.

I see. So sir, a major reason for the miscommunication between the drivers and the customers could be the language barrier. Since a lot of locals would not speak the language spoken by the drivers from the neighbouring states, they might have difficulty communicating with them leading to high waiting times and eventual cancellation.

That's correct. Language barrier has been a major reason because of which customers are unable to accurately describe the pickup location. We can close the case here, thank you!

Cancellation rates of a cab aggregator

Unconventional | Easy | BCG (Buddy)

Case Statement

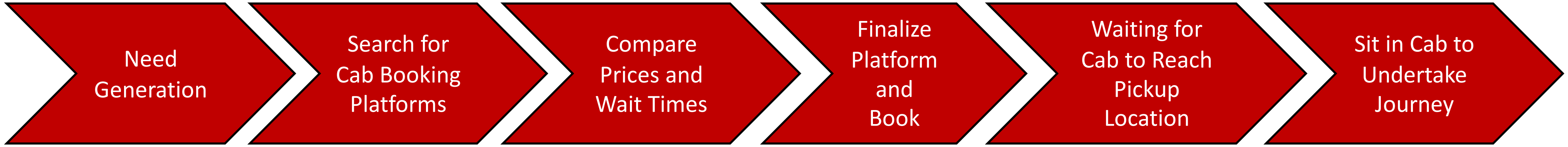
- Rise in cancellation rates for a cab service provider
- Problem seen over last 10 months
- Identify the root cause of the problem

Interviewee Notes

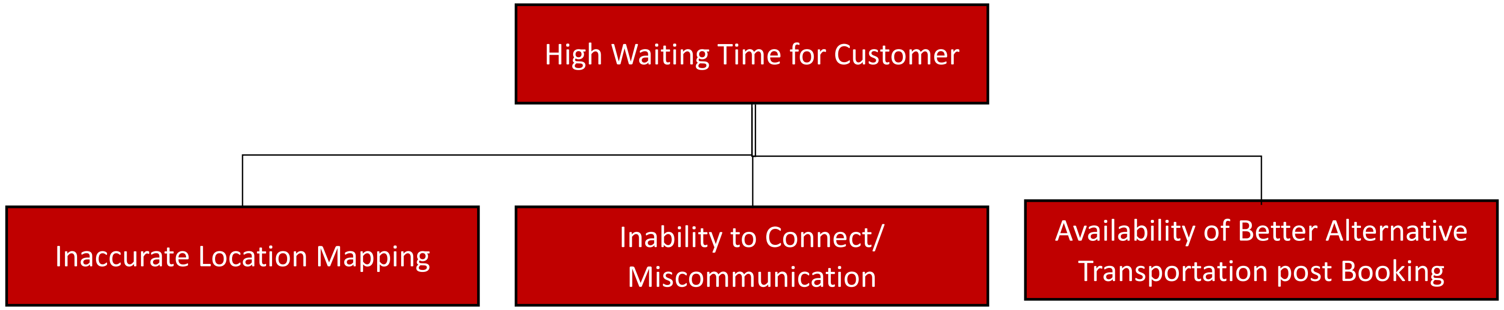
- The client has business model similar to aggregators like Ola and Uber
- Pan-India operations but the problem is seen only in specific South Indian cities where the client has newly entered
- Cancellation rates are uniform across different types of cabs
- Understanding the customer journey is key to pinpointing the problem

Structure/ Framework

Customer Journey



Problem Diagnosis



Key Takeaways

- Clarify all elements of the problem statement in the beginning (should have asked what is exactly meant by ‘cancellation’ in the clarifying questions)
- Buy in the interviewer at every step of the customer journey and the problem diagnosis
- Interviewer doesn’t ask for recommendations, but you can confirm again in case he would be okay with some suggestions toward the end

Cancellation rates of a cab aggregator (Alt)

Unconventional | Easy | BCG (Buddy)

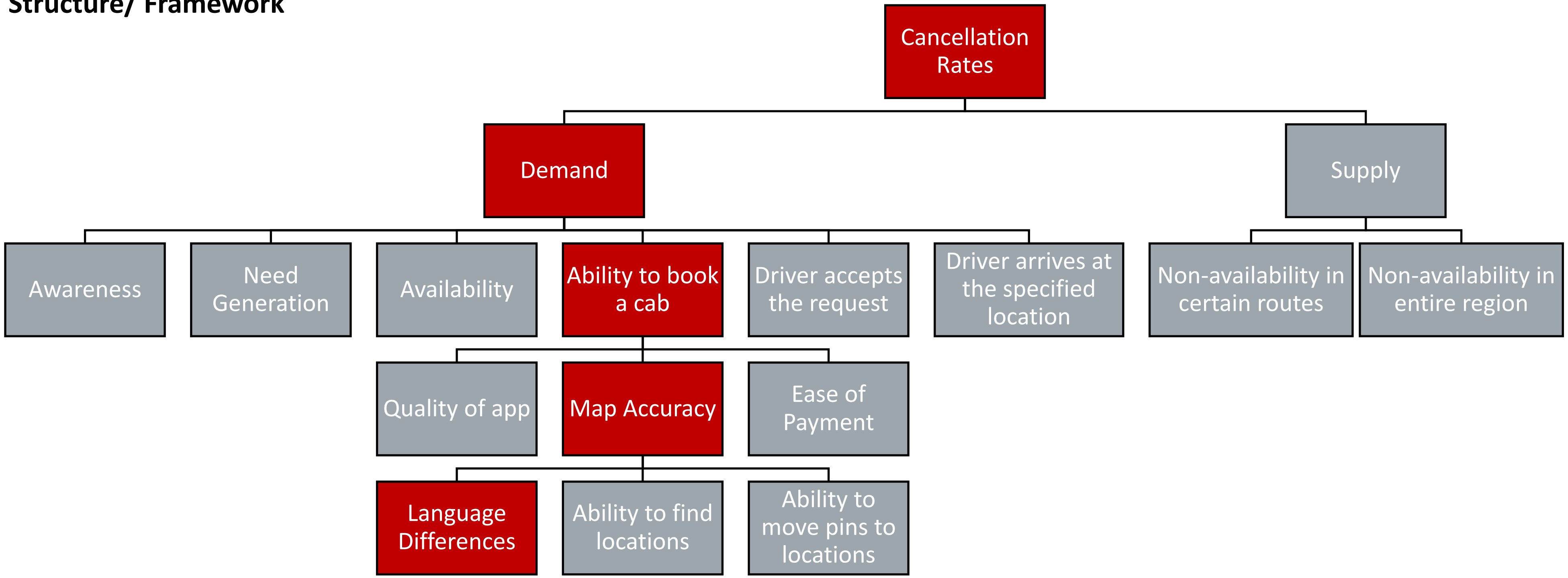
Case Statement

- The cancellation rates of a cab aggregator has increased by 5% over the past 10 months. We need to analyze the reasons and come up with recommendations for resolving the issue.

Interviewee Notes

- Cancellation rate is 5%
- Over a 10-month window
- The problem of cancellations is in South India only.

Structure/ Framework



Key Takeaways

- Asking clarifying questions exhaustively. Clearly understanding the meaning of metrics.
- Breaking down the customer journey to capture customer pain points.
- Dividing recommendations into short and long term.

Transport Infrastructure Improvement

Unconventional | Easy | Arthur D Little (Buddy)

A government ministry has reached out to you and want your help in improving transport and logistics in the country.

Oh, that sounds interesting. Before I dive into the problem, I would like to understand is there any specific mode of transport out of road, rail, water, air and ropeways we are focusing on or will we look at the combination of all.

That is a good question to start with. We will be focusing on road transport only for now.

Is there any specific timeframe in which these improvements need to be made and is there any specific objective behind this?

Timeframe is not pre-defined and the objective is as one would expect that GOI would like to improve upon the currently available facilities

That's helpful. Given that we are talking about logistics and transport, I will be focusing both on the transport of goods as well as people for this discussion. Is that okay?

Sure. Go ahead

Great. I would like to consider two aspects of improvement here. One is road infrastructure in terms of connectivity and quality. Second is the public network in terms of the number of public transport services available.

Sounds good. Let's focus on road infrastructure aspect here

Ok. When talking about roads, we can divide them majorly into two types i.e. intra-city connecting roads and inter-city connecting roads. Given the project is being done by GOI, I will primarily go into depth for inter-city connecting roads. Does that sound okay?

Sure.

So, the improvement areas within inter-city travel can be classified as improvement in reference to existing roads like tolls set up, addition of traffic signs, road pits improvement, or creation of new roads which includes availability of routes and set up of alternate paths.

That seems like a good classification. By improvement in either what is the metric you would track to understand if you fulfilled your objective?

Trends in the number of accidents and time taken to complete a journey pre and post-change are the major metrics I would look at.

Right, so given that time is our performance indicator, what are the factors you can change to improve the amount of time?

Those would be speed and distance.

Right, let's talk on how we can improve each of them?

Sure. If feasible, improvement in distance can be done by creating direct paths or flyovers wherever need exists. For example, if there are 3 cities A,B and C, and a person has to cross B every time one decides to go from A to C, we can suggest creating a direct path there if its possible to reduce the journey time.

Okay. So many such places exist which can be connected directly. How would you recommend deciding where to build a road and where not given we cannot make one everywhere?

To decide I would look at the traffic congestion on the roads to understand the demand people have for the prospective route i.e. how many people on average travel from A to C directly. I would also look at the decline in cost for industries.

That sounds good. In reference to demand though, how else can you better estimate it?

Assuming that tolls exist on this path, we can use data available in reference to tolls to get a more accurate number. FASTag data would be easily available given it's been implemented

Yes, that is what I was looking for. Let's move to speed now.

Yes. While we should keep in mind whether regulations in terms of speed limits are being met as well as ensure that we are not creating accident-prone roads, speed can be increased by improving road conditions through regular maintenance, keeping a check on the number of speed bumps and reducing stops like tolls if possible.

It can also be increased by having multi-lane broad roads as compared to one-way roads or narrow road infrastructure.

That covers it. Can you summarize what we discussed once.

Sure. We have tried to come up with solutions to improve the logistics and transport system in the country in reference to roadways. We focused on improving roads in terms of inter-city road infrastructure. We can do this in two ways – by improving upon existing roads or by building new ones. As the objective, in either case, is to reduce the time taken to go from point 1 to point 2, we discussed how we can reduce the distance by building direct connecting roads wherever possible based on certain conditions and how we can increase speed by improving on road conditions via various changes.

Perfect. Thank you, we can wrap the case here.

Transport Infrastructure Improvement

Unconventional | Easy | Arthur D Little (Buddy)

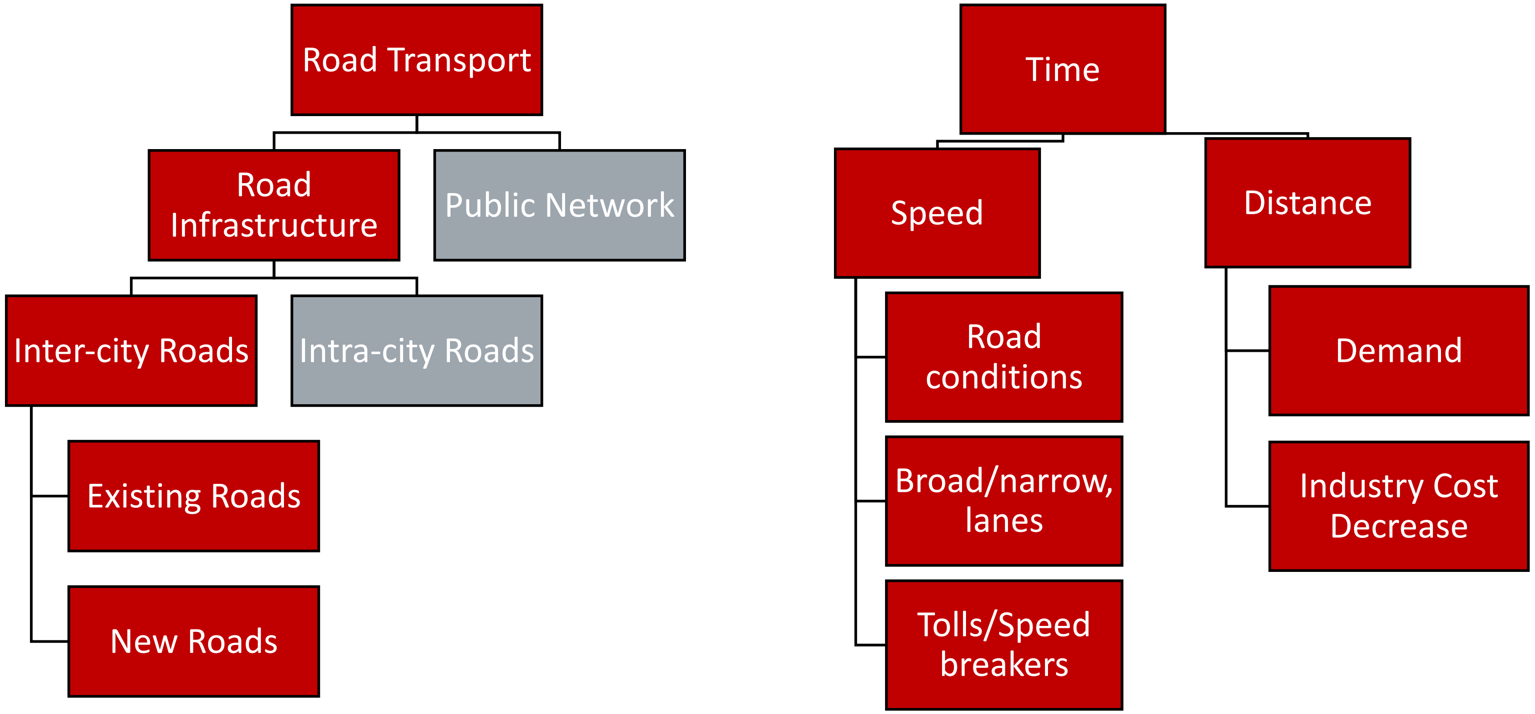
Case Statement

- Your client is the Ministry of Road Transport and Highways of India
- You are asked to improve the transport and logistics in the country.

Interviewee Notes

- Focus only on roadways amongst other modes of transport
- Within road transport, focusing only on infrastructure-based improvements on inter-city connecting roads
- No particular timeframe for change
- Covering both – people's travel and transportation of goods

Structure/ Framework



Key Takeaways

- Important to check on all possibilities and ask the interviewer what to focus on for the scope of the case. Do not self-define the scope
- Adapting to change in case direction like moving from first structure to time reduction as the interviewer indicated should be smooth. Taking cues from the interviewer wherever possible is important
- Preliminary questions should include clarification on the case statement itself like 'what does it mean by improving in the given context?'
- Avoid going into monologue though it does get difficult to keep it crisp and structured in unconventional cases. Make it conversational.

Transport Infrastructure Improvement (Alt.)

Unconventional | Easy | Arthur D Little (Buddy)

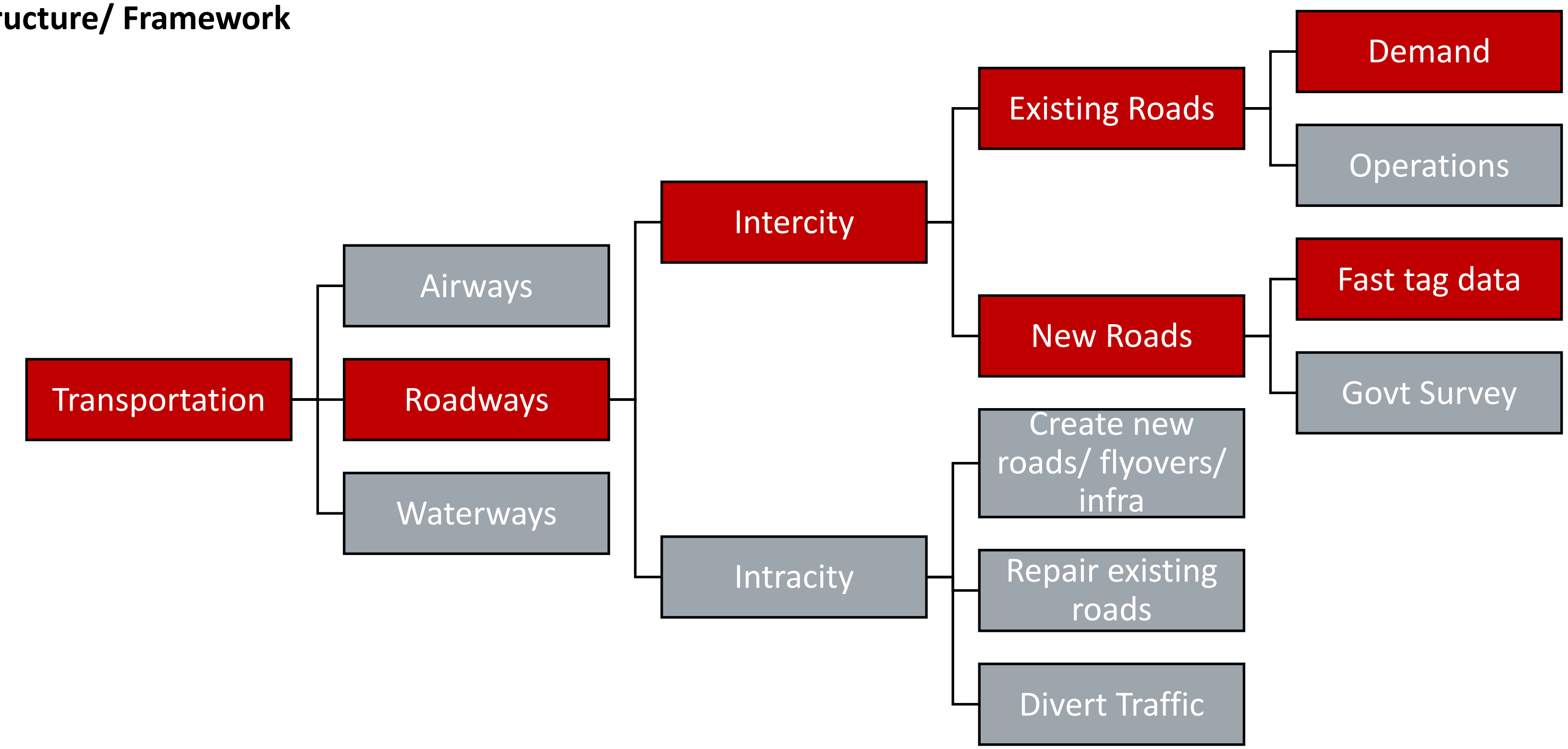
Case Statement

- Your client is the Ministry of Road Transport and Highways of India
- You are asked to improve the transport and logistics in the country.

