



Consult 
IIM Ahmedabad

IIM A Case Book 2017-18

Casebook, Consult Club, 4/e

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What is this year's IIMA Casebook all about?

Foreword

Building on the first 3 editions of IIMA Case Book, the Consult Club of IIM Ahmedabad is proud to present the 4th edition of the IIMA Case Book. Leveraging feedback from alumni and the student community the Case Book aims to give the reader a comprehensive view of the type of cases that form a major part of consulting interviews. This Case Book brings an extensive range of completely new cases and guestimates, along with an illustrative proposed solution. Throughout the Case Book, we have tried to ensure enhanced readability while retaining the comprehensiveness of the cases.

How to make the most of it?

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

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

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

Enjoy the process of preparation and let's crack the case!

Acknowledgements

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

We would like to thank Farman Memon, Manager, Placement preparation, along with Aayush Agarwal, Abhinav Gadia and Gautam Mandal (PGP 2016-18) for leading the Case Book initiative and putting together this edition of the IIMA Case Book. We would also like to acknowledge the efforts of Kaustubh Modak, Mohit Mehrotra, Naitik Jain, Nisarg Agrawal, Sanyam Gupta, Soumyadeep Ghosh, Vrinda Lohia and Wander Hoolboom (PGP 2017-19) for volunteering to help the Club put together this case book. They have ensured breadth, and depth in the cases to give the reader a comprehensive view of the kind of cases they may be administered.

We are also grateful to the alumni of the Consult Club, IIM Ahmedabad for their feedback on the cases which has helped us further enhance the overall quality of the book. We would also like to extend a special acknowledgement to the contributors of the previous editions of the IIMA Case Book.

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Business Cases

Interview Transcripts and Proposed Solutions

New Market Entry - Insurance company - Interview Transcript

Written problem statement handed to interviewee

Could you give me some additional information regarding the case. What are the primary objectives for entering the home insurance segment?

The client believes that there's a real-estate boom happening across India, and hence a potential market which is expected to grow substantially in the coming years.

Okay, so they're concentrating on the growth of the housing market. What products are they planning to sell in this segment?

Their home insurance products would not only be limited to new houses but would also be relevant for renovation of existing houses.

So ideally we'll be looking at not only people who own houses, but also people who are planning to buy new homes. Can you tell me a bit more about the current competition in this segment?

There is low penetration; not many companies have ventured into this segment.

That's great. So we don't have to fight competitors to grow our share. We can build our customer base from scratch. Can you tell me what kind of clients are we planning to sell our products to?

The company hasn't decided this yet and would like to know your thoughts on this.

I would start by segmenting the Indian population in terms of their income groups in the rural and urban market. Since the company wants to enter the home-insurance market, initially, it can ignore the rural population since home ownership among this population is low. In terms of the urban population, I would segment this market according to income groups.

That's right. What segment should the clients target?

Very few people in the low-income segment would own a house, whereas for a middle-class person, buying a house is a dream. So there would be a large portion of the population in this segment who would be thinking about purchasing a house. Also, the individuals in this segment are more risk-averse, and would want to protect their house with insurance. People in the high-income segment would also be interested in our products. Therefore, the client should target the middle-income and high-income groups.

(The interviewer questioned the assumptions for each segment)

Moving on, assume that the client has decided to enter this market. How would you roll-out the products to their intended customers?

As the client is already present in the life and health insurance segment, it would have insurance agents on the ground. So, my first move would be to educate the agents about our products through training programs in main cities in the first couple of months. Initially, we can go ahead with the existing agents then over the period we would look to hire specialized agents.

Training the sales people is good, but how would that ensure that customers buy these products if they aren't interested in them in the first place?

If the penetration of home insurance is low then either the people don't know or trust these products. So, we need to educate them about the importance of getting their home insured. We will reach out to these customers through home builders and contractors. We can also tie-up with banks, who can inform clients about home insurance while giving out home loans.

Okay. Do you see any other roadblocks or pitfalls of your roll-out plan?

The roll-out would be slow and gradual. Since our current sales force is trained to sell health & life insurance products, they would need training regarding the home insurance products. Also since we are educating the masses, then we are also educating them for the competitors. So even if the competitors have marginally better prices, then people would go for them as people in this segment would be price sensitive.

What analysis can you do, that would help the CEO to take much more decisive action.

We can do the "customer lifetime value analysis" by taking into account their acquisition cost and the revenue earned per customer over their lifetime. This will give an indication to CEO if this is segment is worth entering.

We could have also explored the option of acquiring any existing player.

I think we can stop here. Thanks a lot for your time. I liked the way you approached the case.

New Market Entry - Insurance company

A foreign insurance company has observed very low penetration of home insurance in the Indian market. It already has its presence in the health insurance and life insurance segment in the Indian market. It is planning to enter the home insurance category. You have to build a go to market strategy for the client.

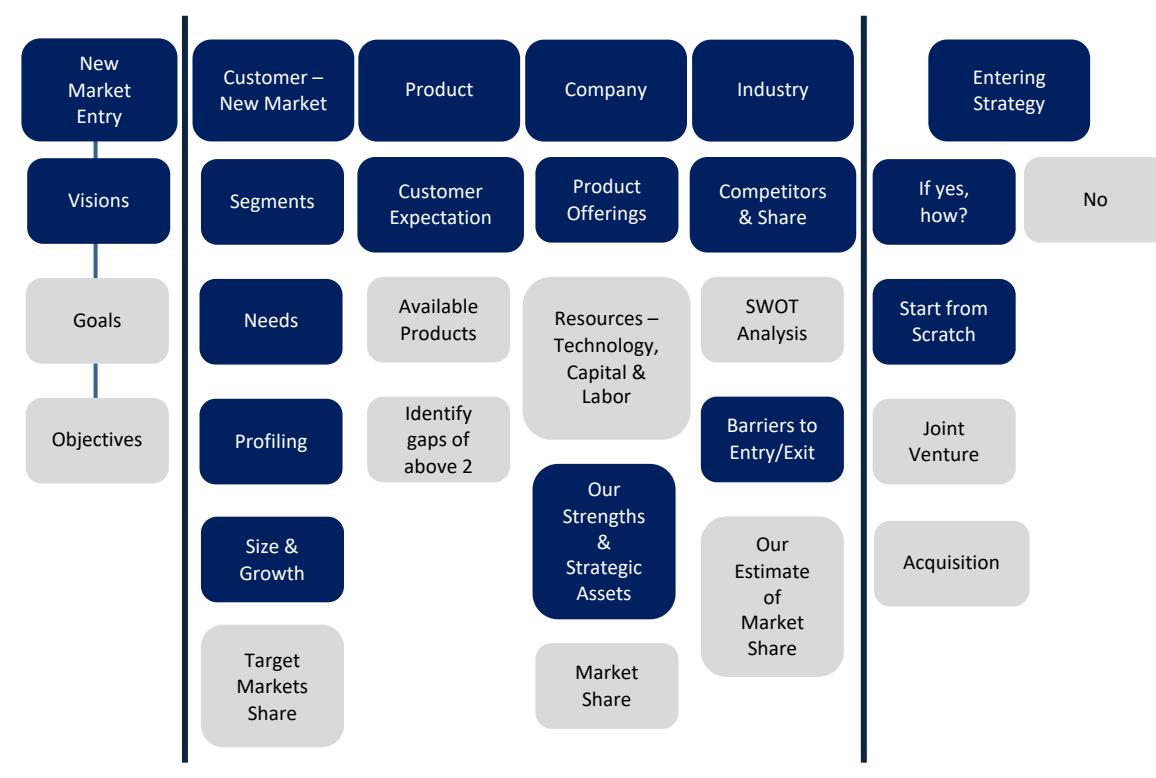
Interviewee Notes

- Understand the vision/objective of entering the new market
- Determine Target Segment; based on this try to determine how to plan for a successful product offering using the 4 P's of marketing: Price, Product, Promotion, and Place
- Analyse how to use current strengths (industry presence)/resources (sales people) to expand into the new market
- Identify potential problems/barriers that company may face while entry

Case Facts

- Client is a foreign insurance company, and is already present in the health and life insurance segment in the Indian market
- Low penetration in the home insurance segment

Approach/ Framework



Recommendations

- The client should enter the home-insurance segment
- They are already present in the health and life insurance segments, and can leverage their existing salesforce to introduce home insurance products to their clients
- The real-estate industry is projected to grow; also the home products cover both new and existing houses, thus making the Urban Middle and High-income group as the preferred target segment
- Training their sales people & customers, developing a specialized sales team & collaborating with builders & banks is essential to the successful rollout of home-insurance

Interview Summary

- The interviewer was happy with the overall analysis.
- The candidate could've dwelled a bit more into the implementation which would have added more value to his arguments.

Your client is a major magazine publisher based in the US. It is considering the idea of launching a new lifestyle magazine targeted to wealthy males. Diagnose and recommend if he should go ahead with this idea.

I would like to ask a few clarifying questions before I begin. I want to understand a few things about the publisher. What is his current product portfolio and how successful are they in the market?

The publisher has two other magazines- one on personal finance and the other on women empowerment. Both the products are the leaders in their categories.

In that case, what is the objective of launching a new product from scratch? Why doesn't the publisher simple want to work on growing the existing portfolio itself?

The market for those two products has saturated by now. There isn't much scope for further expansion.

Okay. And what are the target figures for this magazine in terms of volume and profit?

The publisher hopes to increase his bottom line by \$10 Million through this new launch over a reasonable period.

I would like to know a little about the competition as well to gauge how difficult it would be to capture the market.

Through a survey we found out that we would be able to capture 5% of the target population, if we launch the magazine at this time.

Okay. I think I have enough information. Can I go on and do a market sizing for this launch?

Sure.

For the market sizing, can I know the price at which this magazine is going to be sold? And if there are different channels or models that the company employs?

The company offers a subscription model for \$3 per copy for a year and sells copies for \$5 through retail shops. You can assume a 50-50 split between these two.

Okay. I would first divide the total male population of the US into different age groups and look at the likely percentage of people who would be willing and able to buy our magazine, within each age group. I would further multiply this by 5%, since through our survey we know this is what we'll be able to capture. Lastly, I would multiply this figure with the frequency of purchase to get the total number of copies sold. 50% of these would be sold at \$3 and the rest at \$4. Multiplying these prices in 50-50 weights will give me the final revenue figure.

That sounds good to me. Do you have any other things you would want the publisher to keep in mind?

There are three major issues that need to be kept in mind:

- 1) Given this revenues and our costs, we should check if our profits are touching the \$10 Million target.
- 2) There's a chance that this magazine might cannibalise the sales of our personal finance magazine. If that is the case, this launch may not be a very good idea since we wouldn't want to dilute an existing high performer.
- 3) It would be important to identify if any synergies can be utilised while producing this magazine with the existing portfolio. These economies of scope can go on to reduce costs significantly

Thank you, that would be all.

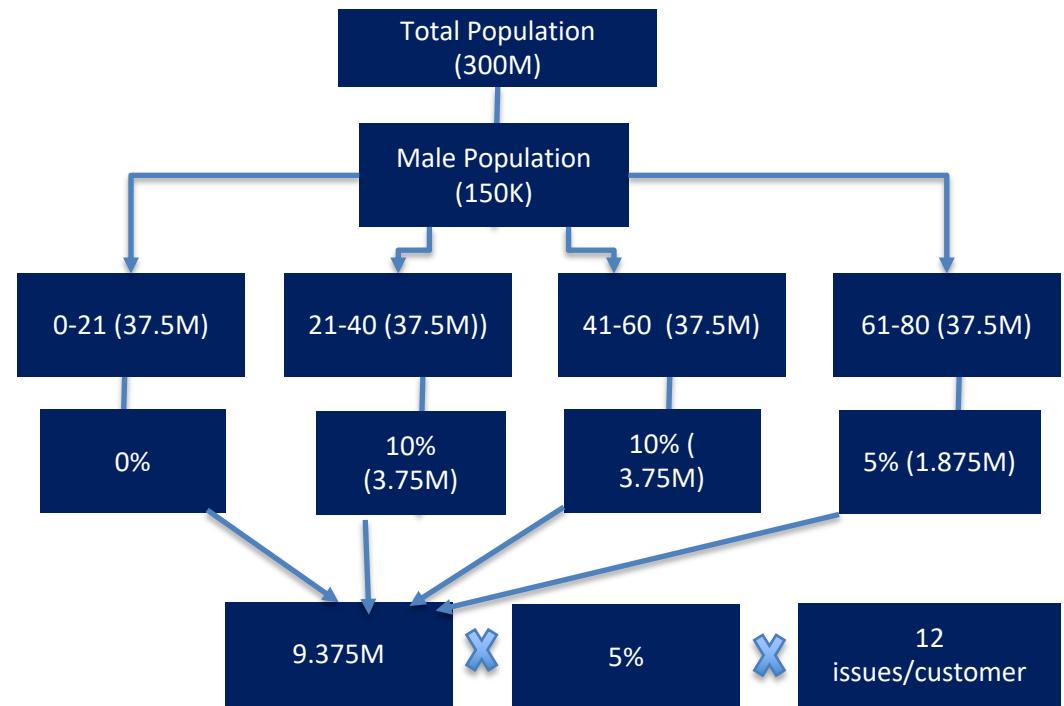
A magazine publisher wants to know if he should launch a new lifestyle magazine targeted to wealthy males in the U.S.

Interviewee Notes

- Assume a population of 300 Million
- Assume 50% males in the population
- Assume equal spread across different age categories

Case Facts

- Will capture 5% of the market
- Wants \$10 Million profit
- 50% sold at \$3 per copy, 50% at \$5 per copy



Recommendations

- It is very important to understand the goals and motivations of a client in doing something or in this case, launching a new product.
- The strength of your solution lies to a large part to the insights you can show through your recommendations.

Interview Summary

This case is for pricing of a magazine publisher considering the launch of a new magazine in order to expand its present product portfolio. The case was solved through a guesstimate-styled market sizing after a thorough understanding of the client's business.

New Market Entry – Electric Bus Market - Interview Transcript

The client is an international manufacturer of Electric Buses and has a substantial presence in the European market. The client is impressed by the initiatives taken by the Government of India (GoI) to promote the usage of Electric Vehicles (EVs). You have been hired to find out if the client should introduce these buses in India.

I would like to confirm if I have understood all the critical aspects of the client's situation. Our client is an electric bus manufacturer who has a substantial presence in other markets, so I am assuming that their buses are beyond the technical feasibility stage and are compliant with the stringent European environment laws. We need to see if this product can be feasibly launched in India and evaluate the market characteristics to analyze if this would be a good move.

That's correct. The client does not face any regulatory barriers to entry in India. You've understood the situation well, how do you propose going about the solution?

Since this is a new product in a new market, I would like to structure my discussion around the product characteristics (development and customization) for the Indian market. If the introduction of the product is feasible, I'll move on to the launch (competition, challenges, distribution and promotion) part of the case.

This sounds fine to me.

To start with, can you tell me something more about these electric buses? How are they different from traditional fuel-based buses?

There are quite a lot of differences between these buses, but to help you out, I'll point out a few major ones – the major difference is that these buses produce less than 90% greenhouse gases as compared to traditional buses. These buses also run on electric batteries, which means that these buses can run 150-200kms on one charge.

That is good. It gives us the advantage to position our product as an environmentally-friendly alternative that can be used for an extended period of time. I would also like to understand how has our client priced these buses in their existing markets.

They are selling these buses at approx. 1.6 times the price of fuel-based buses; however due to the presence of heavy environment taxes, many companies prefer to buy these buses in the long-run.

That might be a problem for us. Since these are short-to-medium distance buses, they would be used mostly for intra-city travel, and private/public bus-operators won't accept a more costly option until they don't have a similar incentive.

That's a fair point. Assume that the government is providing a 5-year tax holiday to companies investing in the electric vehicle industry and would give special tax breaks to private operators who promote environmentally-friendly buses.

Ok, this means that our major target customers – both in the public and private sector - are receptive to the product. Can you also tell me if there are existing EV bus operators in India?

No, the client would be the first-company to introduce such buses.

That does play for and against us. Its good for us since we would have the first mover advantage and will be able to capture more market, but it might play against us because the infrastructure required to support these buses may not be present and awareness of the EV buses might be low. Can you also tell me what is their target region or cities in India?

Assume that the company will initially operate only within Ahmedabad, and has the capital and resources for this. Given this information, can you suggest some company and market specific strengths and possible problems that the company might face.

(draws and discusses SWOT table) To summarize, the company has the requisite experience to manufacture and customize these buses, and the environment-friendly policies of the government, and the associated financial incentives, are a good reason to expand into India. The growing urbanization in India, and the large population that uses public transport, also justify the need for a product that can meet demand without compromising the environment. However, there are certain major problems/barriers as well – oil is currently at its lowest price in over a decade, which may make it difficult to convince operators to switch to these electric buses. Also, the high-price of these buses, the lack of charging infrastructure and operability for a short distance (before being put to charge again) are some other problems that the company might face. One other major problem that I foresee is that tenders in the public sector are often offered to lowest-bidders, and if the client can't match the prices of its competitors, then it won't get business from the public sector companies operating in the transport sector.

Ok, that sounds like a detailed analysis. Based on this, what is your recommendation?

My final recommendation would be not to introduce these buses in India since current industry landscape and market conditions are not favorable for such a move. However, in the near future, once the government policies become more supportive and the market conditions change to favour EVs, the company may reconsider its position on entering the market

Very good. Thank you.

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New Market Entry – Electric Bus Market

The client is an international manufacturer of Electric Buses and has a substantial presence in the European market. The client is impressed by the initiatives taken by the Government of India (GoI) to promote the usage of Electric Vehicles (EVs). You have been hired to find out if the client should introduce these buses in India.