Interviewee Notes

- The Indian government wanted to improve the road transportation of the country

Structure/ Framework



Key Takeaways

- The candidate was initially taken aback because of the unconventional nature of the case. Especially since it is a government a lot of the usual preliminary questions became useless here. The candidate tried to force fit MECE initially till the interviewer course-corrected him
- The interviewer purposefully hid the fact that it was the road transport ministry and wanted the candidate to ask the right questions
- Simpler and easier MECE is always better

Construction company

Unconventional | Moderate | Bain (Partner)

Your client is a construction company facing challenges in the delivery of projects. Analyze the root cause and suggest solutions

Thanks for the interesting case. Before proceeding further, I have a few preliminary questions for clarification

Yes, please go ahead

May I know more about the client? What type of construction work does the company undertake like residential/commercial buildings, roadways, airports, geotechnical fields like tunnels, seaway construction like ports, etc.?

Sure. The client is a road construction company in India

Great. What are the challenges the client is facing exactly? Is it profit issues or delivery issues or any other issues and for how long has our client been facing the problem?

The client has been facing delays in the delivery of projects on time to customers by 2-2.5 years as compared to its competitors in the past 6 months.

Okay. So can we focus on the objective of reducing the time of delivery of projects for the client?

Yes, go ahead. That's the right approach.

So, the client is a roadway construction company. There are 3 types of roads majorly found in India, bituminous, concrete, or composite. May I know what kind of roads the client constructs?

Yes, the client constructs composite expressways.

Okay. Before proceeding further, I want to clarify that as this is client-specific and not an industry issue, are our client resources adequate, and can I focus on the process bottleneck?

Yes, our client is a major player in the industry and hence resource sufficient

Ok. To construct an expressway, the process-flow diagram is as follows. Following up on government announcements, bidding process, design, procurement, construction, maintenance, repair, and toll collection. A delay in any of these processes before maintenance causes a delay in the overall delivery. Should I focus on any bucket?

This is an excellent way of constructing a process diagram. Our client has been facing a delay in the design and construction stages of construction.

Okay. I am assuming that the design process is carried out by the internal design team and then the engineering team constructs the roads on site. There could have been a delay in the design process which can be divided into 3 categories. Internal team inefficiency, over-designing, or over-complicating design, or irrelevant or incompatible design of expressway so that it has to be redone again.

Wow, that's a very structured approach. You are correct that the issue lies in over-complicating the designs by the design team so it takes time for the engineering team to come back and forth. Can you think of any such instances?

Okay. I can think that as this is an expressway, for example, the clover-leaf intersection is not required unless it is eight-way traffic but when it is designed, it takes time for both design and construction.

Precisely, that is the reason our company is facing the issue of late delivery of projects as compared to similar constructions by our competitors. Now can you think of ways of solving this issue?

Sure. I can divide my recommendations into the short and long term. In the short term, our client can do cross-verification with other internal design teams for design efficiency before proceeding with construction as this reduces time and cost inefficiency. In the long run, our client can induct a specific design efficiency and quality management team for the design vertical for improved efficiency.

All right let us close the case now. Thank you!

Construction company

Unconventional | Moderate | Bain (Partner)

Case Statement

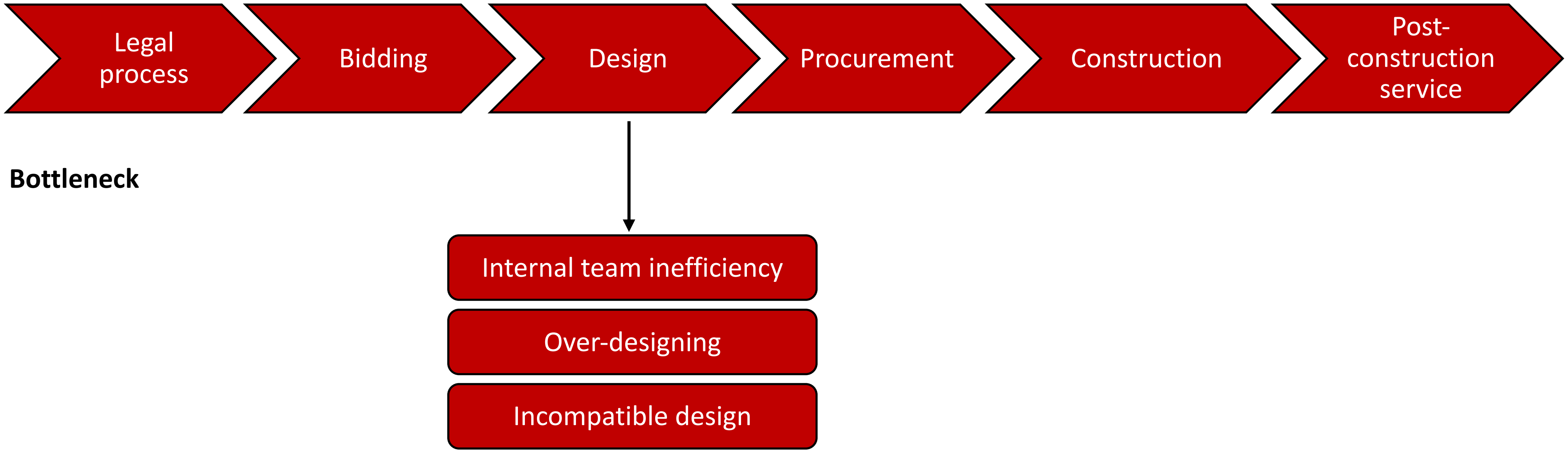
- Client is a construction company facing challenges in the delivery of projects.
- Root cause Analysis must be carried out and solutions must be proposed

Interviewee Notes

- Client is a road construction company in India
- Delay in project delivery by 2-2.5 years as compared to competitors
- Client constructs composite expressways

Structure/ Framework

Construction process



Key Takeaways

- Asking about the industry is essential if the candidate has no prior experience/ knowledge of the industry
- Candidate could have asked about the industry structure i.e. oligopoly
- No particular case structure is followed here

Indian Football Fanbase

Your client is Chelsea Football Club, a successful Premier League (PL) club in UK which has recently been acquired by a new owner. The new owner wants you to grow the Chelsea fanbase and fan engagement in India. Suggest how would they should go about it.

This is an interesting problem given the resurgence of football in India. I would like to ask a few preliminary questions. What is the current fanbase of Chelsea? I assume most fans would be in the UK and EU so what other countries have significant fanbase?

Chelsea have a prominent fan following of around 100-150M fans worldwide and only about 20% are outside the UK and EU. USA and India are the two most promising countries.

Interesting. USA has a saturated sports following with NBA, NFL, MLB and MLS while India seems to be an untapped market for football with only IPL commanding audience of cricket lovers. I suppose that is why Chelsea is focusing on the Indian fans first. What is the composition of football fans in India by clubs? What is their growth rate?

Yes, that is correct. Among all PL football fans in India, Manchester United fans are 30%, Liverpool and Arsenal 20% each, Chelsea 15% and rest follow the other clubs. The growth rate is highly dynamic based on events but 5-10% seems to be a fair number.

There seems to be a good opportunity to gain greater share of fans. I see merchandise sales, ticket sales and club membership as possible revenue streams. Does the client have any growth target in terms of revenue or fan numbers within a specified timeline and any budget constraints?

You are correct regarding the revenue streams. The objective currently is to grow the fanbase only and the new owner is ready to invest with a target of growing by 50% in next 3 years.

Thank you. Can you tell me what are the current activities carried out by Chelsea to reach and engage football fans in India? I am aware about few informal fan clubs and social media interaction through Bollywood actor Arjun Kapoor who is the Indian brand ambassador.

That's correct. Chelsea currently engage through social media with its fans and conduct giveaways for few lucky ones to attend a match at the club stadium.

Understood. Now, I would approach the problem in two ways – Increasing fanbase to gain new fans and increasing engagement for the existing the fans. I would like to start with the primary objective to increase fanbase first. Should I go ahead estimating the potential fanbase?

Sure, let's focus on the elements that you would look at to get to the estimate.

My assumption here is that every sports enthusiast can potentially become a football fan and then a Chelsea fan so I would consider all the major sports fan such as cricket, football, hockey. I would look at the different avenues of fan engagement primarily in online and offline modes. In online mode, I would look at the viewership as well as the social media follower counts. In offline mode, I would consider ticket sales and match screening attendance for major events such as IPL and ISL. We can further divide them into existing and new football fans out of which we should consider only the new fans as existing fans have their loyalty tied to their clubs and would not switch so easily.

That makes sense. What should we do to grow into this potential fanbase?

To understand this, I would break down the journey of a sports enthusiast to becoming a football club fan. It starts with the enthusiast getting to know about the game, witnessing and enjoying the game, liking a player or a team, interacting with the club and other fans and continued engagement with the club as a fan while advocating the club to bring new members. I can now look at actions we can take to improve this flow.

Interesting way to look at it. You can go ahead with the actions. Consider the current and upcoming events in place to devise your strategy.

Sure. Given that India has a dominant cricket fanbase, it would be great to have prominent cricketing faces such as Virat Kohli as a brand ambassador to introduce the game on social media while the T20 and FIFA World Cups are happening in the next two months. We can conduct friendly football games between IPL and ISL teams at affordable ticket prices like the All-Stars Football tournament held with Bollywood and cricketing stars. Chelsea can also screen their matches and World Cup matches at sports bars. The Chelsea players can be called out before the game so that fans start looking for them during the games like

Thiago Silva in Brazil and Mason Mount in England. Also, the players not participating in the World Cup can fly to India to interact with fans, distribute signed jerseys and showcase their skills in futsal or play a friendly with the Indian national team like the ones held with AC Milan and FC Barcelona. Advocacy can be improved by promoting word-of-mouth marketing over social media platforms such as Twitter, Instagram and Chelsea mobile app. In the long term, Chelsea can partner with AIFF to open a youth academy to nurture and scout footballing talent in the country to serve the fanbase as well as their youth academy.

Those are a comprehensive set of solutions for attracting new fans to the club fanbase. Can you briefly mention what additionally would you do to engage the existing fans?

I think it is pertinent to open an official fan club in India along with branded sports bars in Tier-1 cities as already practiced by Manchester United and Liverpool. Regular match screenings, dedicated merchandise outlets and competitive events such as trivia quiz and fantasy games (FPL) with giveaways at these venues would keep the existing fans enjoy their favourite club at best. Loyalty programs such as discounted club memberships for exclusive fan events and stadium tours can also be initiated.

That’s good. We can close the case here. It was a nice discussion and interesting ideas to take forward with me.

Indian Football Fanbase

Unconventional | Moderate| Bain (Partner)

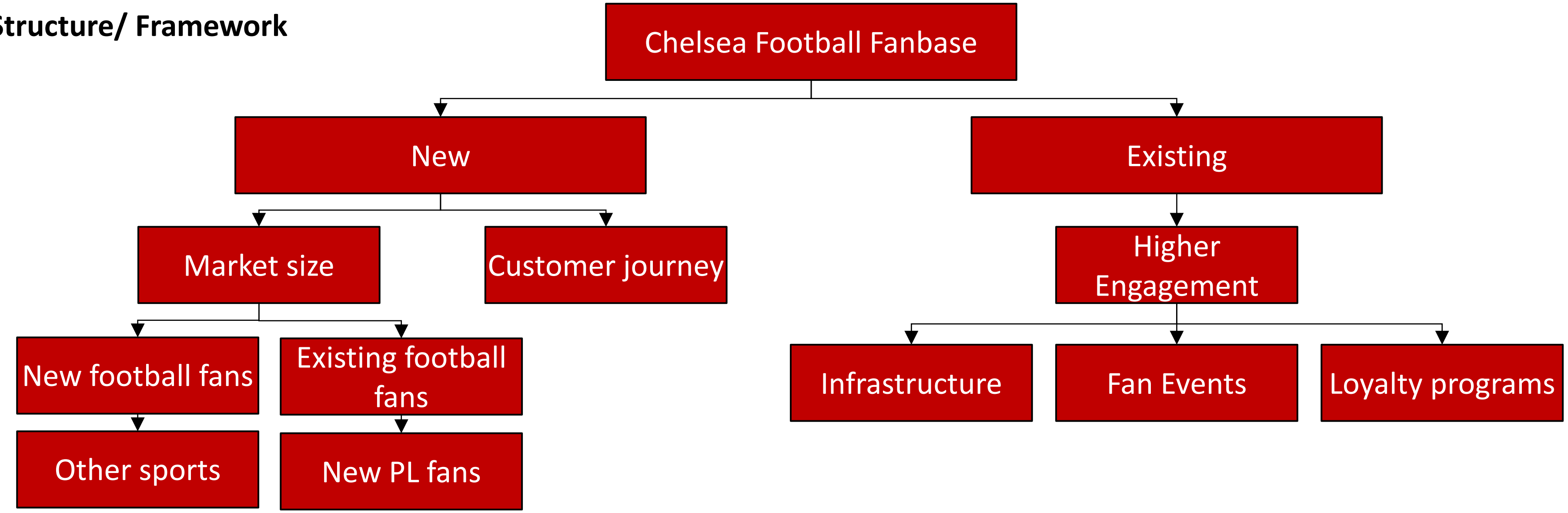
Case Statement

- Client is Chelsea Football Club, a successful Premier League club in the UK
- New owner wants to grow the club fanbase and improve fan engagement in India
- Identify ways to attract new fans and suggest strategic plan

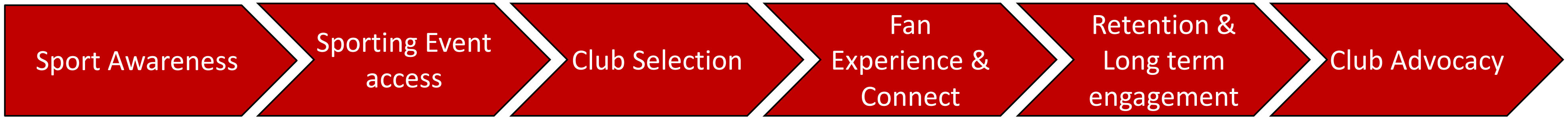
Interviewee Notes

- Current fanbase – 100-150M fans worldwide
- Only 20% fans outside the UK and EU nations. USA and India are most promising in potential fans.
- Premier league club fans in India:
  - Manchester United – 30%
  - Liverpool – 20%
  - Arsenal – 20%
  - Chelsea – 15%
- Grow 50% in 3 years while current annual growth 5-10%
- Current engagement activities limited to social media interactions and ticket giveaways to lucky winners.
- Focus on fans ignoring profits

Structure/ Framework



Customer Journey



Key Takeaways

- Segmentation of customers as new and existing fans and considering loyalty as a filter
- Using customer journey to understand the focus at different stages to develop new fans
- Understand the time setting and awareness about recent events such as World Cup to use the information in the case

Consulting firm expenses

Unconventional | Moderate | Kearney (Buddy)

Your client is a consulting firm looking to reduce their travel expenditure. What are the possible set of recommendations you can provide?

Sure, I would like to begin by getting a few clarifications. Is there a specific cost reduction target they have in mind? Also, do they have a timeline in mind by when they are looking to achieve these targets?

They are looking at a 6-month to 1-year period but do not have a target in mind. I would encourage you to proceed with your own assumptions and we'll keep the discussion recommendation focused

Understood. Considering their travel expenses are a result of consultants travelling for work assignments, I would divide the expenses into 4 broad buckets:

1. Inter-city travel to client location (via air)
2. Intra-city travel (company cars/cabs)
3. Accommodation expense
4. Food and other bills/allowances

Alright, that sounds comprehensive. Shall we begin by looking into travel expenses? Would be helpful if you could list down the various cost levers within the bucket and provide recommendations alongside?

Starting with inter-city travel (both domestic and international), the following levers determine their costs.

1. Mode of travel
2. Frequency of trips
3. Number of tickets per trip
4. Price per ticket (determined by the time and mode of booking and type of seat booked)

Please let me know if you'd agree and I can then proceed with my first set of recommendations

Sounds good. The mode of travel is something we will not be able to change. Also, let's restrict the analysis to domestic travel. Please proceed with your suggestions

In order to reduce the frequency of travel, the firm can better align with their clients on the project timelines right at the beginning to ensure the team can plan their travel with minimum fly backs to their home locations. This would also enable the firm to book well in advance, so their costs are minimized. Group fares sometimes are lower than individual fares and hence, visibility here would help us take advantage of group bookings

The method of booking can have a direct impact on the air fare. We can make use of corporate discounts by booking directly with the airline or we can book through a different travel agent to get better discounts.

Ensuring that we send leaner teams to client location can help us reduce the number of bookings. We can also mandate that the junior staff travel economy while only the Partners travel business class.

Great! So, to get the consulting teams from the airport to hotel or from the hotel to the client office, we use a local cab service. Would you like to look into this bucket next?

We can take a look at cab service charges and per trip charges (determined by the frequency of travel). We can compare local cab service rates to uber / ola rates to ensure we are paying a competitive price. Reimbursing Uber rides might be a good idea in case that is more economical. Carpooling while taking the cabs is an effective way of reducing costs.

Alright. Let's now take a look at accommodation expenses

While looking at accommodation, we can look into the below levers. Please let me know if they seem okay and I can then proceed with recommendations:

1. Type of hotel booked (premium / luxury / airport hotel)
2. Time and mode of booking
3. Duration of stay
4. Occupancy rules
5. Type of room (deluxe / suite)
6. Distance from the airport / client location

Consulting firm expenses

Sounds good. Please proceed with your ideas

If it seems feasible to the client, they can look at booking a semi-premium hotel for junior staff while they retain luxury hotels for Partners. They can also identify hotels that can offer better discounts by forming a long-term corporate partnership. Better visibility on project timelines will enable them to book well in advance, thus, reducing costs. The client can look into hotels that are close to client location, since this would also reduce the team's everyday cab travel. The client currently has one employee per hotel room, they can try accommodating two employees per room. Again, adopting a differential policy in rooms allocated to junior staff and senior staff can be useful. Additionally, in-hotel expenses such as food ordering can be capped on a per-day basis.

Moving on to ancillary expenses, the client currently reimburses up to Rupees 3,000 per day for food bills. Any quick recommendations in this regard?

While the client can reduce the cap or apply a differential cap for seniority levels, another recommendation would be to modify the cap for on Tier 1 and Tier 2 cities. While spending Rupees 3,000 for food might be reasonable if the project location in Mumbai, maybe a lower amount would suffice for a project in Bhopal.

That's fair. Thank you, we can close the case here.

Consulting firm expenses

Unconventional | Moderate | Kearney (Buddy)

Case Statement

- Your client is a consulting firm looking to reduce their travel expenditure
- Identify the various cost buckets and provide a comprehensive set of recommendations across each

Interviewee Notes

- Travel includes transit and accommodation. In case unsure, the candidate must clarify with the interviewer
- Brownie points for listing 'miscellaneous (food & other bills/allowances)' as a bucket

Structure/ Framework

- Travel Expenses
  - Inter-city travel
    - Mode of travel
    - Frequency
    - No. of tickets
    - Price per ticket
      - Time of booking
      - Mode of booking
      - Type of seat
  - Intra-city travel
    - Cab service provider
    - Frequency
    - Distance
  - Accommodation
    - Type of hotel
    - Time & Mode of booking
    - Duration of stay
    - Occupancy rules
    - Type of room
    - Distance from airport/client
  - Miscellaneous
    - Reduce overall allowance
    - Differential allowance based on location

Key Takeaways

- No conventional framework
- The interviewer clearly states they are looking for recommendations and encourages the candidate to proceed with assumptions
- If there is no guidance from the interviewer, the candidate must apply 80/20 rule and select the biggest cost buckets to tackle first

Boiler manufacturing company

Unconventional | Moderate| Strategy& (Partner)

Case Statement: A Boiler manufacturing company in India has hired you to improve its On-time performance (OTP) by 25%. Please give me a structured approach to how you would go about it. Try to include some digital suggestions too.

Before going deeper, I would like to understand our client. I want to confirm the products made by our client and the potential customers. I also want to understand if there is any specific reason why our client wants to increase OTP.

Our client manufactures standardised boilers and heaters. The key customers are Shell, BP, and Reliance. They want to increase the efficiency at which the work is being executed; hence they want to improve the OTP.

Okay. So, I would like to divide the value chain of our client and proceed with giving suggestions for each part of it. Does that seem acceptable to you?

Yes, please proceed.

The value chain for our client will be engineering, inbound logistics, procurement, shop floor manufacturing, quality assurance and control, logistics procurement and final dispatch. Does it seem suitable to you, or am I missing anything?

It seems fine. You can start.

I feel the engg dept. is involved in design calculations and the preparation of drawings using software such as CAD and ANSYS. We can improve the OTP by subcontracting the work to third parties, hiring more manpower, using past drawings as a reference to avoid re-work as products are standardized and hiring young talented fresh graduates from good colleges. The drawings prepared can be made accessible to all departments through a centralized ERP platform. Delays in approvals can also be tracked/improved through the platform. Do these suggestions seem fine, or do you want me to think more?

These are good suggestions. You can proceed to the next.

Inbound logistics OTP can be improved through reverse auctions. A contract will put pressure on the vendors to deliver on time than procuring vehicles from the open market. It will also provide an added advantage of cost saving. Are these fine?

These are fine. Please go to the next.

In procurement, I would first like to understand the current system. I would like to know the raw materials procured, details of vendors and their current location.

Our client procures raw materials such as steel plates, pipes, and tubes. Most of the raw materials are procured from outside India.

Since materials are ordered from outside India, we can appoint freight forwarders to expedite the delivery. CHA (Customs Housing Agents) can also help in clearing customs formalities. We must also improve our sourcing capabilities and investigate alternate vendors within India. These will help to improve the delivery time and improve efficiency. Are these fine? Can I move to the next part?

Yes, these are good recommendations. You can proceed to the next part.

Within shop floor manufacturing, we can concentrate on manpower training to reduce defects. Overall defects and total time can also be reduced by using automated CNC machines instead of manual work/operated machines used for cutting, welding, and bending operations. Are these fine, or am I missing anything?

These seem fine, please proceed to the next.

Quality assurance and control can be improved by having standardised tests and procedures for approvals and rejections. This will help to improve the OTP of the quality assurance function. Is this fine or do you want me to into something else as well?

These are fine. You can skip the rest of the value-chain. Do you have any further digital suggestions from your end?

I have tried my best to cover all the suggestions, such as automation (wherever possible) and development of the ERP platform. Apart from these, as a part of organization design, we can include horizontal integrators such as project/product managers to expedite the cross-functional activities.

Thanks! We can end the case here. All the best!

Boiler manufacturing company

Unconventional | Moderate| Strategy& (Partner)

Case Statement

- Boiler manufacturing company wants to increase its On-time Performance (OTP) by 25%.
- Operates in India.
- Some digital suggestions are also required.

Interviewee Notes

- Main products are Boilers and Heaters.
- Key customers are Shell, BP, and Reliance.
- Client procures raw materials such as steel plates, pipes, and tubes. Most of the raw materials are procured from outside India.

Structure/ Framework

Engineering → In-bound logistics → Procurement → Shop Floor Manufacturing → Quality Assurance → Logistics → Dispatch

Engineering
- Subcontract work
- Hire more manpower
- Use past drawings as reference
- Hire young fresh talent from good colleges
- Use of ERP platform

In-bound logistics
- Reverse auctions and use of contracts to put pressure on the vendors to deliver on time

Procurement
- Use of freight forwarders
- Use of CHA (Customs Housing Agents)
- Improve sourcing capabilities and investigate alternate vendors within India

Shop Floor Manufacturing
- Manpower training to reduce defects
- Use of CNC machines instead of manual work/ operated machines

Quality Assurance
- Use of standardised quality procedures for approvals/ rejections

Logistics
- Reverse auctions and use of contracts
- Appoint CHA, freight forwarders based on Incoterms negotiated with the customer

Dispatch
- Ensure all cranes and lifts are utilised efficiently.
- Material needs to be dispatched immediately to avoid blockage of the shop floor

Key Takeaways

- Always specify the time (1 or 2 mins) in which you will get back to the interviewer if you are structuring your thoughts. This will allow them to follow up and inform you if you are taking more than the time mentioned above.
- Structure your thoughts and try to get buy-in from your interviewer before proceeding with the case. This will help you know if you are in the right direction for solving the case

Football Match

Unconventional | Moderate | Strategy& (Manager)

Recently, a football club lost a match. The club has hired you to figure out the reason for the same and suggest suitable solutions.

Thank you for the case. Before diving into the case, may I ask a few preliminary questions about the same?

Yes, proceed

Assuming the football club is a part of a league, what is the standing of our club? Whether the loss is a season phenomenon, i.e., is our club losing most of its matches this season? What was the goal difference for the match?

The club is performing well this season and is currently at the top of the points table. The final score line of the match was 3-0 in favor of opponents.

Was the opponent also among the top performing clubs? Since home advantage is important in football, I would like to ask whether our club was playing at home or away?

The opponent stood last in the points table, and this was a home match for our club. Hence, the club's manager is more worried.

Finally, do we have any data about the possession of our club during the match? I am asking this to understand whether the club failed to score, or they didn't even get the ball to make a play.

The club had a 70% possession during the match.

I think I have majority of the information. May I take 2 minutes to structure my thoughts?

Sure, go ahead.

I would like to classify the reasons for failure as internal and external. Internal reasons will be related to the club's playing 11 and external reasons will cover the media, support staff and manager of our club. Do we have any data which can help in finding whether the reason was internal or external?

You may consider that there are no external issues. The problem is within the playing 11.

Dividing the playing 11 into goal-keeper, defenders, mid-fielders and strikers. Was there any specific department where our club lagged or was it a combination of departments?

The problem was mainly with the strikers. They were getting many goal scoring opportunities but were unable to score a goal.

There might be three reasons for this inefficiency. Since the club was playing against a team that stood at the bottom of the table, the club decided to give chance to new players. Second, some strikers might be injured. Third, the strikers may be overworked and felt fatigue.

The club played a full-strength squad and none of the players complained about fatigue. But the opponent team fouled our best striker during the initial minutes of the match. The problem was that the striker didn't report it and continued to play the match. Can you think of the reason why he did so?

Since it is a league, there might be some award for the maximum goal scorer and our club was playing against a weak opponent so, the striker would have sensed an opportunity to increase his personal goals tally.

Bingo, this was the main reason why he didn't report the injury. Can you suggest some recommendations the club should take to avoid such instances in future?

Club's manager should talk to players immediately and reiterate that the team goals come before individual goals. In a longer run, the manager should try to create a healthy culture within the team and give assurance to players about their place in the team. They can also appoint doctors or use IoT devices to monitor real-time health of all players.

Thank you for the recommendations. Let's wrap up the case here. Thank you!

Football Match

Unconventional | Moderate | Strategy& (Manager)

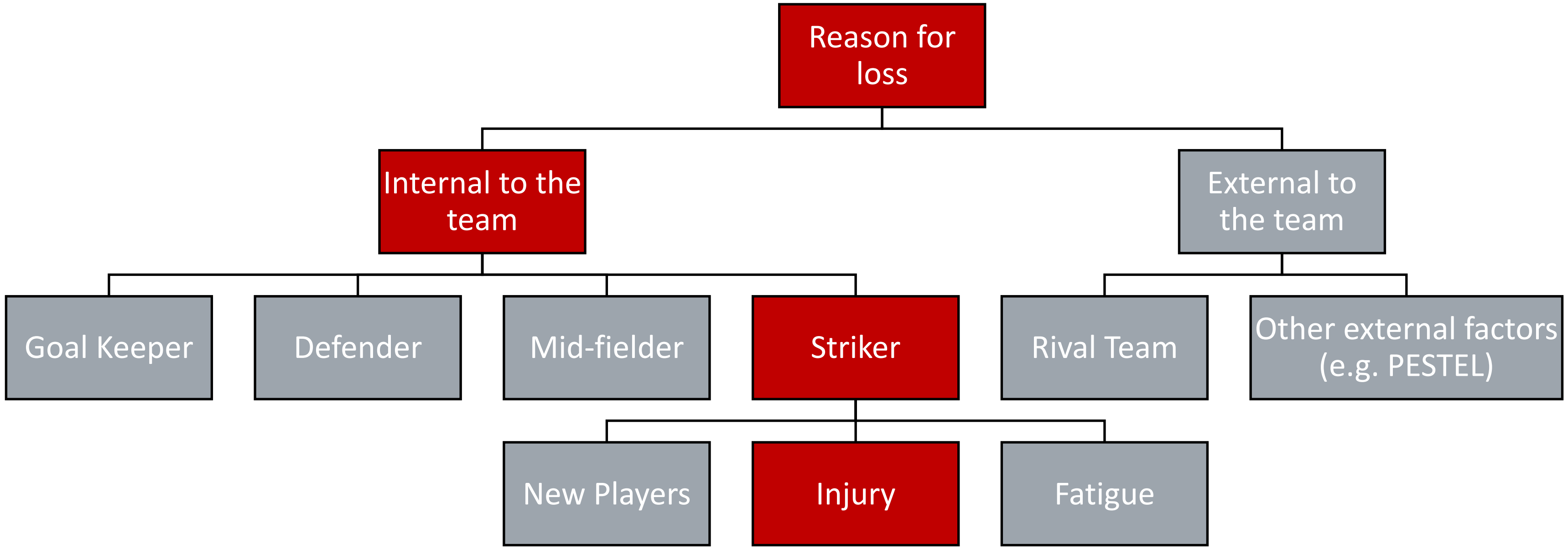
Case Statement

A football club lost a match recently. You are hired to look at the key problem and suggest suitable measures to avoid such losses.

Interviewee Notes

- Club is the table toppers
- Final score line: 3-0
- It was a home match
- Opponent was at bottom of the table
- Our club had 70% possession

Structure/ Framework



Key Takeaways

- MECE was very important in the first step. There might be problems that some players may feel media pressure
- Even if you are not familiar with football, divide the playing 11 into defenders and strikers.
- Knowing about opponent is a must. If the club lost to the second placed team, the problems could have entirely different

Women Driving in Saudi

As you may be aware, Saudi government recently granted the right to drive to women. They want you to evaluate the economic impact of women starting to drive in Saudi.

Thank you, That's sound like an interesting case! Could you give me a couple of seconds to structure my thoughts?

Sure, take your time!

Thank you! I'd like to analyze the economic impact of women driving by analyzing economic additions as well as economic subtractions which will occur due to this decision. Does that seem like a fair approach to you?

Definitely, please proceed!

Alright, let's start by discussing the economic additions we can expect due to this decision. I'd like to further break additions into direct economic adds and indirect economic adds. Shall I move forward with this structure?

Yes, this makes sense.

Great, so for direct economic additions, I'd like to analyze the increase in revenue due to incremental number of cars sold, driver licenses issued, fuel usage, maintenance service centers, parking lots and highway tolls. As I understand, since there will be an increase in the population eligible for driving, there will be a direct increase in the number of cars bought as well as used. Furthermore, there will be incremental revenue from issuing DLs, higher fuel usage, higher usage of service centers, parking lots and highways. Does this seem exhaustive enough? Shall I move to estimating these individual increments?

That's exhaustive! No, I don't want you to do any calculations.

Okay, in that case, let's move to the indirect economic additions. A decision of this magnitude is bound to take leaps in the direction of women empowerment and hence I'd further break the indirect economic additions down into two sections. First, increase in jobs/job markets for women and second, increase in the jobs for household help.

My base assumption here is that if women get more empowered and start taking up jobs, their traditional roles of cooking, cleaning etc. will start getting outsourced and demand for house-helpers would shoot up. Does this seem like a fair enough analysis?

Most certainly, let's move forward to economic subtractions.

Sure. Before I move forward with the economic subtractions, I'd like to ask certain preliminary questions. Is it fair to assume that prior to this decision, most women would either use taxi services, public transport or have chauffeurs to drive them around?

Yes, those are fair assumptions!

Alright, in that case, I'd like to further breakdown economic subtractions into three parts – shrinking in the number of chauffeurs, shrinking in the usage of public transport and shrinking in the taxi service market. Given that women would start driving themselves, there would be a decreased dependence on the above-mentioned means of transportation. Does this make sense?

Definitely, I'd like you to focus further on the decrease in the number of chauffeurs caused by this declaration

Sure, is it fair to assume that most chauffeurs in a country like Saudi are expatriates or immigrants?

Yes, that's a fair assumption!

Alright, this decision would directly impact the number of immigrants that come to Saudi. This would majorly impact the Visa income the government generates. In addition to this, there will be minor economic subtractions such as less spending on entertainment, house rents, food etc. by the said immigrants/expats. Would you like me consider anything else?

No, that would be all. Great analysis! We can close the case here.

Women Driving in Saudi

Unconventional | Challenging | Strategy& ME (Buddy)

Case Statement

- Client is Saudi Government (Kingdom)
- Evaluate the economic impact of women having the right to drive in Saudi

Interviewee Notes

- No calculations to be done
- Taxis, public transport and personal drivers were means of transportation for women prior to this decision
- Immigrants and expatriates usually take up driving as their profession
- Brownie points for having general knowledge about Saudi

Structure/ Framework

- Economic Impact
  - Economic Additions
    - Direct Additions
      - No. of Cars Sold
      - Driving Licenses Issued
      - Fuel Usage
      - Maintenance Service Centres
      - Parking Lots
      - Highway Tolls
    - Indirect Additions
      - Increase in jobs for women
      - Increase in jobs for house-helpers
  - Economic Subtractions
    - Shrinking in Chauffeurs (drivers)
      - Visa Revenue
      - House Rent
      - Spend on Food
      - Spend on Entertainment
    - Shrinking in Taxi Service usage
    - Shrinking in Public Transport usage

Key Takeaways

- Owing to the unconventional nature of the case, taking a couple seconds to think about the case helped ensure a MECE approach
- Keep taking a buy-in from the interviewer to ensure you are on the right track and not missing out any important factors
- Since it is a conversational case, ensure that at every step your rational is clearly stated for the interviewer

IIMB Guesstimates
2022-23

Squash balls

Estimate the number of squash balls sold in India

Thank you for the problem statement, I would like to ask a few preliminary questions. What is the time frame we are considering?

You can take over 1 year

Okay, so squash balls generally are of 3 types, single dot, double dot and others. For simplicity, I will assume a uniform ball for our analysis. Does this assumption seem fair to you?

Yes.

I would start with the population of India i.e., 130 Cr, and segment that into rural (70% = 91cr) and urban (30% = 39 Cr). For simplicity, I would assume only the urban population for my analysis. Does this seem fair?

Yes. You may proceed.

In the urban population, I would like to divide the population into professional, casual and non players with the fact the non players will not be relevant to our analysis. Does this seem reasonable to you?

Yes.

As squash is not a very common sport, we can assume that the number of professional players (0.001% = 3,900) and number of casual players to be 0.05% ~ 2,00,000. Do these numbers seem reasonable?