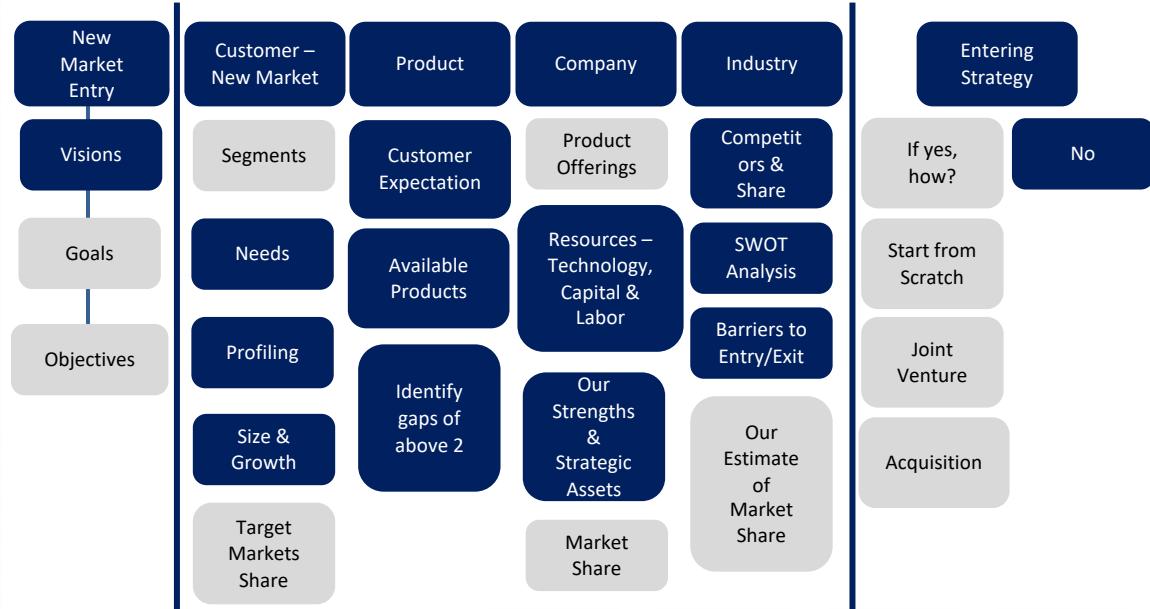
Interviewee Notes

- **Customers** – Target customers may be receptive of the Electric buses due to financial incentives promised by government
 - **Competitors** – There are no other direct competitors – first mover advantage but that means proper infrastructure to support these buses is also missing
 - **Industry** – Lowest prices of oil in over a decade; tenders often offered to lowest-bidders in public/transport industry

Case Facts

- Client is a manufacturer of Electric Buses and has a substantial presence in Europe – product is beyond technical feasibility stage
 - These buses produce less than 90% greenhouse gases as compared to traditional buses
 - Buses run 150-200km on one charge
 - Client is currently selling buses at approx. 1.6 times the price of fuel-based buses

Approach/ Framework

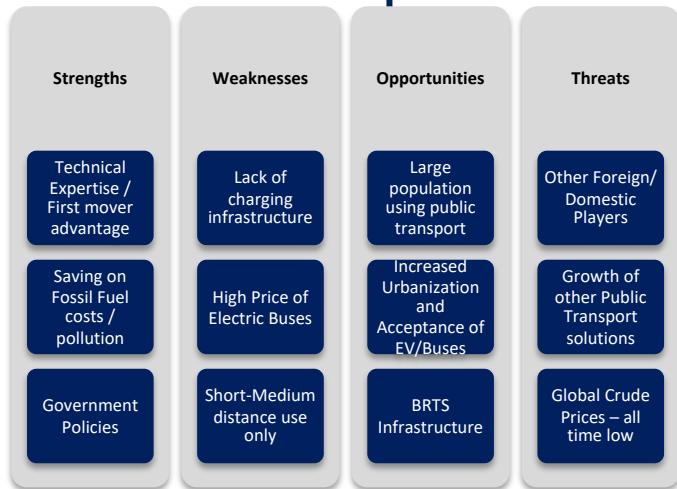


Recommendations

- The client should not enter the Electric Bus market
 - While the government has introduced various incentives to promote these vehicles, the current business environment and market conditions don't support entering into India
 - In the near future, once the government policies become more supportive and the market conditions change to favour EVs, the company may reconsider its position on entering the market

Interview Summary

- This is a strategy case where some knowledge of the public transport system in cities would've helped



Growth Strategy – Ice Cream Vendor - Interview Transcript

The client is an ice-cream pushcart vendor in Ahmedabad. He believes that, due to the scorching summers, there is tremendous potential in the ice-cream market. He now wants to expand his business. Suggest a growth strategy for him.

I would like to confirm if I have understood all the critical aspects of the client's situation. I am assuming that our client, the pushcart vendor, can only cover a small area at present but would like to cover a larger area and attract more customers.

Your assumption is correct.

Okay, I would like to understand how does his expansion affect his inventory. Could you confirm if he manufactures his own ice-cream or is it sourced from a distributor.

The client sells Vadilal ice-cream, and sources it from a distributor.

That helps. The availability of ice-cream won't be an important factor for the expansion. Next, I would like to understand the competitive landscape in this industry.

There aren't many ice-cream vendors in Ahmedabad. However, there are quite a few corner shops and supermarkets that sell ice-cream.

That helps. One of the major strengths of our client, against its competitors, is his ability to move around and distribute the product. However, I believe that due to the nature of the inventory (ice-creams), combined with hot weather may lead to more pilferage.

You can assume that the pilferage due to pushcarts is not significant as compared to total sales.

In that case, the client can increase his sales in two ways – either by increasing the revenue per user or increasing the number of customers. I think the first option can be achieved by adding additional costs/charges to the original price, however for an inelastic commodity like ice-cream, this may not be feasible as people would just go to corner stores if they believe that they can get a better price. Also, ice-creams are an undifferentiated product and the price is set by the manufacturer (Vadilal in this case) and thus high-margins may not be possible. Therefore, the first option of increasing the revenue per user has quite limited scope.

Moving to the second option of increasing the number of customers – this can be done either by entering different regions of Ahmedabad, or by increasing sales in the current area. May I ask how much growth is the client aiming for? Does he have the capital to expand into other areas?

You may assume that client has limited capital which allows him to expand to other areas.

In that case, expanding to other regions is a better idea since it provides access to more customers.

Sounds reasonable. How do you suggest the client expand his business to other regions?

There are two ways in which the client can expand to other regions – either by introducing more pushcarts or by opening a chain of ice-cream parlors across different areas.

Ok, what option do you think is more feasible?

Since the client is a small vendor who has experience with pushcarts, I think he should go with the former option of introducing more pushcarts in other areas – this option would instantly give him access to a huge new customer base. This option is also less-capital intensive as compared to the other option of opening ice-cream parlors, and requires considerably less investment into fixed-assets.

Introducing new pushcarts into different regions sounds like a reasonable option. Can you quickly help me understand how would you determine how many new pushcarts would need to be introduced? (becomes a mini-guesstimate now)

(Interviewee calculates table similar to one on next page) I would segment the entire area of Ahmedabad based on a rough estimation of income. Depending on this, I would introduce pushcarts in different areas/sectors/colonies. More pushcarts would be introduced in affluent areas, or areas with a targeted customer base – such as near schools. (After discussing the numbers) The client can introduce 850 pushcarts in total across Ahmedabad.

After deciding on the possible number of pushcarts that can be introduced, I would additionally analyze the expenses involved in running one pushcart and match this against the total capital that the client is willing to invest after discounting for working capital requirements.

I think the analysis is sufficiently thorough. We can stop here. Thank you.

Growth Strategy – Ice Cream Vendor

The client is an ice-cream pushcart vendor in Ahmedabad. He believes that, due to the scorching summers, there is tremendous potential in the ice-cream market. He now wants to expand his business. Suggest a growth strategy for him.