Yes, you may go ahead.

Now, let us assume that the number of games played by professional players (i.e 2) in a day be 3. Also, they would have a practice component to it which can be estimated to be equivalent to 1 game. Therefore, the number of games played in a week (6 days of practice) would come out to be 4 * 6 = 24 games for every 2 professional players. Translating this to 1 year, we get, 24 *52 * 3900/2 = 24,33,600 games per year. Does the calculation seem correct?

Yes, you can proceed.

Okay, so we will calculate for casual players. For them, we can take that they play on average 3 games a week which translates to 156 games for every 2 players, therefore, total number of games played = 156 * 1,00,000 = 1,56,00,000. Thus, the total number of games played would be equal to 1,56,00,000 + 24,33,600 = 1,80,33,600 games. Does this number seem fine?

Yes, you can proceed with this number

Now, generally 1 squash ball can last for close to 30 games. Thus, the total number of new balls needed would be the total number of games by 30 which computes to be 6,01,120 or roughly 6L balls. Does this number seem fine to you?

Yes, that seems to be a fair number. We can wrap up the guesstimate here.

Squash balls

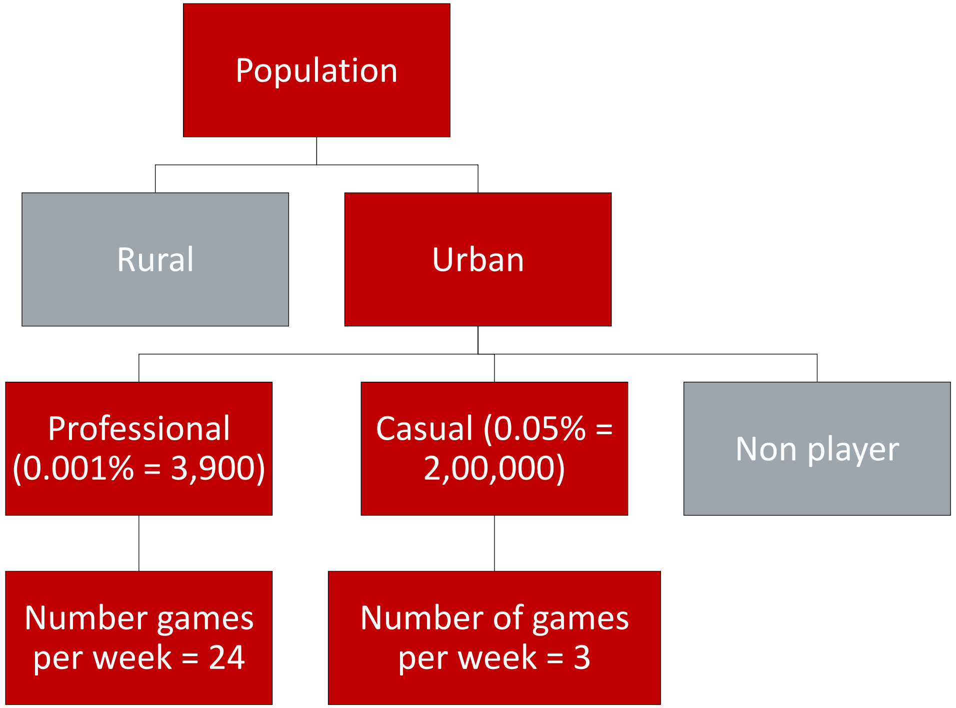
Case Statement

- Number of squash balls sales in 1 year

Interviewee Notes

- Population of India = 130 cr
- Break down into rural (70%)–urban (30%), further segment into professional and un-professional and based on the number of games played and the average life of 1 ball, we can estimate the sales of squash balls.
- Compute the total number of games played in 1 year and divide by the life of a ball (30 games = 1 ball)
- 1 game will require 2 players

Structure/ Framework



Key Takeaways

- Keep the framework easy and take buy ins from the interviewer
- Ensure there are no calculation mistakes

Can you estimate the total potential market size for a fantasy sports app in India? Following which, can you also list down a few potential risks to such an application?

Sure. Can I begin by asking a few clarifying preliminary questions?

Go Ahead.

Just wanted to clarify that by 'fantasy sports app' , do you mean apps like Dream11?

Precisely, you can take Dream11 as your benchmark for the further process if you want.

Got it. I also wanted to clarify the business model of Dream11. I know for a fact that in such apps, there is a small upfront fee demanded for entering a contest/event, which requires selecting players & making a team for which points, which can later be converted to money, will be awarded based on the performance of the team in real matches. Is that correct?

Yes, absolutely correct. Dream11 has various sporting events for which contests are conducted, based on real match events. For our analysis, let's just consider cricket matches.

Sure, understood. Finally, I just wanted to know if we have any information regarding entry fees for a match or the pot money? Also, on what factor should the market size be found?

Hmm…let's just focus now on the various factors you will consider for market sizing. We can incorporate the entry fees cost at a later stage.
Also, let's find the potential market size based on number of game entries per day.

Ok, sounds good. I will begin my analysis by dividing India's population on urban-rural basis. Out of a total population of 1.2 billion, about 1/3rd reside in urban areas and the rest in rural areas. I will be considering the urban population only for my analysis. Is that appropriate?

Yes, that's alright. You can proceed ahead.

Sure. Next, I will be looking into the smartphone & mobile internet penetration in urban India. This would depend on different income classes as well as age & gender categories.

Interesting analysis. Let's assume the smartphone and mobile internet penetration to be 100%. Can you investigate the other factors?

Alright. For an app like Dream11, only those income categories which can afford to pay the entry fee will be willing to play the game, in addition to determining the frequency of entering a competition. Additionally, only specific age groups like teens and young-adults will be more inclined to compete in these event and even among these, a larger proportion of males will compete than females.

Fair enough. Can you get into a little detail as to how will you analyse into the income segments and incorporate it into the analysis? Let's consider the cost of entering a game to be INR 200.

For this, I would consider the average cost of signing up to a contest on Dream 11 (given as INR 200) and compare it with savings of an average family, computed on a single day basis, which will be calculated as a percentage of monthly income of the family. Based on the ratio of entry cost to the daily savings amount, I would qualitatively determine the frequency (average no. of games played per day). Below is the table explaining this process:-

Income Segment (Urban areas)	Avg. Monthly Income (INR)	Savings as a % of daily income (1month = 30 days)	Daily frequency of entering a contest
Lower & Lower Middle	20k	=133 (20% of income/30)	0.2
Middle	50k	=500 (30% of income/30)	0.6
Upper Middle & Upper	1L	=1300 (40% of income/30)	1.2

Another factor to consider in the above steps is the winning pot money, which will also influence the frequency of entering games. I can incorporate that too if you want.

No, that's all right. Can you now have a quick quantitative look into how many target individuals can be there for Dream 11?

Alright, so as I mentioned before, I will be looking into urban India and factoring it on the basis of income, age-groups and gender. I will be taking the base to be urban India's population (1/3 of 1.2B = 400M)

Income Class	Population	Target age group as a % of total population	Gender factor	Cost-free potential target market	Frequency factor (done before)	Total daily potential target market
Lower	=160M (40%)	=15-35 age group (25% of total population)	100% M, 0% F	=20M (160M*0.25*0.5)	0.2	=10M (0.2*20M)
Middle	=160M (40%)		100% M, 20% F	=24M (160M*0.25*0.6)	0.6	=14.4M (0.6*24M)
Upper	=80M (20%)		100%M, 40% F	=14M (80M*0.25*0.7)	1.2	=16.8M (1.2*14M)

We get a potential market size of nearly **41 million** game entries in a day.

Great. I think we are done with the market sizing part. Can you look into some factors that can drive the market size up?

Sure. Some of the ways to increase potential market size includes – promoting the app in rural locations, decreasing of the contests/event entry fees, increasing the winning money pot, adding more sports/events available as competition.

Nice ideas. Could we also quickly look into some risks for fantasy sports apps?

Absolutely. Some risks associated with the app include the negative perception surrounding online money-making apps in Indian society, app usage during off-season (for ex., during cricket calendar's lean period). Additionally, recent court cases filed to declare such apps as 'betting platforms' and subsequently ban them, can also negatively affect their image.

Great. That would be all from our side. Thank you.

Fantasy Sports App

Guesstimate | Challenging | Bain (Partner)

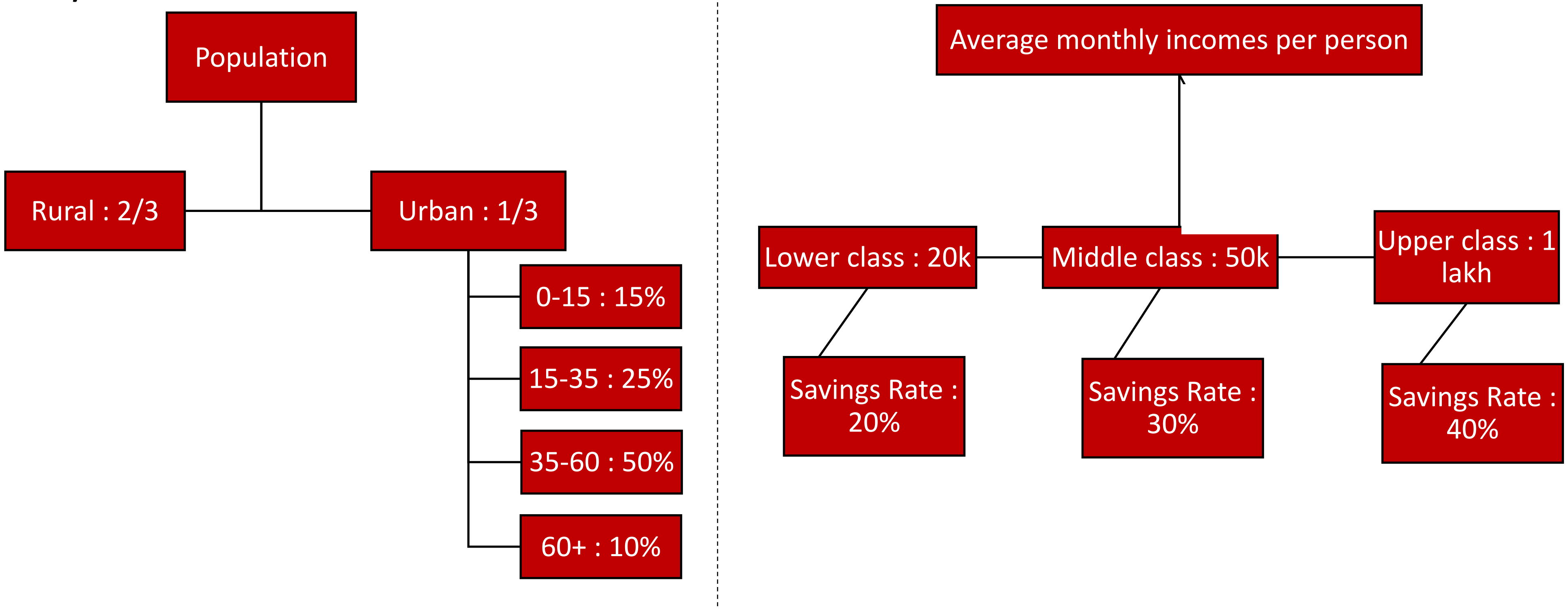
Case Statement

- A fantasy sports app (such as Dream 11) which wants to determine its potential market size
- Also need to investigate factors that can drive-up the market size and risks associated with the same

Interviewee Notes

- Understand the business model of fantasy sports apps, especially the concepts of entry fees and winning money
- Use top-down approach, start from national population and then apply filters in a nested manner – urban-rural, smartphones, internet, income group, age group and finally gender.
- Using the concept of savings for different income categories and comparing it with the entry fees for estimating playing frequency is a very important step.

Structure/ Framework



Key Takeaways

- Understanding that such apps will primarily be used by the youth in urban areas
- Comparing savings with entry fees & pot money value is a very useful method to find out the frequency of entering an event across income categories
- Keeping up to date on news helps in understanding potential risks associated with such apps, such as recent court rulings on Dream 11.

EV Market in India

Your client is an automobile manufacturing company and wants to enter EV market in India in next 2-3 years. They have approached you to estimate EV market demand of India in **2025**. Please help them in doing this.

Okay, I have a preliminary question before I begin solving this. When our client is talking about EV industry, do they have any specific vehicle segment in mind like 2-wheeler, 4-wheeler passenger cars or commercial vehicles?

Let's focus only on 4 wheeler passenger cars market.

Okay, I would like to state my approach first. I will first estimate the number of cars sold in India in 2022. I will further project this number to 2025, divide cars sold into different categories and apply a EV market penetration multiplier by 2025 to each of those categories and get a final number.

Okay, your approach sounds good. What do you think is the number of cars sold in India in 2022? A rough number will work so do a quick calculation.

For this, I will start will population of India which 140 crores. Taking average family size of 4, this give number of families to be 35 crores. Since India is still a developing market for 4 wheeler passenger cars, I will say around 1% of families buy car every year, which gives an estimate of 35L cars sold in this year.

Okay, sound good. Now go ahead with your approach.

Okay, taking 5% CAGR growth rate of the automobile market, I estimate 4W passenger cars market in 2025 to grow to approx. 40 Lakhs. (= 35*(1.05)^3) . Now I would like to divide this market broadly in 3 categories on the basis of car price – 1) economy and affordable sedan, 2) middle range SUVs and 3) premium luxury cars segment. Since Indian market sells mostly economy segment cars and luxury cars are far and few, I estimate the percent market share of these 3 car categories to be 70%, 25% and 5% respectively. Is this a fair estimate?

Yes, these numbers looks okay. What do you think the EV market penetration of each of these 3 segments will be in next 3 years?

Okay, given the overall EV market penetration is very low currently (less than 2%), I expect these numbers to increase given the infrastructure and acceptability of EV cars is growing. We can assume that for economy segment, EV penetration will increase to 20% as EV cars will become more fuel efficient and affordable with improving battery technology, for luxury segment, this number will remain low to around 5% as not much investments are happening in this high-end space, also people are looking for style and comfort in this segment rather than fuel efficiency which is difficult to emulate in short span of time. For mid range SUV segment, I will take 10% penetration, as a number in between these 2 categories. So, the number of EV sold in 2025 will be 6.7 Lakhs units.

Okay, these figures looks okay. How will you verify that these are correct numbers? You don't need to do exact calculations, explain this qualitatively.

To verify the correctness of these numbers, we can take benchmarking against other countries where EV market is more developed than India like China and USA. We can see how EV cars' market share grew in different categories in these countries in past 2-3 years and check if our assumptions are reasonable. While doing this analysis, we will have to be careful about the difference in category distribution and purchasing power numbers and make suitable adjustments in calculations.

Great, now that you have estimated these numbers, give me 3-4 factors which can increase/decrease this number.

Okay, I would like to first divide my answer in 2 buckets namely industry level factors and external factors and list couple of points under each bucket. Under industry factors – 1) If the industry is able to agree on and set 'EV standards' in practice for battery charging and replacement, roadside charging infrastructure will be be built at a faster pace and electric adoption will increase. 2) Investments in battery technology by automobile companies to reduce apprehensions like high-upfront costs, range anxiety, heating and charging issues will increase EV penetration.

Moving on to external factors – 1) If the government decides to push for cleaner vehicles to meet its 45% reduction in carbon emissions by 2030 goal, it may provide more incentives to buy EVs by increasing subsidies, which can result in a higher number than the estimate. 2) We have to keep cognizance of economical factors in our calculation, since inflation is on a rise globally and many experts are predicting a recession in 2023. This can affect India as well and cars sell take a major hit in recessionary environment. So, this can lead to reduction in our calculated numbers.

Very good, your analysis was good and succinct. We can close the case now.

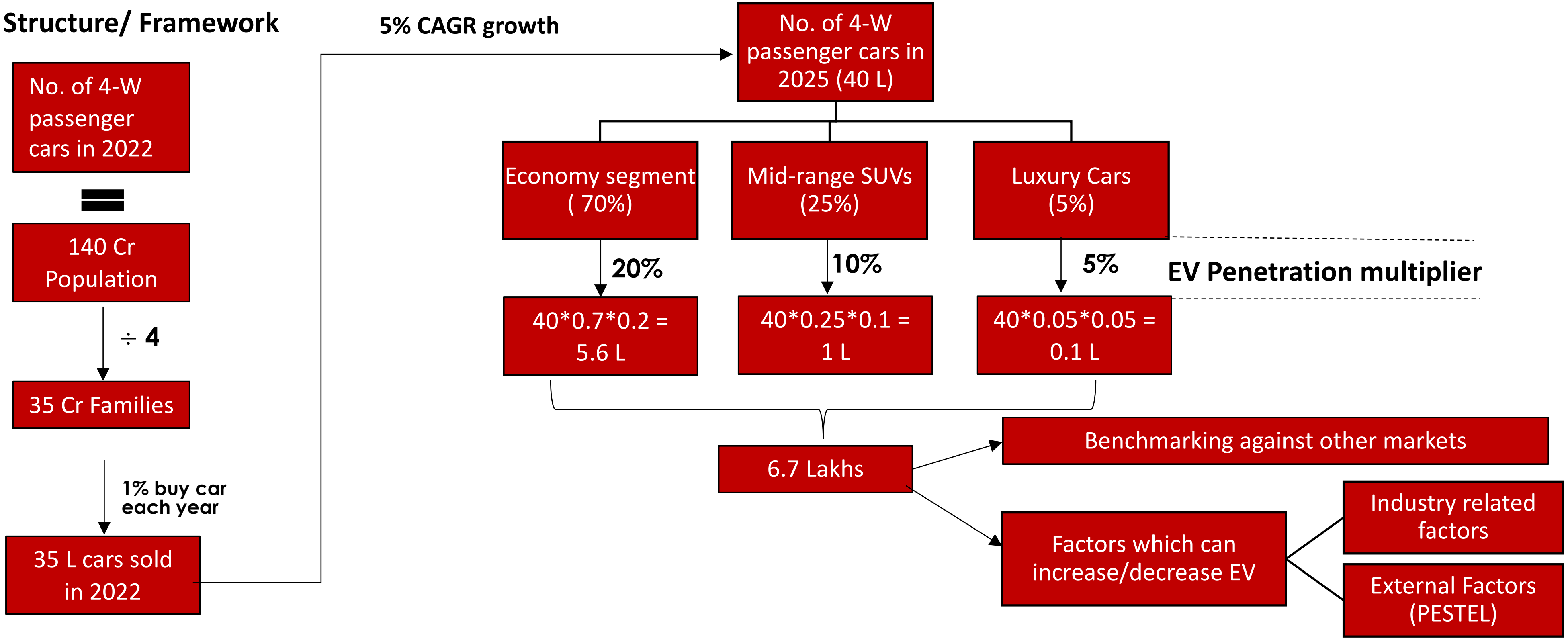
Case Statement

- Estimate 4-wheeler passenger EV cars market in India in year 2025
- Identify factors which can lead to a positive/negative change in the estimated EV market

Interviewee Notes

- In EV markets, penetration will be different across different car categories.
- After estimating any number, its always a good idea to benchmark and do a sanity check.
- Try to show your general knowledge in answers by giving example whenever you are making assumptions on market share, penetration etc.

Structure/ Framework



Key Takeaways

- Rather than starting every guesstimate with population, you can think of a closest data that is easy to estimate. For example, I chose number of cars sold in current year as a starting point in this case.
- Be succinct in you answers when asked about factors that can increase/decrease any number. First write your answer in the form of framework, then pick 2-3 points out of it and answer briefly.
- Ask clarifying questions in the beginning to know what exactly is meant by EV market and which vehicle segment is our client focused on in India.

Snow Melting Liquid

Guesstimate | Moderate | McKinsey (Buddy)

Our client has invented a new Snow Melting Liquid Chemical and we need to estimate the amount of annual consumption to get a total addressable market.

I have a few preliminary questions before I jump into the guesstimate, where exactly is the liquid used and which geography are we talking about?

The chemical is used to melt accumulated snow. We would like to look at US.

Sure, I'll take a minute to come up with an overall approach.

Sure.

So, the way I'd like to estimate this is based on 1st the amount of snow that needs to be melted multiplied by amount of chemical needed per unit snow. For amount of snow, I believe this chemical will not be used for smaller amounts of snowfall, but only when we see a certain significant amount of snowfall happen. So, we would see how many days on an average in winter months experience such heavy snowfall, and the inches of snow that need to be melted multiplied by the share of area in US experiencing heavy snowfall. There would also be the factor of percentage of area where snow needs to be melted as a lot of area will be buildings or uninhabited and would not require melting snow. Does that sound ok?

That sounds like a good approach. Let's calculate this.

Sure. I am not aware of the area of US. I would guess it is about three times the area of India. For estimating the area of India, I say we have an approximate kite or rhombus shape with N-S and E-W lines as diagonals. For N-S distance, I've flown from Delhi to Mumbai in ~2hours and with a speed of 500km/hr for an airplane, that is approximately 1000Km. This should be about one-third the N-S distance between top of J&K and Kanyakumari in the south. The flight from Mumbai to Kolkata was about 3 hours. The E-W distance would be 1.5 times this. Hence, we have diagonals of approximately 3000Km and 2200Km. This gives area of India as (1/2)*3000*2200 = 3.3Mn sq. Km. Area of US = 10Mn sq. Km. I'd say about 2-3rd of US experiences heavy snowfall, is that correct? Also, I'm not sure what amount of snow warrants the use of chemical and how often that much snowfall would happen.

Let me help you with some data here. You could assume 60% of the area of US where chemical will be used, this includes your area by climatic conditions and inhabited area. 10mL of chemical is used to melt 1 cubic meter of snow and its typically used for days experiencing snowfall over 50cm which is about 40 days in the year.

Sure. So, this gives us about 1400 billion litres of chemical as the total addressable market for the chemical on an annual basis. (Calculations in chart on next page). Is there anything else you'd like me to consider.

That sounds comprehensive. We can close the case now.

Thank you!

Snow Melting Liquid

Guesstimate | Moderate | McKinsey (Buddy)

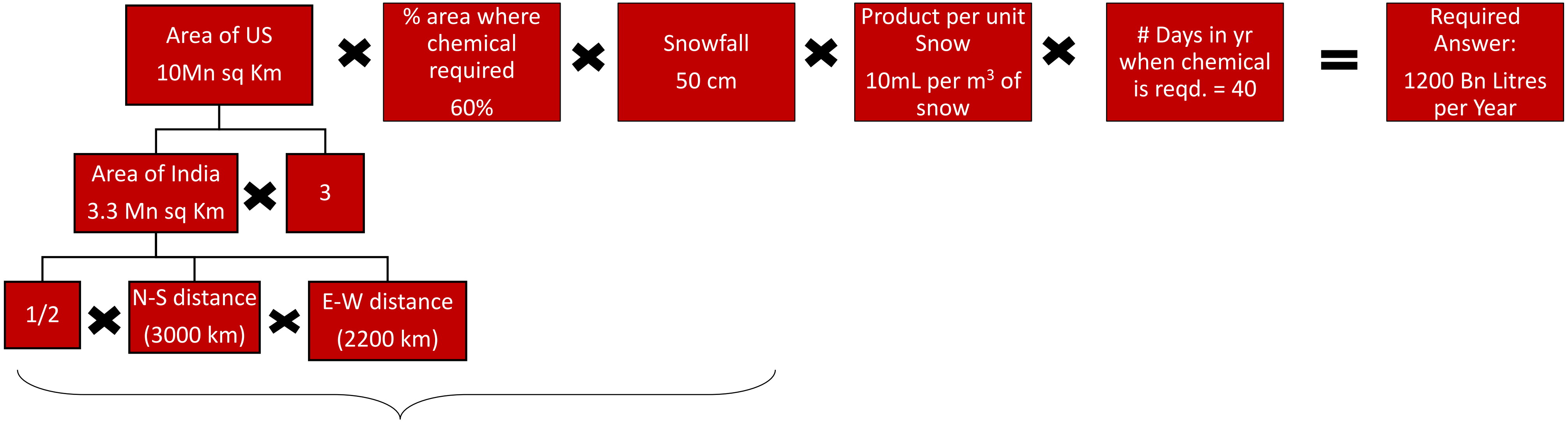
Case Statement

- Estimate the amount of Snow Melting Liquid Chemical used annually

Interviewee Notes

- US area ~ 3x India
- Snow melting chemical used 40 days in an year when snowfall > 50 cm
- % area where chemical required x %area experiencing snowfall x %area where snow needs to be melted

Structure/ Framework



6Mn * (Sq. km = 10^6 sq.m) x 0.5 m = (3 x10^6) Mn m^3

Key Takeaways

- Use proxy and ask for more information when not aware of geographic or any other specifics.
- Assumptions like “chemical not being used for smaller amounts of snowfall” are good for brownie points, but always take interviewers buy-in for such assumptions.

Tennis Balls Consumption

Guesstimate | Moderate | Strategy& (Director)

Estimate qualitatively, the total number of tennis balls sold per year in Bangalore

To estimate that figure, we can take 2 approaches, supply-side or demand-side. Can we go ahead with the demand-side estimation?

Why not estimate from the supply side?

From the supply-side, there are multiple variables such as the various brands, price range, varying quality of the tennis balls according to brands and product offerings. Also, production of tennis balls takes place at various locations from which they are exported to Bangalore, which is relative difficult to accurately estimate.

Ok, go ahead with the demand based approach.

We can estimate the number of tennis balls sold by first estimating the number of tennis matches played per year and dividing it with the life of a tennis ball.

But first, what are the various uses of tennis balls?

Yeah, so apart from tennis, tennis balls are also used for playing street cricket and also used as a play toy for dogs. We can take a similar approach to estimate for cricket and pet uses.

That sounds great, let's focus on tennis matches first.

To decide on the number of matches played, we first divide the type of matches as amateurs and professional matches. Professional matches involve officially regulated matches, played by professional players, while amateurs are those who play as a hobby.

How will you differentiate professional players from amateurs on paper?

There are 3 ways by which we can identify professional players apart from amateurs.

1. Check whether the players are registered with the official tennis association of Karnataka and/or India.
2. Check the statistics such as number of aces, total points, faults, etc. of all matches played.
3. Check the frequency of matches played per a standard time period (week/month/year)

How would you proceed with the frequency of matches played?

Professional players play at least thrice a week, while amateurs play only during the weekends, so a maximum of twice a week. Based on this estimate, we can calculate the number of matches played per week and extrapolate it to a year. Then estimating the average life of a tennis ball, we can arrive at the number of tennis balls sold per year in Bangalore

Good. Now focus on the demand from cricket.

We can take a similar approach by estimating the number of cricket matches played and dividing it by the average life of a tennis ball Tennis ball is predominantly used for street cricket, i.e., cricket that is played by enthusiasts and amateurs. We can ignore professional matches since they are played with a leather cork ball.

Ok, how does the life of a tennis ball for cricket match differ from that of a tennis match?

While for tennis matches, the life of a ball is determined by the average time taken for the ball to lose its bounce and surface properties due to wear and tear, but for cricket matches, along with the same reason of wear and tear, there is also the possibility of the ball getting torn or getting lost. Considering these reasons into account, we can calculate a different life span for tennis balls used for cricket matches.

Thanks, we can conclude the case here.

Tennis Balls Consumption

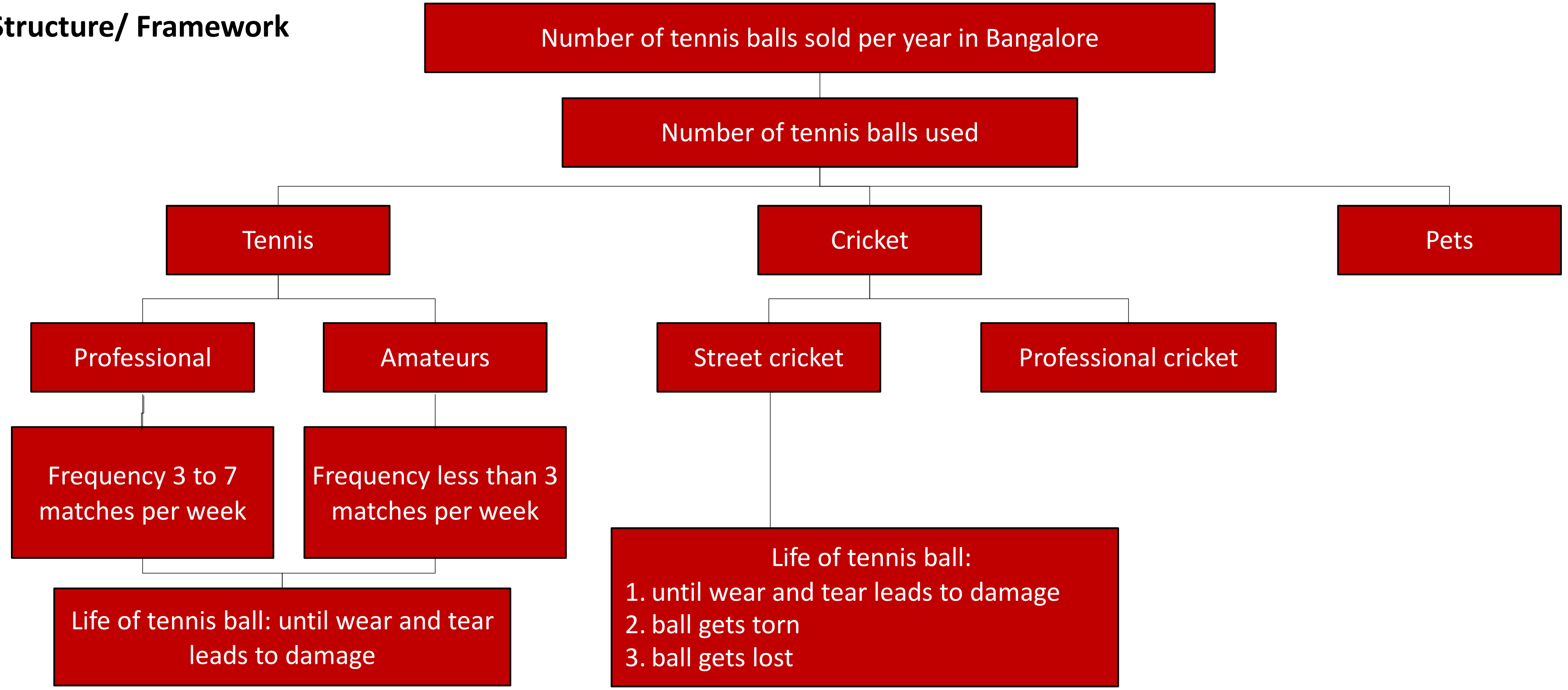
Case Statement

- A qualitative guesstimate for the number of tennis balls sold per year in Bangalore

Interviewee Notes

- Chose demand-based approach rather than supply-based approach
- Number of tennis balls sold = (Number of tennis matches played / Average life of tennis ball) + (Number of street cricket matches played / Average life of tennis ball for cricket)
- Number of tennis matches played = Number of (Professional + Amateur) matches played
- Frequency of matches: professional = 3-7 times a week, amateur <= 2 times a week.

Structure/ Framework



Key Takeaways

- The interviewer was more focussed on the approach taken rather than using quantitative data to arrive at the actual estimate.
- It is better to ensure that problem is broken down exhaustively at each step.

Global Aircrafts

Guesstimate | Moderate| BCG (Partner)

Estimate the number of aircrafts in the air at this moment.

This sounds Interesting. Before jumping into the guesstimate, I would like to clarify a few aspects of the case. By aircrafts should I consider commercial, military, cargo, personal etc. Planes? Should I focus on aircrafts flying globally? Can I look at it from a supply side lens?

Great observations. You can focus on commercial planes flying worldwide.

The world has 7 continents and approximately 10,000 cities in it. I will look at tier 1 and 2 cities for my analysis and further classify types of airports into big, medium and small. I will then estimate number of flights in air according to the equation =No. of airports* No. of runways per airport* No. of planes flying in a day. I will then estimate flights in the air at any moment by dividing no. of planes by number of times a plan leaves or lands on the runway. I will base my analysis to pre-covid era with no travel bans. Does this approach seem viable?

Yes, all the assumptions seem fair. You can proceed.

To calculate the number of airports in the world, I will limit my scope to developed and some developing nations and take about ~30% of the world with an average of 3000 cities (tier 1 and 2) or ~50 countries approximately in the world that have airports with 100% utilization. Further these countries have close to 6 big, 25 medium and 45 small airports. Is this a feasible assumption?

Yes, your understanding is correct. Go ahead.

I am assuming the big, medium and small airports to have 4, 3 and 2 runways respectively. So total number of runways is 6*4+25*3+45*2 =189 runways. Can I go ahead with this?

You are on the right track. Keep going.

There is a huge variation between number of airplanes depending on the time of the day. Is it okay to assume peak hours from to 9 am to 9 pm for ease of calculation? Also, in peak hours can I assume planes take off every 10 minutes Vs. 20 minutes during the non-peak hours? That gives me 6 and 3 planes per hour during peak and non-peak hours respectively and I obtain total no. of flights as 6*12+3*12=108.

Pretty accurate estimate. How will you go about estimating flights in the air at the moment?

I will first calculate total no. of flights flying in a day from all airports in the world as per the equation (no. of runways) * (flights on peak days+ flights on non-peak days). Can I take few seconds to calculate?

Sure, go ahead.

For all countries under consideration the total number of flights in a day comes out to be ~6 Lacs. One way to calculate number of flights at any moment is to consider domestic flight avg. duration to be 1.5 hours and International flight avg. duration to be 3.5 hours and obtain a total average duration of 2.5 hours. So, for entire day it will be equal to 24/2.5 = approximately 10 instances where the flight is either landing or flying from the runway. To obtain avg. no. of flights in air currently I will divide no. of flights in a day by 10. Does this seem correct or am I missing something?

Interesting. What is the final figure?

At any point in time Flights are either landing, flying or are held in the hangar/ track. So one-third will be flying. Hence result is ~20000 flights. If I factor in for climatic and traffic conditions and take about 80% of these end up flying, I will obtain ~16000 flights.

Great Job. Can you quickly estimate number of passengers in these flights?

To arrive at this I will multiply no. of flights* seats per flight* occupancy rate

Sure. Good approach.

Can I assume an average figure of 115 seats in a Boeing-Airbus plane and occupancy rate on an average to be 70%?

Yes, you can work with that.

Total number of passengers in a commercial flight on air at any point in time globally is 115*0.7*16000 = approx. 13 Lacs.

Thank you. I think this is a comprehensive analysis covering all aspects. All the very best!