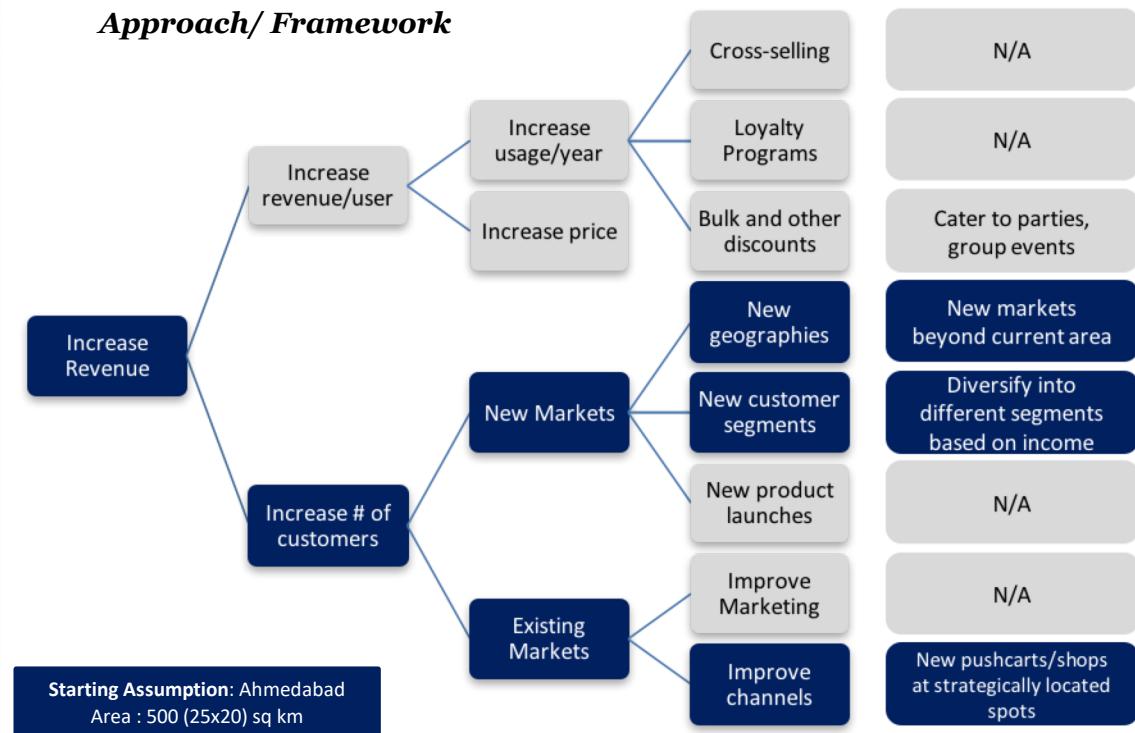
Interviewee Notes

- Expand in Ahmedabad
- Differentiating factor: client can move around and sell ice-cream as opposed to competitors
- Pilferage due to ice-cream spoilage can be ignored
- Client can expand either by increasing the revenue per user or increasing the number of customers – choose latter
- Client can expand to other regions – either by introducing more pushcarts or by opening a chain of ice-cream parlours across different areas.

Case Facts

- Client is an ice-cream pushcart vendor in Ahmedabad, and want to expand his business
- Client doesn't manufacture his own ice-cream; sources Vadilal ice-cream from a distributor
- There are quite a few corner shops and supermarkets that sell ice-cream

Approach/ Framework



Recommendations

- The client should expand by introducing more pushcarts in different areas of Ahmedabad
- The client can budget for the expansion by analyzing number of pushcarts required in different areas
- Different areas can be segregated according to their average income/household and pushcart allocation may be decided accordingly.

Interview Summary and Tips

- The case was quite simple, straightforward and open-ended.
- The interviewer was happy with the overall detailed analysis.
- The candidate could've guesstimated numbers differently; some assumptions can be challenged logically – high income earners may not buy from pushcarts – no point of introducing more pushcarts. The candidate could've dwelled a bit more into the implementation which would have added more value to his arguments.

Income	Low Income	Medium Income	High Income
Percentage Area	60%	30%	10%
Pushcarts / required (1 x 1 sq km)	1	2	5
Number of Pushcarts (region-wise)	300	300	250
Total Pushcarts	850		

Your client is a pharmaceutical company in India. How would you increase their sales?

Could you please tell me what the business model and product portfolio of our client are?

What can be the type of products?

They can be producing either generic medicines, medicinal products under their brand name or medicinal concentrate for other companies

Let's say the client manufactures both generic and branded cardiovascular and diabetes medicines. How would you proceed with the case?

Ok, so I would split the options to increase sales into exploring existing business or exploring new business. Within existing business I will look at options to increase volume or price and within new business I will consider M&A, entering a new geographical market or introducing a new product.

Ok, that sounds like a good structure. Let's start with the options related to the existing business.

To evaluate whether a price increase is possible I would need information about the price sensitivity of the firm's customers. Do you have information regarding this?

Yes, since the firm operates in India, a developing country, the customer are price sensitivity.

Based on this I conclude that a price increase is not feasible. Let me discuss the options to increase volume. To analyse the options thoroughly I would require information about the customers or products.

Sure, the pharma company serves two types of customers which are large and small customers. The large customers are hospitals and pharmacy chains while the small customers are small pharmacies

Thank you for the information. Do we also have info about the profitability, growth and competitive landscape for the 2 type of products?

I don't have information about the competitive landscape, but I can tell you that the large customers have a higher profitability and higher growth than the smaller customers

Ok, the focus of our growth strategy should thus be on the large customers, as they represent a more attractive segment. To increase sales I propose to create a dedicated sales force for large players. The customer oriented sales structure should result in an improved customer relations and tailored offerings for customer needs. Moreover, the firm should invest in training of the sales force

Now let's move on to the options related to exploring new business

So within new business we can either acquire another pharma company, we could enter a new market or we could introduce a new product. To analyse the first option, I would like to know whether the company has the financial resources to acquire another firm?

Those are fair suggestion. Coming to your question, the company does not have the capital to acquire another firm and M&A is hence not an option

Ok, let me explore the other options. One thing the company can do is introducing new medicines for other diseases. To determine whether this is an attractive option, I need to know whether the firm is currently considering to introduce a certain new medicine, and if they are how the competitive landscape looks like, whether the industry is growing and whether it concerns a profitable segment?

The only information I have is that competition is fierce for other pharmaceutical products in India.

This leaves us with the option to enter a new geographical market. Is the company currently considering certain markets and how is the size of the market, the growth, the level of competition and the enforcement of IP laws in the respective countries?

The company is analyzing 3 options, Brazil, Russia and Poland. Brazil is the largest markets with 28bln and also is a fast growing market. Additionally the level of competition is low and there is medium protection of IP laws. Russia, is the second largest market with 15 bln, but experiences slow growth. Moreover, the Russian market is relatively fragment and there is good enforcement of IP laws. The last option is Poland, which is a market of 7bln but with high growth. The competition is fierce in this market and there is good IP protection

That information is very helpful. Taking this into account I would suggest the Pharma company to expand to Brazil, due to the large market, the high growth and the low level of competition.

Great suggestion. Overall what would you suggest the company to do?

The case highlights that there are 2 viable options to boost sales. On the one hand the company could expand globally by entering the Brazilian market with existing product. On the other hand the company can increase volume sold to large clients. To increase sales I propose to create a dedicated sales force for large players. The customer oriented sales structure should result in an improved customer relations and tailored offerings for customer needs. Moreover, the firm should invest in training of the sales force

Thank you for your time. It was nice interacting with you

Growth Strategy - Pharma company

You have been approached by the CEO of a pharmaceutical company in India. He is looking to grow the sales of the company. How would you go about increasing the firm's topline?

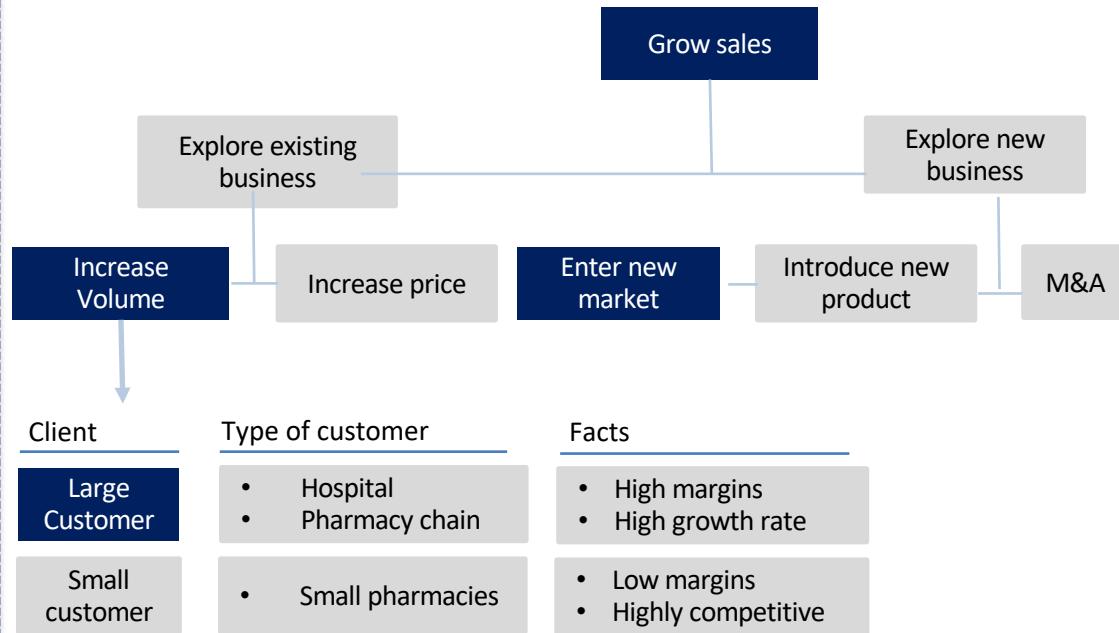
Interviewee Notes

- Pharmaceutical player operating in India
- The client serves different customer segments
- Client manufactures both generic and branded cardiovascular and diabetes medicines
- The firm's global presence is limited to India