Global Aircrafts

Guesstimate | Moderate| BCG (Partner)

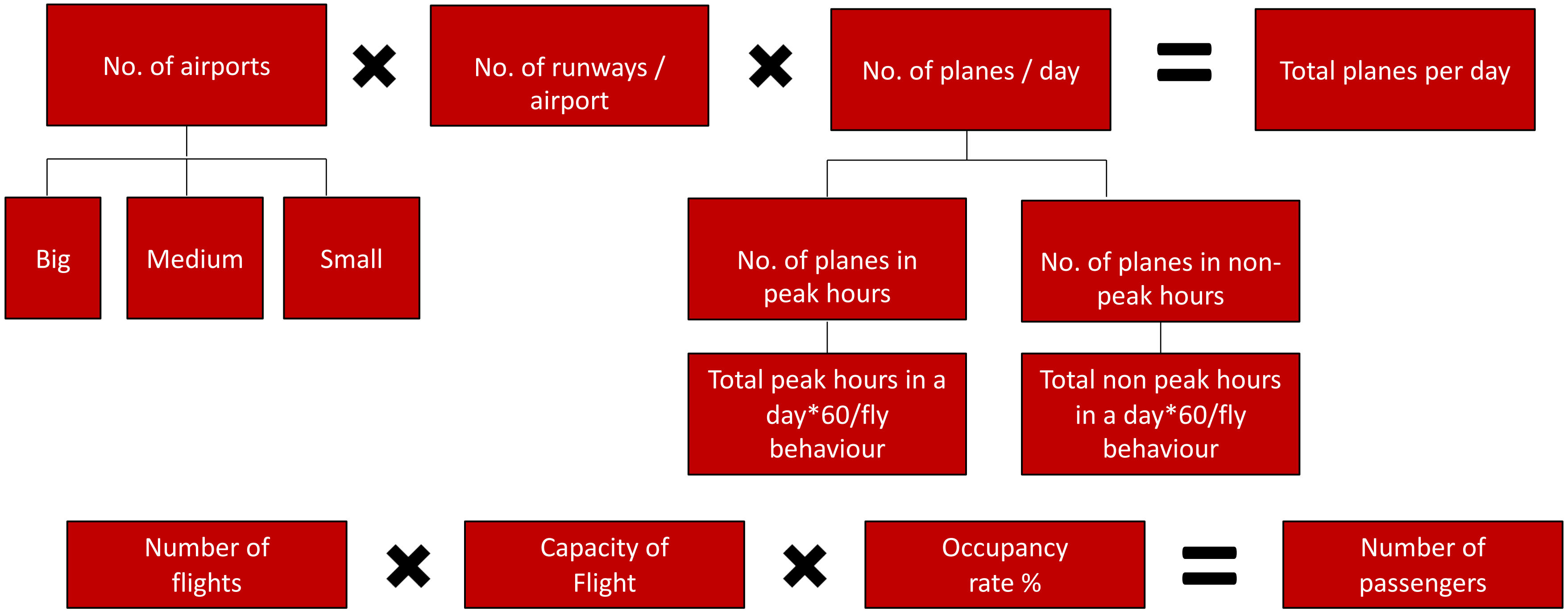
Case Statement

- Estimate the number of aircrafts in the air at this moment

Interviewee Notes

- Scope of estimate global
- Exclude under-developed countries
- 6 big, 25 medium and 45 small airports in a country
- Airport Peak hours from 9 AM to 9 PM
- Domestic flight average duration 1.5 hours
- International flight average duration 3.5 hours
- At any point flight either lands or takes off from the runway
- Average occupancy rate of flight 70%

Structure/ Framework



Key Takeaways

- It was tricky to estimate number of flights at any point in time, Interviewer was looking for the correct approach instead of accurate numbers.
- Deciding on solving the case from supply/demand side analysis helps in robust structuring and later helps in sanity check using the other side.
- Do not hesitate to ask as many preliminary questions as possible to avoid obtaining a wrong estimate.

Perfume Retailer

You are the owner of a retail outlet which sells luxury perfume. How do you plan the inventory for this perfume ?

Just to confirm my understanding we are a retailer who just resells the branded perfume through our retail outlets. Obviously, our primary objective is reducing the different kind of inventory cost and be more profitable.

Exactly, what all kinds of inventory costs can you think of ?

There is fixed material cost which is charged irrespective on the amount of inventory ordered, apart from that there might be an ordering cost, opportunity cost of capital blocked in inventory, warehouse and inspection cost.

Sounds good, let's go ahead and find out the optimal inventory.

Since this is not a high demand good, one option is to use periodic order inventory system, where we find the optimal time to place an order using EOQ (Economic order quantity) model and based on the service level required we can find the correct quantity to order.

Let's take a step back, can you tell me what are the components of inventory planning ?

In my opinion inventory planning means , what is the amount of inventory to order and when to order. So basically, we are trying to answer when and how for the inventory. Am I missing something ?

Sound perfect, so let me give you some more information regarding the planning parameters. We can order perfumes only at the beginning of the year and perfumes go out of trend in next year and cannot be sold. Before we go ahead can you tell me what all can we do with the unsold perfume ?

Next year we can sell the perfume on sale or through other marketing campaigns.

You do understand that this is a luxury brand so is running sales and discount on these perfumes a good idea ?

Yes, you are right it will hamper the brand image of the luxury brand, so another option is to return it back to the manufacturer, is that a possible option ?

Yes that's possible. Now how will you arrive at the optimal quantity to order ?

Sure, we can use the newsvendor model to arrive at the optimal quantity to be ordered. Do we have any data on cost structure and price of the product ? Also, we will need distribution of demand, assuming it's normal distribution can you tell me the mean and standard deviation of the demand.

The perfume costs us Rs. 80, and we sell it at Rs. 150. As per the contract with manufacturer any unsold perfume is taken back at Rs. 50 after 1 year. The marketing department has estimated that demand is not normal and there is 20% chance that demand is 1000, 50% chance that demand is 1500 and 30% chance that demand is 2000.

Having a discrete demand makes the problem easier, now we the optimal quantity to order is either of 1000, 1500 or 2000. For each of the case we can find expected profit and choose the one with highest expected profit. Does the approach sound fine to you ?

Yes, this looks great please go ahead with the calculations.

Scenario 1 (1000) : 1000*(150-80) = 70K, Scenario 2 (1500): 1500*(150-80)*0.8 + 1000*70* 0.2 - 500*30*0.2 = 95K, Scenario 3 (2000): 2000*(150-80)*0.3 + 1500*70*0.5 – 500*30*0.5 + 1000*70*0.2 – 1000*30*0.2 = 95K. Since scenario 2 and scenario 3 both give highest profit that is 95K we can go with either of them.

Ok, if I force you to choose either one of them which one will you choose ?

I will choose 3rd option that is order 2000 as we don't want to loose our customers to other retailers as retailing is a highly competitive business.

Thank you! we can close the case now.

Perfume Retailer

Guesstimate | Challenging | Auctus Advisors (Manager)

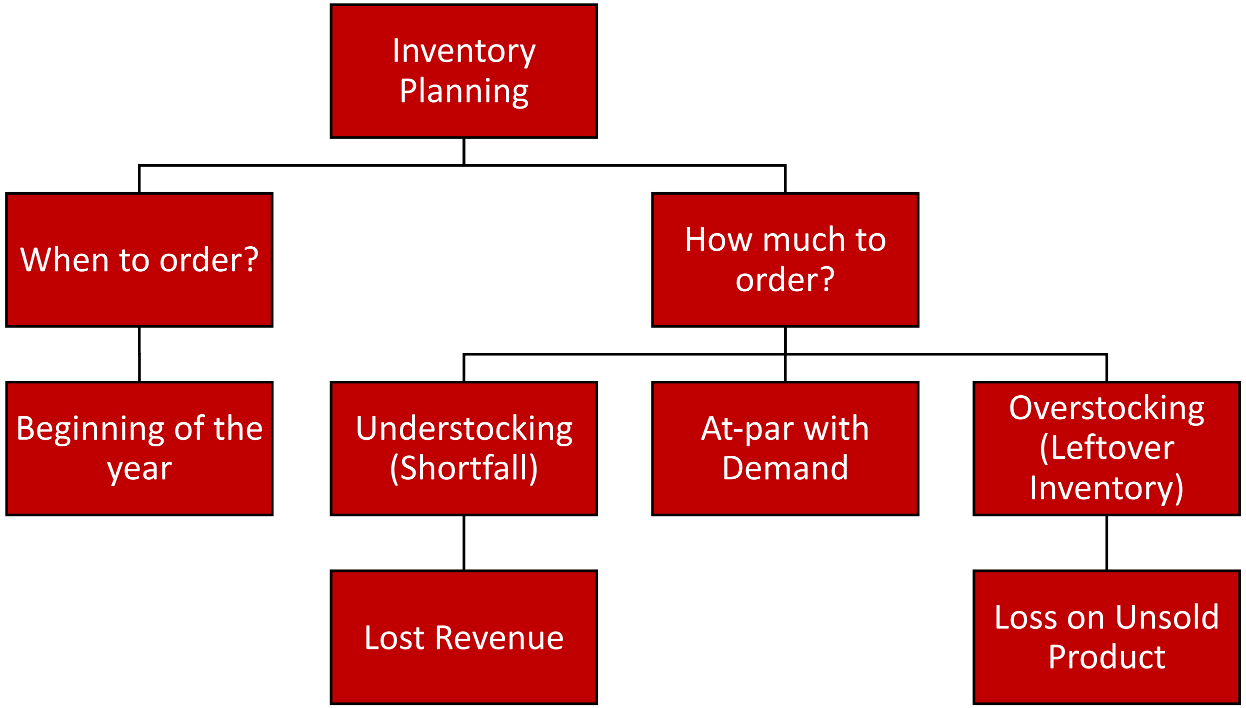
Case Statement

- Inventory planning for a retailer who sells luxury perfume

Interviewee Notes

- Plan inventory such that different kinds of inventory costs are reduced.
- Planning horizon is 1 year.
- Order can be made only at the beginning of the year.
- Unsold perfume is returned to the supplier at a loss of Rs. 30.
- Selling the perfume earns Rs.70.
- Demand pattern for the upcoming year is given.

Structure/ Framework



Key Takeaways

- This case can be solved without any knowledge of inventory planning models. It was a simple probability based case.
- More clarifying question like planning horizon should be asked before moving into solution.
- Case could have been structured from beginning.

IIMB Industry Reports
2022-23

Airlines Industry

Inbound Logistics	Operations	Outbound Logistics	Marketing & Sales	Service
• Route Selection • Yield Management • Fuel • Flight/Crew Scheduling • Aircraft Acquisition • Aircraft Lease	• Ticket Counter/ Kiosk • Gate & Aircraft Operations • Onboard Services • Baggage Handling • Ticket Offices	• Baggage System • Flight Connections • Rental Car & Hotel • Reservation System	• Promotion/ Advertising • Frequent Flyer • Travel Agent Programs • Group Sales • Electronic Tickets	• Lost Baggage Service • Complaint Follow-up • Support Centre

Industry Forces

- **Supplier Power:** (High). Aircraft and engine producers are concentrated oligopolies
- **Barriers to Entry:** High. High CAPEX, cost intensive and need for economies of scale.
- **Threat of Substitutes:** (Medium) Fast Trains, Video conferencing reducing need for business travel etc.
- **Buyer Power:** (High) Low switching costs for most customers since relatively standardized service
- **Rivalry:** (High) Limited differentiation and opportunities for economies of scale

Key Drivers

Revenue	Cost	Growth
Passenger tickets, inflight sales	Aviation fuel (40%)	Post-COVID trade and tourism
Freight services, other VAS	Equipment rentals, hangar cost (15%)	Rising disposable incomes
Tours and packages	Maintenance and overhaul (10%)	Government policies

Market Trends (elaborate data/points)

- **Robust Demand:** Rising working group and widening middle class demography is expected to boost demand
- **Opportunities in MRO:** Expenditure in Maintenance, Repair & Overhaul (MRO) accounts for 12-15% of the total revenues – it is the second-highest expense after fuel cost. By 2031, the MRO industry is likely to grow over $4 billion from $1.7B in 2021
- **Policy Support:** Foreign investment up to 49% is allowed under the automatic route. Under Union Budget 2021-22, the government lowered the custom duty from 2.5% to 0% on components or parts, including engines, for manufacturing of aircrafts by the MoD.
- **Increasing Investments:** Investment to the tune of INR 420-450 billion is expected in India's airport infrastructure in the next 3 years
- **UDAN:** Under this regional connectivity scheme, airfare for a one-hour journey of 500 km has been capped at INR 2500
- **Public-Private Partnerships:** $3 billion investment in greenfield airports in Navi Mumbai and Goa

Industry Challenges

- **High fuel prices** – account for 40% of costs
- Government policies and interference to keep a **cap on the ticket prices**
- Growing **climate change awareness** leading to lesser demand
- **Post COVID** travel hesitation in certain sections of the society
- **Financing** - High capex, opex industry

Useful Links/Reports

Industry Reports

- IBEF Report
- Invest India Report

Industry Dynamics

Key Customer Segment	Growth
Passenger - Domestic	11-12%
Passenger - International	9-10%
Freight	7-8%

Automobile Industry

R&D and Product Design	Raw Material Management	Auto Components	Product Assembly	Logistics & Transportation	Marketing and Service
• Skilled Labour • Process /Product Innovation	• Raw materials: Aluminium, Iron, glass, plastic, rubber • Warehousing	• Engine/Battery • Suspension and braking • Electronics	• Body/Chassis • Casting, machining and welding • Quality Testing	• Warehousing • Distribution • Dealership Management	• Advertising • Finance, Insurance • Used Cars, Rentals • Service, Spares • Auto Expo

Industry Forces

- **Barriers to entry (High):** capital costs, distribution network, and availability of automobile components.
- **Bargaining power of suppliers (Low):** stiff competition
- **Bargaining power of customers (Very high):** due to availability of options.
- **Threat of Substitutes (Medium):** Increasing shared mobility options and improving public transport
- **Rivalry (High):** Competition from established international and domestic brands

Key Drivers

Revenue	Cost	Growth
Automobile Sales	Raw Material	Increasing Exports
After Sales Service	Labour	Policy Support
Financing services	Advertising	Robust R&D Centres

Key Market Trends

- **India is the 5th largest Automobile market in the world**
- **Transitioning towards electric vehicles:** expected to witness a CAGR of 44% to reach $150B mkt by 2030
- **Bharat Stage (BS) - VI norms:** India aims to reduce its carbon footprint by 33-35% by 2030
- **Positive GST impact:** Reduction in the overall cost structure of Indian Automobile industry
- **Policy Support:** Atmanirbhar Bharat Abhiyaan, Automotive Mission Plan 2026 to promote manufacturing, export-linked fiscal incentives, Voluntary Vehicle Fleet Modernization Programme, FAME II policy for EV adoption
- **Market Developments:** Organized pre-owned car market, shared mobility ecosystem
- **Covid Impact:**
  - shortage of raw material and semi conductors
  - shifting of production to other countries,
  - liquidity crunch
  - preference for private ownership of vehicles
  - shrinkage in consumer demand due to WFH

Industry Challenges

- **Increasing commodity prices** impacting production costs and utilization levels
- **Semiconductor crisis** and lack of domestic supply limiting the pace of production
- High sales dependence on domestic market and Indian Economic cycle (declining share of exports)
- Chronic trade deficit in auto parts, industry

Useful Links/Reports

Industry Report

- IBEF- Automobiles
- Invest India – Automobiles
- IBEF - EV

Industry Dynamics

Key Segment	Share
2 Wheelers	80%
Passenger Vehicles	15%
Commercial Vehicles	3%

Cement Industry

Procurement	Manufacturing	Distribution	Sales and Marketing
• Long term lease of lime quarries • Plants located close to quarries • Long term supplier contracts for other RM	• Process: Limestone → Clinker grinding and additives → Cement → • High automated setups • Imp: Economies of Scale • High start-up costs	• Major freight cost (higher in rainy season) • Rail-road mix used • Warehouse network • Large orders directly to dealers/customers	• Strong relationship with contractors and developers • Distributor-dealer network of sales • Bulk orders are cheaper

Industry Forces

- **Supplier Power:** Low. Companies opt for backward integration, weakening supplier power.
- **Barriers to Entry:** High. High CAPEX, fixed costs and need for economies of scale.
- **Threat of Substitutes:** Low. No product exists to date that can substitute cement effectively. Only quantity can be varied.
- **Buyer Power:** Low. Low substitutability, oligopolistic market.
- **Rivalry:** Moderate. Concentrated market.

Key Drivers

Revenue	Cost	CAPEX
Sale of cement (98%)	Transportation costs (30%)	Plant & Machinery (40%)
Interest Income (2%)	Power & Fuel costs (20%)	Land (20%)
	Material cost (20%)	Captive power plant (10%)

Market Trends (elaborate data/points)

- India is **Second Largest** producer and consumer of cement in world.
- **Market Size:** Cement sales in India stood at **USD 9.05B** in FY20.
- **Industry Growth:** India's cement production is expected to increase at a **CAGR of 5.65%** and cement consumption to grow at a **CAGR of 5.68%.**
- **Increasing Investment:** FDI investment in cement industry reached **USD 5.24B**. National Infrastructure Pipeline introduced projects worth USD 14.59B in next 5 years. Union budget for MoRTH stood at **USD 27B.**
- **Innovation:** Carbon neutrality goals by cement companies. Implementation of carbon capture (CCUS) units.
- **Import: USD119. 83** growing at **0.42% CAGR**.
- **Export:** India's export of various grades of cement stood at **USD 118.15M**. Countries exported to: Sri Lanka, Nepal, US, UAE, Bangladesh.

Industry Challenges

- Reduction in **CO2 emissions** and use of **clean energy** in production and logistics.
- **High Lending rates** by banks hinders growth as High CAPEX required in cement industry.
- **High Tariffs** like high excise duty, sales tax, royalty on limestone and coal hinders demand.
- Limitations in **rail and road transport**.