Case Facts

- Customers are price sensitive
- The company has insufficient capital for M&A transactions
- Competition is fierce for other pharmaceutical products in India
- There are 3 possible foreign markets the company considers
 - *Brazil*: size 28 bln, high growth, low competition and medium protection of IP laws
 - *Russia*: Size 15 bln, slow growth, good enforcement of IP laws, relatively fragmented
 - *Poland*: Size 7 bln, fierce competition, good IP protection, high growth
- There are 2 types of customers
 - a) Large customers
 - b) Small customers

Approach/ Framework



Recommendations

- The case highlights that there are 2 viable options to boost sales
 1. Expanding global footprint by entering the Brazil market with existing products
 2. Improve sales by expanding volume sold to large clients. To increase sales I propose to create a dedicated sales force for large players. The customer oriented sales structure should result in an improved customer relations and tailored offerings for customer needs. Moreover, the firm should invest in training of the sales force

Interview Summary

is a strategy case where interviewee should quickly eliminate options with limited growth opportunities and use creativity to come up with at least one suggestion to increase volume from existing business

Observations/Tips/Suggestions

- Use the 4C framework to obtain information that will support the analysis of the different revenue options
- Segment current volume into type of customers to derive different options to enhance sales

Your client is a video on demand service provider. How would you increase revenue for the client?

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

The company broadcasts TV series in both English and Hindi channels. As of now, it only focusses on TV series.

Alright! Also, I would like to know how many competitors do we have and are they facing similar problems?

We do have 2 major competitors but unfortunately none of them are facing this kind of a problem. First, you can go ahead and work out the revenues for our client and we may come to competitor analysis later.

Ok. So I believe that the revenues of our client would depend on the number of customers, number of zones the channel is operated, the time spent per customer and the price of the subscription.

Now let us focus on the time spent per customer. It has gone down significantly.

I would list down a few reasons why the time spent per customer would go down. But before going there, I would break my customers into subscribed customers and non subscribed customers and try to understand time spent of which customer segment has gone down.

The time spent for both the segments have taken a hit.

Okay. So I understand that the time spent would be a function of (a) Internet availability (b) Content (as compared to competitors) (c) User Interface and accessibility (d) Age and demographics pattern.

Sure. So recently our competitor have moved into the sports sector as well. And market study tells that our user interface is not favoured by the clients

Ok. That sounds interesting. So, I believe, since our competitor has moved into the sports segment, our client has faced decrease in customers. Also, since the user interface is not favoured, most of the customers are going out from our channel thus decreasing the time spent per customer.

Okay. What are the factors that you should consider in the UI?

I believe the user interface would comprise of mostly the basic design and the payment gateway. Is there any issue with any one of them in particular.

Yes, the payment gateway has caused problems for the last few months.

Okay. That is the main reason why the number of un subscribed customers are not able to subscribe to our service.

Can you now go ahead with a few recommendations?

So, I would recommend the client to do the following things

1. Diversify into other genres
2. Diversify into other regional languages apart from English & Hindi
3. Set up an effective payment gateway system and enhance the user interface
4. Improvise the content of the shows
5. Set up a recommendation system as well

Growth Strategy - Video on demand Service

Increasing the revenues for a video on demand service provider

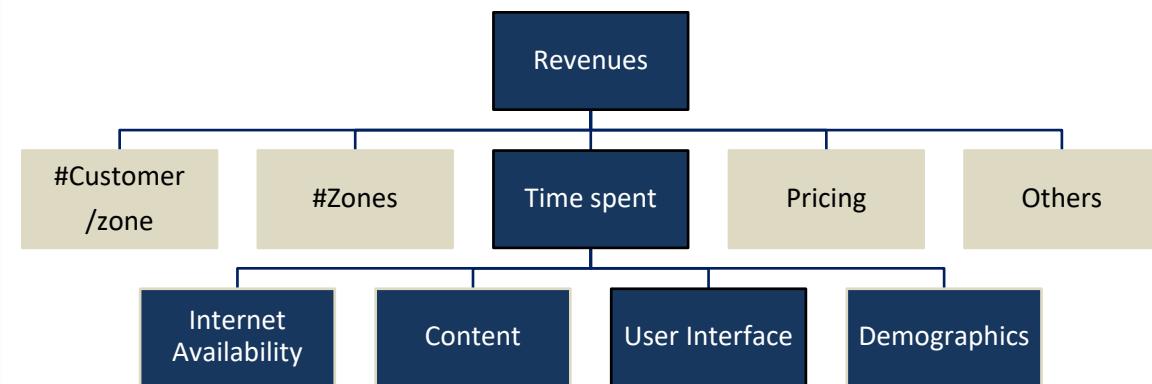
Interviewee Notes

- Client is a video on demand service provider which broadcasts TV series in both Hindi and English

Case Facts

- Both Hindi & English
- Focuses on TV series
- Client specific problem
- 2 major competitors

Approach/ Framework



Framework Summary

Broke down revenue into the various segments to try and understand the revenue drivers. Figured out that the problem lay in the time spent per customer. Broke it down further and identified the major issues why a customer would not spend much time in the app.

Questions

1. Competitive market analysis of the sector
2. What type of channels does the company have? How many mediums?

Key Recommendations

- Diversify into other genres
- Diversify into other regional languages apart from English & Hindi
- Set up an effective payment gateway system and enhance the user interface
- Improvise the content of the shows

Declining Revenues – Tractor Company - Interview Transcript

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

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

No, please go ahead

Is this a national issue or should I focus on a particular market?

Focus on the West, where there is a major decline

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

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

Is there any supply side issue?

No, we can manufacture even for a 50% increase in demand. Capacity is idle.

OK, so the issue is at the demand side. Who are the key competitors of the company and what is their recent sales history?

There are 3 main competitors. Sales of one player have increased alarmingly while those for others have seen only a modest increase.

Okay, so clearly, we are losing sales to our competitors. I would like to approach this problem by dividing into 5 key areas where the problem could lie – uncompetitive pricing , technologically inferior product, lesser number of dealers or distribution margin change, promotional activity and not giving enough financing options / facing regulatory challenges. May I go ahead with this framework or should I add something?

No, the key issue is with the promotional activity. Why would that be?

Has the competitor increased the promotional activity more than us?

Yes, what all activities can you think of?

Promotional activities will majorly be of two types – discounts or channel based promotion. Is the competitor offering heavy discounts in the market?

No, it is the same.

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

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

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

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

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

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

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

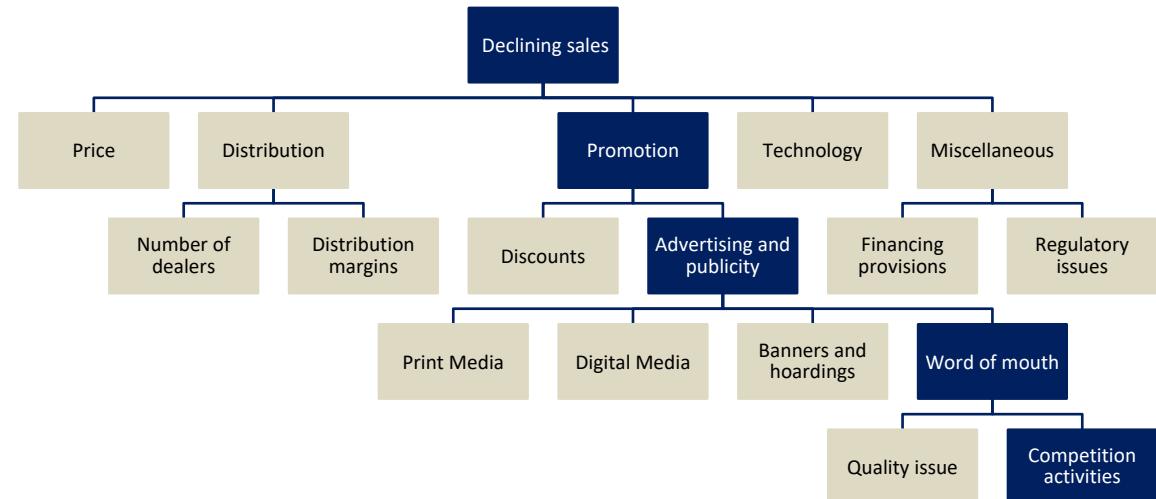
Interviewee notes

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

Case Facts

- Declining sales
- Major tractor manufacturer, with only one major product
- Only an issue in the West
- No new competition
- No supply issue

Approach/ Framework



Recommendations

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

Tips / Suggestions

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

Declining Revenues – Oncology Firm– Interview Transcript

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

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

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

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

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

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

Fair.

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

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

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

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

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

Operates across the entire value chain.

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

Let's focus on revenues for now.

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

There has been a fall in volumes.

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

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

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

Focus on sales & marketing

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

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

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

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

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

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

Declining Revenues – Oncology firm

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

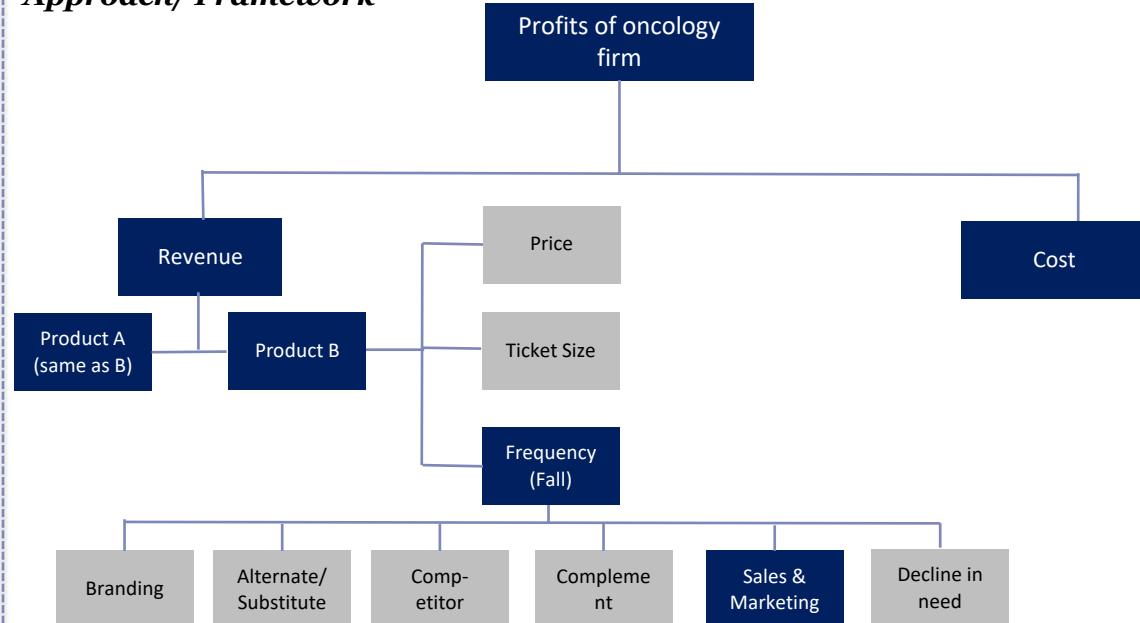
Interviewee Notes

- Declining profits due to revenue fall
- Client manufactures specialised cancer treatment drugs (only business)
- Ask if revenue fall is across the industry or firm specific
- Understand client product portfolio and check if decline is across both
- Identify components of revenue and the problem component subsequently
- Identify drivers of the problem component

Case Facts

- Leading global firm
- 2 products- A (80%), B (20%)
- Operates across the entire value chain

Approach/ Framework



Recommendations

- Loyalty programs
- Long-term contracts
- Explore new geographies and market segments

Interview Summary

The candidate did a good job in understanding the product portfolio (prescription drugs) and diagnosing appropriately. The candidate was able to create a MECE framework for revenue first and then fall in frequency. The key to the case was identifying referrals by competitors as the major reason behind frequency fall.

Observations/Tips/Suggestions

The interview was designed to judge how quickly could the candidate move through layers of revenue and identify referrals given by competitors as the major problem component. The candidate should have been able to apply knowledge of prescription drugs marketing to the case in order to identify referrals as the largest component.

Declining Revenues – Airport - Interview Transcript

Our client is a major city airport which has been facing declining revenues. Identify the major reasons for this and suggest how to improve the same.

So to clarify, our goal is to diagnose the root cause for the declining revenues at the airport, and recommend ways to overcome the same. Any other objectives I should keep in mind?

No, please proceed.

Okay, so I would like to look at the various sources of airport revenues. They can be broadly identified as – airline domestic and cargo fees, revenues from shops and outlets in the premises, advertisement hoardings and other miscellaneous streams like parking fees and entry tickets. Is there anything else you would like to add to this list?

No, that is about it.

Any particular segment where there is a major decline in revenue for the airport in question for me to focus on?

Yes, major problem of the declining revenues is because of shops and outlets at the airport.

Great, I would breakdown the revenue from the shops and outlets as the product of the number of shops at the airport multiplied by the total revenue per shop. Has there been any decline in the number of shops at the airport?

No, they are the same.

I will then focus on the total revenue per shop. It can be further broken down as the fixed rental plus the percentage of sales which is charged by the airport. Has there been any change in the fixed rental charged by the airport?

No

Was the percentage of sales as fees charged by the airport changed?

No, they were the same..

So, the issue is that the total sales of the airport shops is going down. Is that so?

Yes, it is. Why would that be?

Is it specific to any category such as food or apparel?

Consider it across all shops and stores at the airport.

Considering that it is affecting all shops, I would further break down the sales of an outlet as the product of the operating time, average waiting time per person at the airport, number of people at the airport and the average spending per person. Have the operating hours of the airport changed?

No, they are the same. Neither has the traffic at the airport or the average spending capacity changed.

So, the key issue here seems to be that the average time spent by the customers at the airport has reduced automatically leading to less time and money spent on airport shops.

Why would that happen though?

There can be three major reasons why this can happen. First, the customers are all coming in late. Second, there is an increase in the time to enter the airport due to ID check / luggage check in. Third, time spent at the security checks and boarding has gone up.

You are correct, the main issue was that there were continuous complaints that people were spending a lot of time at the security. Very good. Can you suggest on how it can be improved?

Well, I think we need to open up new security check in counters, or man the already existing ones in case they are understaffed. Temporary manpower can be used for the same till the final solution is reached .

Very well, that will be all. Thank you.

Our client, a major city airport has been facing declining revenues for sometime. You have been approached to find a solution to the problem.

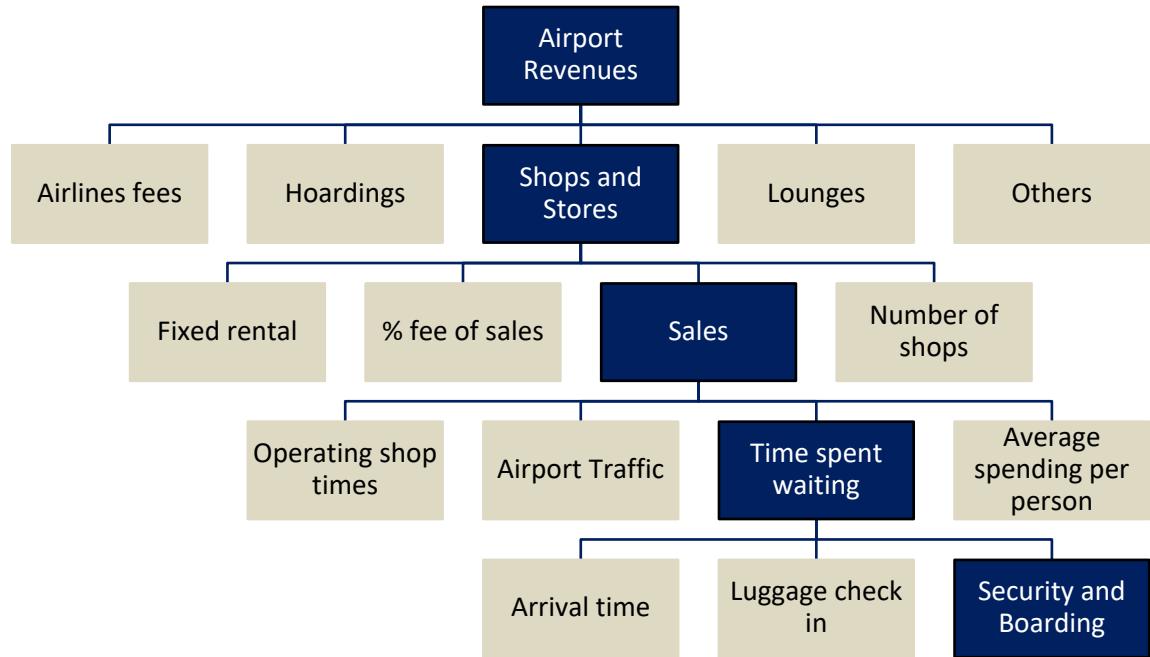
Interviewee Notes

- Find solution to declining airport revenues'
- Major decline is in revenue from the shops and outlets at the airport
- No change in fixed rental per shop, number of shops or the percentage fee charged for sales
- Sales declining across shop categories
- No change in airport traffic or shop operating times

Case Facts

- Major decline is in airport revenues for a metro airport
- No changes in fees accrued from airlines or marketing hoardings.
- No change in accessibility to the airport to reduce traffic

Approach/ Framework



Recommendations

- Man the existing security checkpoints with temporary labor.
- Increase the infrastructure to accommodate the future traffic

Tips / Suggestions

- It is essential for the candidate to figure out the key revenue streams for the airport.
- Once it narrows down to shops and stores, interviewee needs to break the revenue down into chunks for efficiently solving the problem

Declining Revenues – Urea Manufacturer– Interview Transcript

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

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

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

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

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

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

Our client is the only one.