Useful Links/Reports

- **Cement Industry insights**
  - Mckinsey Report
- **Industry Report**
  - IBEF

Industry Dynamics

Key Customer Segment	Share
Housing and Real Estate	68%
Infrastructure	22%
Industrial Development	10%

E-Commerce Industry

Inbound Logistics	Inventory Management	Operations	Marketing and Sales	Order Fulfillment
Sourcing Vendor contracts Quality testing Mass customization Modular Production	Demand planning Warehousing Unified offline & online inventory management Assortment Planning Working capital management	Own platform Logistics Platform excellence Platform maintenance and repair Order management Packaging and invoicing	Targeted marketing Multi-channel attribution & end-to- end ROI Customer retention Payment methodology Market research Discounting & promotion	Delivery planning Logistics partners Omnichannel fulfilment Product queries Return management

Key Drivers

Revenue	Cost	Growth
Sales Commission	Platform fee	Tier 2 & 3
Private Labels	Inventory and supply chain costs	Government policies
Listing fee & customer EMIs	Promotion/ Marketing	Internet penetration and online payment

Porter's Five Forces

- **Threat of New Entrants**: High (high government support, brick & mortar turning online)
- **Bargaining power of buyers**: High (low switching cost)
- **Internal Competition**: High (multinational players, low differentiation)
- **Substitutes**: High (multiple offline and online players)
- **Bargaining Power of Suppliers**: Low (Multiple e-commerce platforms and offline stores to list their products), own websites of major supplying brands

Market Trends

Key Data Points

- **Industry Size**: India's e-commerce market is expected to reach US$ 111 billion by 2024 and US$ 200 billion by 2026
- Consumer electronics and apparels makes up 80% of e-commerce value in India

Growth Opportunities

- **Omnichannel fulfilment:** Integrating online and offline to provide end-to-end experience
- **Policy Support:** 100% FDI is allowed in B2B e-commerce. 100% FDI under the automatic route is permitted in the marketplace model of E-commerce.
- **Increasing investments:** India's ecommerce sector received US$ 15 billion of PE/VC investments in 2021 which is a 5.4 times increase YoY.
- **Growing Demand:** India's social commerce has the potential to expand to US$16–20 billion in FY25, growing at a CAGR of 55-60%.

Key Performance Indicators

Fill Rate: How many items out of the ordered are delivered
OTIF (On Time In Full): A stricter measure than fill rate, includes timely delivery along with fill rate
Funnel metrics: Number of people dropping at different stages of customer journey, download, bounce rate, cart abandonment
CLV: Cust Lifetime Value, measures total spend of customer on the platform
SWOOS: Sales weighted out of stock

Industry Challenges

- Increased competition and pressure to deliver as soon as possible
- Regulatory considerations of data protection and consumer protection rules for sellers & marketplaces
- Customer loyalty as switching costs are too low and competition too high
- High browsing users, low payment customers

Financial Services – Asset Management

Front Office

Drive revenue generation
- Sales
- Marketing
- Customer Service
- Trading

Middle Office

- Risk Management
- IT
- Corporate Finance
- Portfolio Management
- Research

Back Office

Administration & Support
- Accounting
- Human Resources
- Payroll
- Operation

Sell-Side Firms

Offer investment products
- Investment Banks
- Brokers
- Dealers

Buy-Side Firms

Manage portfolios
- Pension Funds
- Endowment Funds
- Sovereign Wealth Funds

Key Performance Indicators

Asset management refers to the management on others' behalf. It is built on the notion that future is somewhat predictable, although it is not.

- **Portfolio:** Set of investments owned and managed as a collective whole with specific investment goals.
- **AUM:** Asset Under Management - total market value of the financial assets which a financial institution controls
- **Net Asset Value (NAV):** Value of mutual fund share (fund's total assets-fund's liabilities)/outstanding shares.
- **Asset class:** Securities with similar features e.g., stocks, bonds, cash equivalents, etc.
- **Capital gain/loss:** The difference between a security's purchase price and its selling price
- **Growth investing:** Investment strategy that focuses on stocks of companies and stock funds with rapid growth
- **Value investing:** Purchasing equity securities that you believe are selling below estimated true value

Revenue & Cost Drivers

Revenue drivers:

- **Management charges:** Charged on each Portfolio Management Services (PMS) quarterly or annually
- **Profit sharing:** Fixed percentage on any profit made by asset management company
- **Entry load:** One time fee of ~3% at the time of purchasing PMS
- **Others:** Custodian fee, commission & transaction fee, demat account charges, etc.

Cost drivers:

- Branch operation
- Maintenance of communication and IT infrastructure
- Market schemes implementation
- Partnership management
- Salary and employee benefits cost of staff

Key Market Trends

Current market trends:
- ESG (Environmental, Social and Governance) investing is making asset managers offer new products and modify their operations to deliver them.
- Global asset manager are investing heavily in data strategy, artificial intelligence and digitization.

Future market trends/growth prospects:
- Consolidation through M&A: By 2030 the industry will have a small club of giant asset managers and a bigger one of niche managers.
- Competition will revolve around products for particular needs e.g., products for retired vs. those for millennials
- Fed instructed banks to stop writing LIBOR contracts by 2021 end. SOFR (Secured Overnight Financing Rate) will replace LIBOR by June 2023.

Post Covid Impact:
- Increased focus on cost optimization specifically location strategy to downsize office space

Financial Services – Banking

Marketing
Advertising, sales support is becoming increasingly relevant due to high competition from NBFCs

Sales
Customer acquisition is done through multi-channel, focus heavily on relationship management

Products & Services
Funding Products - loans, securitization of assets, mortgages
Investment services in securities through capital markets
Other advisory services like asset & portfolio management

Transactions
Processing high volume transactions at high speed for payments, trading, and clearing & settlement

Key Performance Indicators

- **Net Interest Margin (NIM):** The difference between the interest income earned and the interest paid by a bank relative to its interest-earning assets like cash
- **Current Account Savings Accounts (CASA):** Type of non-term deposit account. Has lower interest rate than term deposits & is a cheaper source of funds for banks
- **Gross Non-Performing Assets (GNPA):** The total value of non-performing assets in a particular time period.
- **CRR/SLR:** Percentage of cash reserves/liquid assets that the bank must maintain which guarantees solvency

Porter's Five Forces

- **Supplier's power (Low):** Money supply controlled by RBI
- **Buyer's power/Demand (Medium):** Increases with income, credit worthiness. Financial inclusions scheme for rural citizen
- **Barriers to Entry (High):** Due to regulations and licensing mandates, investment in physical, digital infrastructure
- **Competition (High):** High competition from NBFCs

Revenue & Cost Drivers

Cost Drivers
- Fixed Cost
  - Physical Infrastructure
  - Digital Infrastructure
- Variable Cost
  - Operational Costs
  - Interest on Deposits
  - Provisioning Cost (NPAs)
- Employee Salaries
  - Employee Efficiency

Revenue drivers
- Interest from loans
- Transactions fees
- Value Added Services
- Investment (bank's own)

Key Market Trends

- **Digitization:** Banking-As-A-Service platforms and open banking, increasing need to protect data, strengthen IT
- **Consolidation:** Huge consolidation in public sector banks to improve capital efficiency & remain profitable
- **NPAs & credit extension:** Increase in ratio of stressed assets and bad loans leading to slow down in lending.
- **Post Covid Impact:** Difficult and slow recoveries, increased adoption of digital channels, greater cyber frauds

Segments & Key Players

- **Public Sector Banks**: SBI – largest market share (23%) 3rd largest bank in India by market cap (383,312 Cr)
- **Other PSBs:** PNB, Bank of Baroda
- **Privately Owned Banks (Indian):** HDFC – largest bank in India market cap (822,326 Cr), ICICI – 2nd largest by market cap. Others: Axis, IndusInd
- **Foreign Banks:** Citibank, Standard Chartered, HSBC
- **Rural Cooperative Banks**: Saraswat Co-op Bank – largest

FMCG Industry

Inbound Logistics	Operations	Outbound Logistics	Sales and Marketing	Servicing
• Sourcing raw materials • Quality testing • Warehouse storage	• Manufacturing • Production, quality, and control • Packaging • Warehouse storage	• Distribution center, channel • Order Handling • Dispatch • Delivery invoicing	• Branding • Advertising, promotion • Customer, order mgmt • Sales analysis • Market research	• Warranty • Maintenance • Education, training, upgrade

Industry Forces

- **Supplier Power:** Low. Big companies control pricing, fragmented commodity supplier.
- **Barriers to Entry:** Moderate. Investment in distribution network, promotions, advertising.
- **Threat of Substitutes:** High. Narrow product differentiation, price war.
- **Buyer Power:** High. Low switching cost.
- **Rivalry:** High. Highly fragmented, strong brands at a discount

Key Drivers

Revenue	Cost	Growth
Pricing	Raw material and processing cost	Shift to organized market
Promotion	Distribution	Growth of e-commerce
Distribution	Promotion	Rural consumption

Market Trends (elaborate data/points)

- India's FMCG market is **Fourth largest** in world and major contributor to Indian economy.
- **Market Size:** FMCG market capitalization in FY20 was **USD 110B**. Urban market account for 55% and rural market account for 45%.
- **Industry Growth:** FMCG market is expected to grow at **CAGR of 14.9%** to **USD 220B** by 2025. Growth is driven by rural areas (14.2%), Tier 1 market (2.7%), metro market (0.8%).
- **Increasing Investment:** 100% FDI in food processing and single-brand retail and 51% in multi-brand retail. **USD 20B FDI** in FY21.
- **Policy and Regulatory Framework:** Relaxation of License rules, FDI in organized retail, SETU scheme**.**
- **Imports:** India imported FMCG products worth **USD 58B** in FY19.
- **Exports:** India exported FMCG products worth **USD 145B**. Top Import and export partner are Middle east, North Africa, Europe, North America.

Industry Challenges

- **Regional Players:** Region specific players with well connected value chain pose a threat to big FMCG players.
- **Supply Chain:** Small disruptions in supply chain can cause huge delays.
- **Lack of Infrastructure:** Lack of transportation and storage facilities especially for items with short shelf lives.

Useful Links/Reports

- **Industry Insights**
  - Mckinsey Report
- **Industry Report**
  - IBEF

Industry Dynamics

Key Product Segment	Share
Food and Beverages	19%
Healthcare	31%
Household and Personal care	50%

Food Processing Industry

Raw Materials	Warehousing	Processing	Packaging and Transport	Distributiona and Retail
• Producers – Farmers, Breeders, Fishermen • Inputs: Agri produce, fruits and vegetables, meat and poultry, marine, milk	• Cold storage • Collection agents • Cooperatives, FPOs • Direct sourcing • Logistics	• Cleaning, sorting • Mixing, grinding • Pulping, juicing • Pasteurization • Dehydration, powdering	• Grading • Quality control • Packaging • Cold storage • Food and Dairy corp.	• Carry and Forward agent • Depots and Stockists • Wholesalers • Retail stores and e-commerce • International export

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- **Barriers to Entry:** Moderate. Investment in distribution network, promotions, advertising.
- **Threat of Substitutes:** High. Narrow product differentiation, price war.
- **Buyer Power:** High. Low switching cost.
- **Rivalry:** High. Highly fragmented, strong brands at a discount

Key Drivers

Revenue	Cost	Growth
Sale of byproducts	Production cost (53%)	High consumer base
Sale of food and beverage produced	Processing (12%)	Conducive policies – PLI schemes
	Distribution (7%)	Agri-commodity hub

Market Trends (elaborate data/points)

- India is **Largest** milk and buffalo meat producer and **second largest** producer of fruits, vegetables, eggs, goat meat.
- **Market Size:** Gross value addition of FPI in FY21 was **USD 288.28B**. Agriculture and allied sector contributes 20.2% to the GVA of total economy. 58% organized sector and 42% unorganized sector.
- **Industry Growth:** FPI is expected to grow at **10% CAGR to USD 528.26B** by FY27.
- **Increasing Investment:** GOI has continued the umbrella PMKSY scheme with an allocation of USD 0.58B till FY26. 100% FDI allowed under automatic route in FPI. FDI equity flow in FY22 is **USD 710M.** Total FDI flow is **USD 11B**.
- **Growth Strategies Adopted:** Increasing business and product innovation, low-cost pricing strategy, and joint ventures and tie ups with private and public players.
- **Import:** India imported **USD 21B** worth processed food which was 5.3% of total imports in FY21.
- **Export:** India exported **USD 2.14+** to countries like USA, UAE, Malaysia, Nepal.

Industry Challenges

- **Supply chain gaps:** Inadequate primary processing, storage and distribution facilities.
- **Seasonality:** High seasonality in operations leading to low-capacity utilizations.
- **Institutional gaps:** High dependency on APMC markets increases cost.
- Lack of focus on quality and safety standard

Useful Links/Reports

- **Annual reports**
  - Food Processing Industry - Annual Report
- **Industry Report**
  - IBEF

Industry Dynamics

Key Product Segment	Share
Meat, Fish, Fruits	40%
Grain Mill	11%
Beverages	25%
Dairy Products	5%

Healthcare Services Industry

Appointment Booking	Hospital Visit	Diagnosis	Treatment	Post-Treatment
• Walk-in • Traditional Scheduling • Scheduling via appointment booking apps like Practo	• Primary / Secondary / Tertiary Hospital • IPD (In-patient care) • OPD (Out-patient care) • Emergency Section	• Medical History • Screening based on patient symptoms • Diagnostic Testing	• Medical procedure • Clinical & ops support • Doctor (GP, CP, Specialist) • Equipment & Supplies	• Monitoring and discharge • Bill Payment • Post discharge care • Follow-up visit

KPIs and Important Terminologies

- **ARPOB** – Average Revenue Per Occupied Bed
- **ALOS** – Average Length of Stay
- **Occupancy Ratio** - % Bed utilization
- **Staff available per patient**
- **GP** – General Physician
- **CP** – Consulting Physician
- **OOP** – Out of pocket expenditure
- **IP** – In-patient
- **OP** – Out-patient

Key Drivers

Revenue	Cost	CAPEX
Healthcare consultation & services	Salaries & HR costs	Infrastructure & Operational set-up
Diagnostic services	Infra & Equipment	Equipment Costs
Drug Sales	Consumables & utilities	Others

Market Trends (elaborate data/points)

Current market trends

- Healthcare sector expected to reach $370B+ by the end of 2022 growing at a CAGR of 22% since 2016
- Rising instances of **lifestyle diseases** in urban areas boosting demand for specialized care
- Growing **medical tourism market** due to availability of quality services at relatively low cost

Future market trends/ growth prospects

- **Public private partnership** models for establishing hospitals
- **Digitization** of healthcare records via higher adoption of eHRs

Covid Impact

- Change in attitude towards personal health and hygiene, health insurance and medical check-ups
- Adoption of digital technologies including **telemedicine**
- Increase in healthcare budget allocation by 125%+ in 2021&2022.

Industry Challenges

- **Lack of Infrastructure** like well-equipped medical institutes & hospitals
- **Skilled manpower shortage:** Includes doctors, nurses, paramedics, and primary healthcare workers
- **High Out of Pocket expenditure-** More than 2/3rd expenses paid by the patient

Useful Links/Reports

Industry Report

- IBEF
- Invest India

Industry Dynamics

Key Segment	Top Players
Primary Care	Apollo
Secondary Care	Fortis
Tertiary Care	Narayana

Hospitality Industry

Procurement
- Food & Beverages (F&B)
- Cleaning supplies
- Room supplies
- Contractual services like internet, cable, security, etc.

Operations
- Front-desk operations
- Housekeeping operations
- Kitchen operations
- Laundry operations
- Revenue management
- Staff training

Guest Services
- Check-In/Check-Out
- F&B services
- Laundry services
- Transportation services
- Other on-demand services

Sales & Marketing
- Advertisements
- Promotions & discounts
- Loyalty programs
- Tour packages

Distribution
- Online Travel Aggregators (OTAs)
- Direct (Website/ app/ telephone)
- Walk-ins
- Tour-&-Travel Agents

Industry Forces
- **Supplier Power:** Low. No over-powered monopolistic suppliers in any aspect
- **Barriers to Entry:** High. High CAPEX, fixed costs and need for economies of scale.
- **Threat of Substitutes:** High. Low switching costs and large number of alternatives from new age startups like Oyo, Airbnb etc.
- **Buyer Power:** High. Low switching costs, consumer wants the cheapest alternatives
- **Rivalry:** High. Lots of competitors across all segments

Key Drivers

Revenue	Cost	CAPEX
Room Tariffs (60%)	Salaries (40%)	Construction Costs (40%)
F&B (35%)	Consumables (30%)	Land (25%)
Events (10%)	Maintenance (10%)	Furnishings (20%)

Market Trends (elaborate data/points)

Current market trends
- India is the world's 10th largest tourism economy in terms of contribution to GDP
- Industry has seen increase in ARRs by 6-8% y-o-y basis low demand post covid
- Cyclicality and seasonality: This sector is highly influenced by positive cycles and peak seasons which observe higher revenue and occupancy rate

Emerging Themes/Trends
- Health safety concerns lead to adoption of contactless hospitality like mobile check-in services, etc.
- Focus on sustainability led by high customer awareness from smart bulbs to sustainable materials
- Leisure & luxury tourism picking up pace

Covid Impact
- Pick-up in demand post first-wave was based on leisure travel, staycations, weddings & higher F&B revenues
- Occupancy in Q1 FY2023 were at ~30% levels, higher than ~20% of Q1 FY2022, basis opening of the Indian Economy back to normalcy

Industry Challenges
- **Post COVID** travel hesitation in certain sections of the society
- WFH leading to reduced business travel
- Shortage of skilled employees
- High turnover of quality workforce
- Maintaining profitability amidst the ever-increasing expectations from guests about offerings and service quality

Useful Links/Reports
- **Industry Report**
  - IBEF - Tourism & Hospitality

Industry Dynamics

Segmentation by type	Share
Independent/Unbranded	70%
Branded/Chains	10%
Start-ups (Oyo etc)	10%

Insurance Industry

Product Development	Distribution & Sales	Marketing	Underwriting	Policy administration & Claims management
Using customer and market insights to design, develop and deploy products and services	Understanding and strategically penetrating the addressable market to deliver products and services and to generate revenue	Driving, monitoring and enabling sales and customer retention through brand management, advertising and customer engagement	Analyzing risk profiles and premium pricing models to bind and issue policies	Evaluating and settling claims, including payment, reinsurance recovery and litigation; managing administrative activities

Porter's Five Forces

- **Supplier Power:** High. Supplier being the distributor have customer database
- **Barriers to entry:** High. Overall threat is high given that entry is subject to license and regulations
- **Threat of substitute:** High. Similarity in services makes
- switchover a potent threat
- **Buyer Power:** High. They have multiple options available
- **Rivalry:** High. Multiple players are there with customized offerings

Key Drivers

Revenue	Cost	Growth
Premiums collected	Claims paid	Insurtech partnerships
	Product Development, mkt and sales support	New Models, personalized products
Investment income (interest income)	Operating and IT support	AI & Automation for faster claims

Market Trends (elaborate data/points)

- India Insurance market stands **at $131 Bn** as of FY22. The Indian insurance industry **grew at a CAGR of 17%** over the last two decades
- Life Insurance penetration has been poor in India **(~3%)**… *Penetration=premiums/GDP*
- **Digital adoption:** The share of digital premium collection in retail insurance (life + general) rose from a negligible level in FY15 to **~4% (or US$1.3bn)** in FY20 and could grow 12x to **US$16bn by FY25**
- The **insurance density**, which is calculated as ratio of insurance premium to population is **$59** for life insurance in India while the global life insurance density stands at **$379**
- **New policies issued:** During the last year (FY21), life insurers issued **288.47 lakh new individual policies**, out of which **LIC issued 75.9% of policies** and the private life insurers issued 24.1% of policies
- **Mortality Protection Gap**: The total mortality protection gap in India stands at **$16.5 tn (as of 2019)** with an estimated **protection gap of 83%** of total protection need

Industry Challenges

- **Lack of organised data** makes underwriting difficult which could lead to improper pricing
- **Low insurance penetration** to tier 2+ cities
- **Distribution:** Insurance is a push product which requires a lot of selling per se; digital mode of educating customers doesn't work in tier 2+ cities

Useful Links/Reports

- [Value Chain]
- [IBEF]
- [Invest India]

Industry Dynamics

Segment	Share
Life insurance	75%
Motor insurance	8.5%
Health	8%

Iron and Steel Industry

Raw Material
- Extraction of iron ore from 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 (LD Shops) : Molten
- Iron, Steel scrap & 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

Industry Forces

- **Supplier Power:** High. Due to limited iron ore reserves. Companies opt for backward integration, weakening supplier power.
- **Barriers to entry:** High. High capex, fixed costs and need for economies of scale.
- **Threat of substitute:** High. Growing demand and use of aluminum in automotive.
- **Buyer Power:** Low. Low substitutability, only few major player.
- **Rivalry:** High. Entry of exporters can further escalate it.