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

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

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

No, there was a decline across all the segments.

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

Competitor action is the driving cause.

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

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

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

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

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

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

I would make the following recommendations to our client-

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

Declining Revenues – Urea manufacturer

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

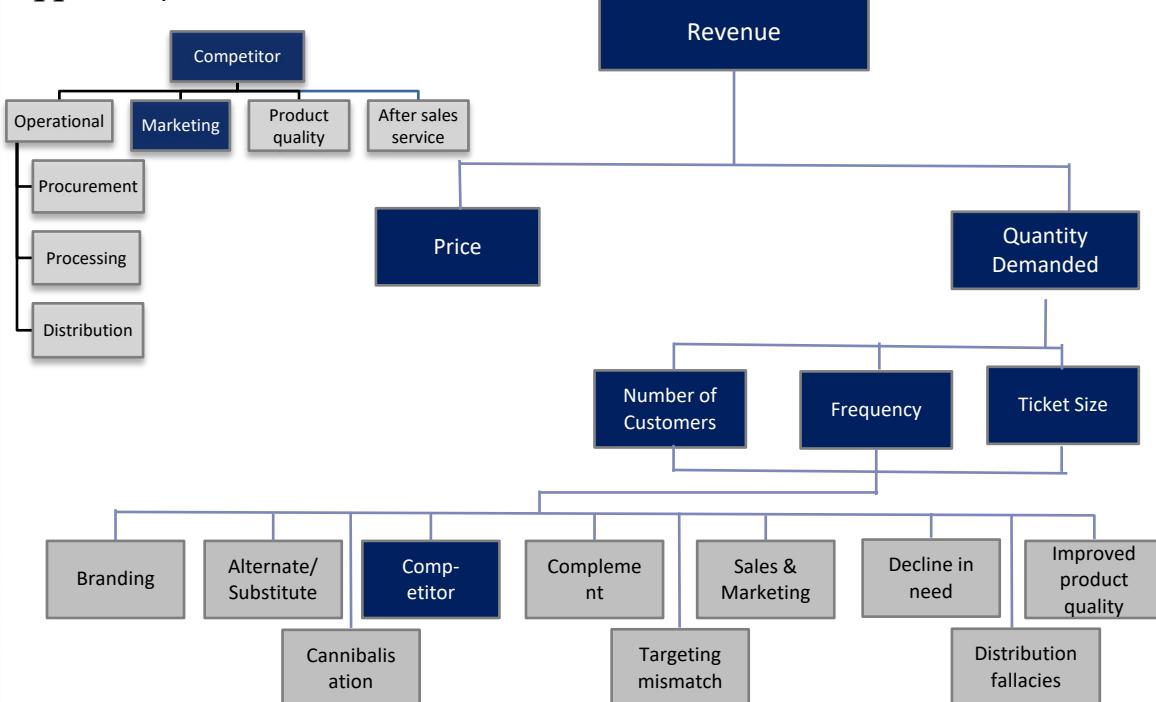
Interviewee Notes

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

Case Facts

- Leading Indian firm with presence in 4 North Indian states
- Minimal product differentiation in the industry, similar to a perfect competition set-up
- Client manufactures only one product used in fertilizers by farmers

Approach/ Framework



Recommendations

- Imitate competitor
- Innovative advertisement and promotional campaigns
- Long term contracts with retailers
- Explore new markets

Interview Summary

The candidate did a good job in understanding the problem (usage of urea) & diagnosing appropriately. The candidate was able to lay out detailed MECE structures

Observations/Tips/Suggestions

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

Declining market share- Commodity Chemicals- Interview Transcript

Your client is a commodity chemicals manufacturer. It is facing declining market share. Figure out why,

I would like to ask a few clarifying questions before I begin to analyse the case. I would want to understand the client's business. Where does it lie in the value chain? Is the industry facing similar problems?

The client manufactures and sells commodity chemicals. The industry as a whole is not facing similar issues.

So, it is a company specific problem where our client is losing market share. I will now list down the reasons for decline in market share.

Sure. List down the reasons why you think there would be decline in market share.

The decline in market share is due to two reasons – (i) Drop in actual sales (ii) Less growth rate of company as compared to industry. Has the actual sales dropped?

No, the actual sales have not dropped. However the company is not growing at the same rate as that of industry.

So, I understand that the company is growing less as compared to the industry which had led to decline in market share. So let us focus on the reasons why there can be less growth of company as compared to industry.

Yes, sure. Go ahead.

Okay. So, I will now further segment low growth rate of company into two major heads: (i) Supply and (ii) Demand.

On the supply side, I would look into parameters like production capacity, accessibility and Product Mix. On the demand side, I would look into price, competitors and product quality. I would first analyse the supply side and then go to the demand side.

What do you think can be issues on the accessibility scenario?

In terms of availability, the products may not be reaching the customers or may not be accessible due to certain constraints. Is the client facing any issues like that?

Yes, so the factories are located quite far off from the client's major customer locations. What problems can this lead to?

Since the factories are located far off, then there would be a large transportation cost associated with the transfer of goods. Apart from that, the products while shipping may get damaged, which would lead to bad reputation of the client among the customers.

It is exactly so. The products are being damaged while shipping.

Okay. Now, I will move on to the production capacity aspect. At how much capacity is the client working as of now? What about the product mix?

The client is working at 100% capacity. The product mix is not an issue.

So, I would now move on to the demand side and figure out the issues there.

Okay. Based on the analysis as of now, why don't you comprehend the case and recommend solutions?

So the client has faced declining market share because the firm has grown less as compared to the industry. The growth has not been that great because of certain key factors. Those are:

1. Production capacity being fully utilised
2. Factories and warehouses being located far away from customer base

Now go ahead with the recommendations

The client could shift the warehouses to locations which are close to the customer base. This would lead to less damages of products as it would not be required to ship them over large distances.

Additionally, the client could go into long term contracts with the customers which would lock in the sales volume. Also, the client should look into increasing production capacity.

To analyze the declining market share for a financial services provider

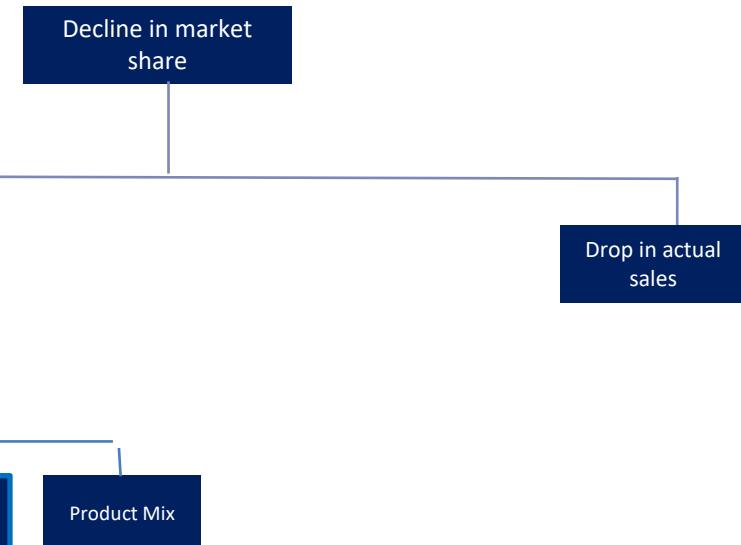
Interviewee Notes

- Client currently dealing in commodity chemicals
- Focus on production capacity
- Focus on accessibility

Case Facts

- Market share declining;
- Company specific problem
- Company growing at a rate which is less than the market
- Production facilities are running at 100% capacity

Approach/ Framework



Recommendations

- Shift warehouses to locations which are close to the customer base
- Go into long term contracts with clients to lock in the sales volume
- Increase production capacity in the factories or look for alternatives to produce more

Interview Summary

The candidate did a good job in figuring out the fundamentals in terms of the factors on which the market share will depend. Identifying that the company was growing at a rate less than the industry. Overall a good performance.

Observations/Tips/Suggestions

The interviewer must have been impressed by the overall logical consistency of the client.

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

That is an interesting case. To start of the case, I would like to know whether the jet should be exactly the same as the jet leased under the past lease contract?

Excellent question. The jet leased under the new contract does not necessarily have to be the same.

Ok, what is the general occupancy of the plane over the last few years and what is the seating capacity of the leased plane?

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

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

I agree, that is a great suggestion. What else would you consider?

To evaluate other options, I would like to know how often the leased plane is used per year?

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

Ok, taking into account the low usage rate, the company could possibly share the plane with another firm. The sharing of cost would then result in substantial cost savings.

Fair suggestion, but this might result in complications in case both companies require the plane at the same time.

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

Good point.

To analyze one more alternative I would like to know the length of the lease contract and thus how often the contract is renewed?

The contract is renegotiated on a yearly basis.

Ok, and for how long has the client renewed the contract so far?

For the last 7 years.

Ok, so based on this I conclude that it is highly likely that the company will continue its relationship with the leasing party. The company could hence opt for a contract with a longer period. This should provide the firm with a discount.