Key Drivers

Revenue	Cost	Growth
Sale of steel for construction & automotive parts	Raw Material Cost (45%)	Growing demand
Sale of steel for Railway Parts	Power & Fuel costs (10%)	Govt policy support
Sale of Semis & By-products	Salaries & Wages (5%)	Increasing investment

Market Trends (elaborate data/points)

- India is **Second Largest** producer of crude and finished steel preceding to China. Steel Industry contributes 2% to nation's GDP.
- **Market Size:** Steel production capacity is **150 MT** in FY22. Expected to reach **300 MT** by FY31. Finished steel consumption 86.3 MT
- **Growth in Per Capita Steel Consumption**: Per capita steel consumption expected to grow from **74.7 kg to 160 kg** by FY30. Rural per capita consumption to increase from **19.6 kg to 38 kg** by FY30.
- **Increasing Investment:** Government allocated **USD 6.2M** to MoS. 100% FDI allowed through automatic route in steel industry. Indian metallurgical industries attracted FDIs of **USD 16.1B** in FY21.
- **Innovation:** India-Russia MoU to carry out research in steel sector. 26 R&D projects approved by govt with financial assistance of **USD 25M**.
- **Import:** India imported **4.31MT** of finished steel in FY22.
- **Export:** India Net exporter. Exported **12.22MT** to Belgium, Italy, Turkey, Spain, Hongkong, Vietnam.

Industry Challenges

- **Financing:** Highly capital-intensive sector, high cost of financing coupled with cyclical demand
- **Logistics:** Primary raw material (iron and coal) are bulky in nature which makes logistics challenging and costly.
- **Raw material:** Abundant iron reserves but limited reserves of coking coal reqd in BF.

Useful Links/Reports

- **Industry overview**
  - Ministry of Steel - Report
- **Industry Report**
  - IBEF
  - PWC Report

Industry Dynamics

Key Customer Segment	Share
Construction	62%
Capital goods	15%
Automotives and railways	12%
Intermediate Products	11%

IT and ITeS Industry

India is primarily an outsourcing hub. A combination of IT, KPO and BPM services are tailored to industry specific value chains

IT	Knowledge Processing	BPO/BPM
▪ Software R&D ▪ IT Consulting ▪ Development Services ▪ Infrastructure Mgmt.	▪ Business Consulting ▪ Legal Services ▪ Data Analytics ▪ Market Intelligence	▪ ERP ▪ HRP ▪ CRM

Porter's Five Forces

Potential Entrants (Low): Projects are quite large for commoditized services, and learning effects make a considerable difference in service quality and cost

Buyers (High): Services are now increasingly modular, and buyers can assemble a suite of services from different vendors and can switch out too

Substitutes (High): Philippines emerging as viable alternative to India for outsourcing. Automation is also rendering support services redundant

Suppliers (High): Specific suppliers of licenses and other public cloud providers hold very high bargaining power. Infrastructure is also commoditized

Rivalry (High): This industry is categorized by rivalry between large firms, and the differentiation is very minimal, pushing them to compete on costs

Revenue & Cost Drivers

Revenue Drivers

- Volume or the total number of person hours worked. This is the unit economics in the IT services industry
- Pricing determines the rate at which each hour is charged to the client
- Utilization is the ratio of the total billed hours divided by the total billable hours available across the company
- Since most revenue is from exports, a favorable exchange rate also results in better financial performance

Cost Drivers

- Cost of Revenue: These are expenses incurred by the company in delivering core revenue. An example of this are the salaries and travel cost.
- Selling, General & Administrative: These are costs over and above the CoR. An example could be company marketing costs and costs of facilities.

Key Market Trends

Global Delivery Model
Indian IT companies such as TCS are now opening service hubs closer to larger onshore customers in UK and USA to expand their global footprint.

SMAC
Companies are increasingly looking to derive more value from their IT investments and are now seeing their next big opportunities in digital transformation in the Social, Mobility, Analytics and Cloud verticals

Cyber Security
Governmental policy to combat cyber threats from foreign entities is being structured, with IT companies playing a large role in collaborations for their expertise

PE-VC, FDI Investments
This sector continues to be very attractive for investors, attracting $70B in FDI over the last 10 years, $12.4B in PE investments in addition to offshore hub development by Google, Microsoft et. al.

Logistics Industry

Inbound Logistics	Operations	Outbound Logistics	Sales & Marketing	Servicing
Shipment received at customer service centres / picked up from customer location	• Damage-proof packaging • Material handling & movement • Product labelling	• Multiple Transport modes: Road, Rail, Water, Air, Pipelines	• Clustering of packages • Allocation for delivery • Salesforce management	• Delivery time intimation • Last-mile delivery • Feedback

Sector Composition

Segments	Market Share	KPIs
Road transport	59%	• Delivery time • Cost to order • Warehouse capacity • Avg. inventory
Railways	35%	
Waterways	6%	
Air transport	1%	

Top Players

Player	Segment	Market Cap. (INR cr)
CONCOR	Multi-modal	39,893
Blue-Dart	Courier delivery	12,903
Transport Corp. of India	Multi-modal	3,277
VRL Logistics	Parcel & priority delivery	2,686

Revenue & Cost Drivers

Revenue drivers
- Domestic transportation
- Import and Export
- Value Added Services (same-day delivery)

Cost drivers
- Transportation costs such as fuel
- Warehousing and packaging
- Shrinkage
- Labor, order processing and administrative
- Inventory

Growth drivers
- Simplified freight policy
- Improving road connectivity network
- Improving railway and air connectivity network
- Cold supply chain and other technology interventions

Key Market Trends

Current market trends
- **Industry size**: Indian logistics sector is valued at 215 Bn USD; 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, AGV and Blockchain
- **Emphasis on cold supply chain**: Set to grow at CAGR 17-18% till 2022, primarily driven by pharma sector
- **Growth in 3PL & 4PL providers as manufacturing grows**: to provide agility, speed and mobility
- **Green logistics**: Implementation of sustainable practices due to technological evolution

Oil and Gas Industry

Upstream		Midstream		Downstream
Exploration	**Production**	**Transportation**	**Storage**	**Refining and Marketing**
• Identification of onshore/off-shore site • Seismic surveys to assess potential • Field Development Planning	• Project sanctioning • Create infrastructure • Strike 'First Oil' • Platform at sea to split oil, gas & water	• Crude is transported by tankers, pipelines, trucks, and railroads. • Natural Gas is shifted by pipelines and LPG tankers	• Ground tanks are used for crude and finished oil products. • Underground spaces (reservoirs) are used for natural gas	Refines crude into Petrol, Diesel & LPG Distilled by BP: separation, conversion & treatment Products marketed via B2B & B2C channels

Key Drivers

Revenue	Cost	Growth
Crude Oil	Raw Materials Consumed	Overall economic growth
Natural Gas	Transportation	Rapid Technological advancements
Others(LPG, Naphtha, etc.)	Employee Benefit Expenses	Increased usage of petrochemical products

Porter's Five Forces

- Bargaining power of suppliers (↔) – Despite few players, there are certain delays by govt in the payments
- Bargaining power of buyers (↓) – Customers are price takers. Accept the prevalent prices.
- Competitive rivalry (↓) – One/two players operate in each of the upstream, and downstream segments.
- Threat of new entrants (↓) – Capital intensive and presence of economies of scale.
- Threat of substitutes (↓) – Renewable energy sources are yet to gain more traction.

Market Trends

High Refining capacity: India is the 4rth largest refiner in the world with a capacity of 248.9 MMT in 2021. Plan to double refining capacity by 2030.
Rapid Expansion: India is set to expand the natural gas grid to 34,500 km by adding another 17,000 km gas pipeline. The regasification capacity of the existing 42 MMT per annum will be expanded to 61 MMT per year by the year 2022
Policy Support: GOI plans to invest ~ INR 7.5 Tn in infrastructure in next 5 years. ~ USD 25 Bn investment is expected in exploration and production by 2022.
Supportive FDI guidelines: 100% Foreign Direct Investment is allowed in upstream and private sector refining projects. FDI limit for public sector refining projects has been raised to 49% without any dilution/ disinvestment of equity in the existing PSUs.
Increasing energy demand: India is the 3rd largest energy consumer with increasing fuel demand (~2x diesel demand, ~3x increase in natural gas demand by 2030)

Key Performance Indicators

- **Exploration and production output**:
- **Lease operating expenditure**: Rent and lease expense on a per unit basis. Computed by dividing rent and lease expense with total production
- **Capital Project efficiency**: Project Production Management (PPM), digitizing processes

Industry Challenges

- Significant proportion of Oil Demand is at risk as threat of Electric Vehicles remains high in transportation segment (47% contribution to demand currently)
- Globally, crude oil demand set to plateau over the next five years with rising fuel efficiencies. Highly volatile prices and stringent standards globally
- Crude Oil supply issues due to geopolitical reasons

Pharmaceutical Industry

Research and Development	Sourcing/API/Bulk Drug	Manufacturing/ Formulation	Logistics	Storage
Issues: Long wait before the drug reaches the commercialization stage, rising costs of developing new drugs	Issues: Erratic supply chain, disruption due to Covid-19, high dependence on supplies from China for raw materials	Issues: Shift in demand for formulations, companies keep shifting mfg. activities, unpredictability, and sudden rises in demand for drugs	Issue: Lane routing affects the freight costs and domestic input costs, restrictions on commute and movement of goods	Issues: Declining raw material supply impacts production and export of essential drugs, fears of internal supply shortage

Key Drivers

Revenue	Cost	Growth
Drug Sales	R&D	Increasing fatal diseases
Licensing of patents	Distribution	Health insurance permeation
Insurance Premiums	Promotion/ Marketing	Growing stress-related diseases

Key Performance Indicators

Return on Research Capital Ratio: R&D is the major cost for all pharma companies and not all drug trials result in success **Profitability Ratio**: Operating & net margin determine investment into future research projects and account for the high marketing expenditures in the competitive pharmaceutical industry **Liquidity and Debt Coverage Ratio**: R&D expenditures are mostly financed by debt.

Porter's Five Forces

- **Threat of New Entrants**: Low (high barriers to entry, high R&D costs, govt regulations, and distribution network needs)
- **Bargaining power of buyers**: Low-Moderate
- **Internal Competition**: High (large no of small fragmented players and large no of drugs going off-patent
- **Substitutes**: Low **Bargaining Power of Suppliers**: Moderate (difficulty in procuring raw materials like APIs)

Industry Challenges

- Focused on generic segment which is plateauing in the US with increase in competition
- Despite being among the top formulation drug exporters in the world, India relies heavily on imports of bulk drugs, which accounts for ~25% of the Indian pharma market
- Pharma Industry needs consolidation to raise funds and scale-up research capabilities

Market Trends

- **Industry Size**: Estimated at $42B in 2021 and likely to reach $65B by 2024 and $120-130B by 2030. Growth of 22.4% CAGR is expected in the future.
- **Production**: Ranked 3rd for pharma production by volume and 14th by value. Strong network of 3,000 drug mfg. companies and ~10,500 manufacturing units
- **Exports**: Stood at $ 20.70B in FY20 and $ 24.44B in FY21
- Healthcare expected to reach $372B by 2022
- **R&D Spend**: Average R&D spend of Indian companies is ~8% of turnover. As per Union Budget for FY22, Rs 2,663 Crores has been allocated for research
- **Manufacturing**: ~33% lower manufacturing cost than the USA enables India to produce high-quality medicines at competitive prices. India supplies 40% of generic demand in the US and 25% of all medicines in the UK

Retail Industry

Inbound Logistics	Inventory Management	Operations	Marketing and Sales	Order Fulfillment
Sourcing Vendor contracts Quality testing Mass customization Modular Production	Demand planning Warehousing Unified offline & online inventory management Assortment Planning Working capital management	Own platform Logistics Platform excellence Platform maintenance and repair Order management Packaging and invoicing	Targeted marketing Multi-channel attribution & end-to- end ROI ; Market Research Customer retention Payment methodology Discounting & promotion	Delivery planning Logistics partners Omnichannel fulfilment Product queries Return management

Key Drivers

Revenue	Cost	Growth
Sales Commission	Platform fee	Tier 2 & 3
Private Labels	Inventory and supply chain costs	Government policies
Listing fee & customer EMIs	Promotion/ Marketing	Internet penetration and online payment

Key Performance Indicators

Fill Rate: How many items out of the ordered are delivered
OTIF (On Time In Full): A stricter measure than fill rate, includes timely delivery along with fill rate
Funnel metrics: Number of people dropping at different stages of customer journey, download, bounce rate, cart abandonment
CLV: Cust Lifetime Value, measures total spend of customer on the platform
SWOOS: Sales weighted out of stock

Porter's Five Forces

- **Threat of New Entrants**: High (high government support, brick & mortar turning online)
- **Bargaining power of buyers**: High (low switching cost)
- **Internal Competition**: High (multinational players, low differentiation)
- **Substitutes**: High (multiple offline and online players)
- **Bargaining Power of Suppliers**: Low (Multiple e-commerce platforms and offline stores to list their products), own websites of major supplying brands

Industry Challenges

- Increased competition and pressure to deliver as soon as possible
- Regulatory considerations of data protection and consumer protection rules for sellers & marketplaces
- Customer loyalty as switching costs are too low and competition too high
- High browsing users, low payment customers

Market Trends

Key Data Points

- **Industry Size**: India's e-commerce market is expected to reach US$ 111 billion by 2024 and US$ 200 billion by 2026
- Consumer electronics and apparels makes up 80% of e-commerce value in India

Growth Opportunities

- **Omnichannel fulfilment:** Integrating online and offline to provide end-to-end experience
- **Policy Support:** 100% FDI is allowed in B2B e-commerce. 100% FDI under the automatic route is permitted in the marketplace model of E-commerce.
- **Increasing investments:** India's ecommerce sector received US$ 15 billion of PE/VC investments in 2021 which is a 5.4 times increase YoY.
- **Growing Demand:** India's social commerce has the potential to expand to US$16–20 billion in FY25, growing at a CAGR of 55-60%.

Telecom Industry

Tower Infrastructure
- Forms framework of telecom operations
- GIL Infrastructure, Indus Towers

Network Equipment
- Manufactures hardware, routers, modem, fiber optical
- Ericsson, Nokia, Siemens

Technology Provider
- Software Technology (4G, 5G)
- Sterlite Technology, Mahindra, Qualcomm

Network Operators
- LTE Services to end customers
- Other services such as voice, messaging and internet.

Consumers
- Recharge Plans
- Customer Care Centre

Consumer journey: Product/service Offering Design → Pre-sales Support → Purchase Support → Delivery and Activation → Account Management

Key Trends in Indian Telecom

- **Growth in Rural Demand:** Tele-density of rural subscribers reached 59.33% in September 2021, from 58.96% in September 2020
- **State Investment:** In 2021-22, the Department of Telecommunications has been allocated $ 8Bn and the union budget allocated US$ 1.9 for telecom infrastructure
- **Government Initiatives:** 100% FDI, satellite based Narrow band IoT, and the Phased Manufacturing Programme
- **Development opportunities:** India's 5G subscriptions to have 350 million by 2026. accounting for 27% of all mobile subscriptions

Revenue & Cost Drivers

Revenue Drivers:
- Internet and voice services
- Cross provider calls
- Affiliations (data monetization, device tech.)

Cost Drivers:
- Spectrum costs
- Network infrastructure and equipment
- Operating costs

Growth Drivers

- Growing mobile penetration
- Increasing rural penetration and internet access
- Relaxed FDI norms
- Reduced license fee

Major Indian Service Providers (Market Share)

- Reliance Jio – 35%
- Bharti Airtel – 31.56%
- Vodafone Idea – 23%

KPIs

- Call Completion Ratio
- Average Revenue per User
- Average Call Duration
- Idle Time on Network
- Tele-density
- Churn Rate
- Network Operating Cost
- Subscriber Acquisition Cost

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