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

The cost savings would be \$160000.

Excellent suggestions. It was nice interacting with you.

Cost Reduction- Lease fee

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

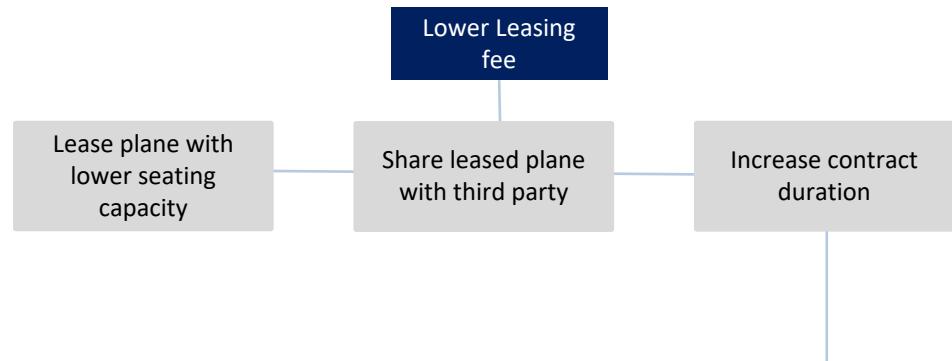
Interviewee Notes

- Assume occupancy follows a normal distribution and will rarely exceed 15 passengers

Case Facts

- The current lease fee is 1 million Dollar
- The contract duration is 1 year
- Seating capacity of the plane is 40
- The company uses the leased jet 3-4 per month
- Average occupancy rate for the plane are as follows:
 - 2014: 8 People
 - 2015: 8 people
 - 2016: 10 people
- The contract has been renewed for the last 7 years
- The cost of leasing is:
 - Short leasing period (1 year): 1 Million
 - Long leasing period (5 years): 4.2 Million

Approach/ Framework



Type of contract	Short (1year)	Long (5 years)
Total cost	1 million	4.2 million
Cost per year	1 million	0.84 million
Cost savings per year		160000

Recommendation

- To reduce the leasing cost I propose 3 measures:
 - Lease plane with lower seating capacity. Since the plane hardly ever is used at max capacity, a smaller plane can be leased.
 - Share the lease contract with another party. Stringent contracts need to be established regarding usage
 - Increase contract duration. A longer contract duration should result in discounts

Interview Summary

The interviewer wanted the candidate to identify options to lower the leasing fee. The candidate was expected to elaborate on the feasibility of the proposed recommendation.

Observations/Tips/Suggestions

- Analyze the feasibility of each recommendation carefully

Cost Reduction – Beer manufacturing company– Interview Transcript

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

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

No, the problem is only on the cost side.

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

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

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

Sure, you can do that.

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

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

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

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

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

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

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

No, the client is not facing any issues under these heads.

Is there a problem with the packaging costs?

Yes. The client is indeed facing a problem in the packaging costs. The costs are significantly higher than the benchmarks.

Okay. Is our client facing cost issues with both beer bottles and cans?

No, the client is facing cost issues with only the bottles

Are the bottles that we source more expensive than the benchmarks?

No, the cost for the bottles is the same as the benchmark

Okay. Is there anything that other manufacturers are doing and we are not?

Yes. The other manufacturers usually reuse their bottles, so they incur much less costs for the bottles, while we are having to pay a lot more.

Are we facing a logistics problem with picking up the used bottles from the pubs and bars?

No, there is no issue with the logistics. We can pick up the bottles easily.

Okay. Is there a problem with the used bottles that we are picking up?

Yes, the bottles that are returned to us are too scrubbed to reuse.

Are the bottles getting scrubbed due to issues in the transportation, or are the competitors using better quality glass than ours?

There is no problem in the transportation. The competitors use the same quality of glass that we do.

Okay. Is there any specific way that the competitors are being able to reuse the bottles, but we are not?

Can you think of a way that they are doing it and we can use?

I think that the competitors are labelling the product in a manner that the scruffiness of the bottles is hidden from the consumer's view.

Okay. What would be your final recommendation to the client?

The primary problem that the client is facing is in the packaging of the beer in bottles. This is due to the fact that we are using new bottles, while our competitors are re-packaging the bottles, thus saving on costs.

My recommendation to the client would be to collect the bottles once used, and label them in a way that the bottles do not appear scruffy to the consumer. This shall lead to significant cost savings. Additionally, the client can also push for the sale of cans over bottles, as cans can be recycled even if they get scruffy.

Okay. Sounds good.

Cost Reduction – Beer manufacturing company

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

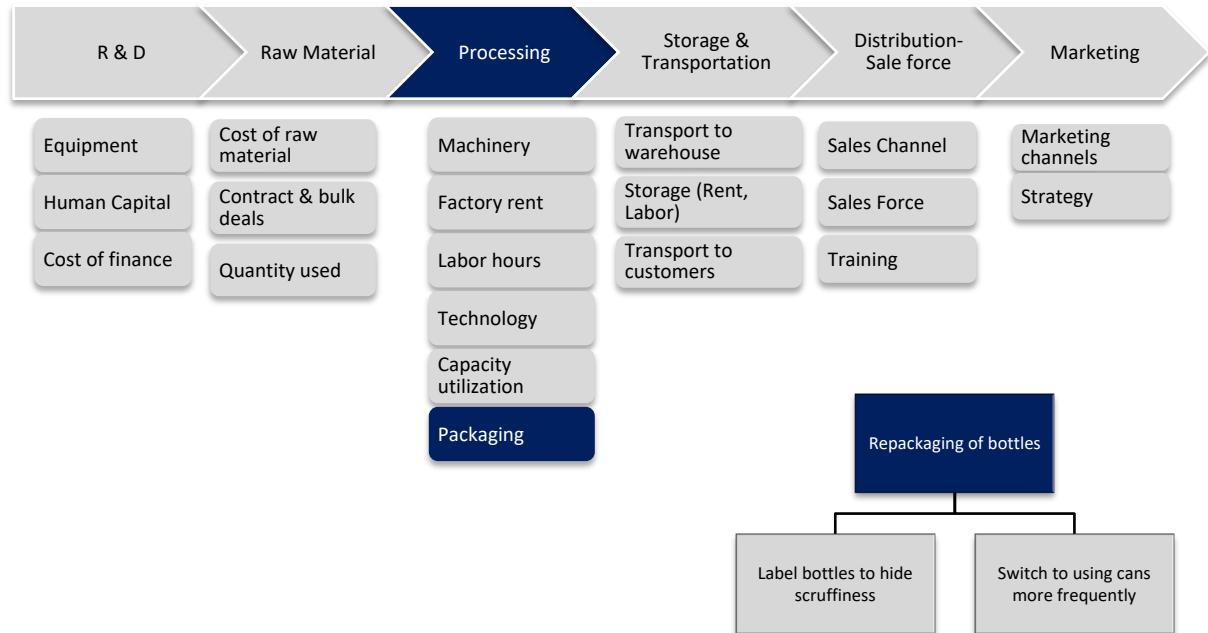
Interviewee Notes

- Qualitative case, no numbers provided
- A single cost head case where one issue needs to be identified
- The cost problem is identified to be in packaging

Case Facts

- Client is a beer manufacturing company with multiple products
- It is facing cost issues with more than one beer product

Approach/ Framework



Recommendations

- Reduce the excessive expenditure on new bottles by labelling the bottle to hide the scruffiness
- Increase the use of cans over bottles as cans can be recycled even if they get scruffy

Interview Summary

This is a cost reduction case where the interviewee should quickly establish the major cost buckets after discussing with the interviewer. The candidate can either probe each bucket along the value chain, or ask the interview which buckets to look into.

Observations/Tips/Suggestions

- Each cost component should be broken down into multiple cost levers to ensure that nothing is being missed out
- Breaking down cost of the buckets ensures that the problem identification is more specific in nature

Cost Reduction – Cement Manufacturer - Interview Transcript

Our client is a cement manufacturer in India. The client's logistics costs are higher than the industry benchmark and the client wants your help to identify the reasons.

So, our client, a cement manufacturer based in India, would like to understand why their logistics costs are higher than those of industry peers?

Yes

So, I would like to begin by asking a few preliminary questions about our client. How many plants does the client have and where are they located? What exactly do we mean by logistics? How many players are there in the industry? Finally, what are these benchmarks and how high are the client's costs compared to the benchmarks?

Logistics includes things like inventory handling, transporting, warehousing. The client's logistics costs are 20-25% higher than industry benchmarks. These are standard benchmarks used in the cement industry. The client is a big There are 5 big competitors in the Indian market.

Okay. Are logistics costs higher for all components or only for some components, such as transport or warehousing?

The client is facing particularly high transport costs.

Alright. Transport can be classified into in-bound and out-bound. How does the client manage both these forms of transport?

For in-bound transport, the client has an old fleet of trucks. There are hardly any costs as fleet is owned. The main costs are maintenance and fuel. Out-bound transport is outsourced.

How is out-bound transport organized? Does the problem of high out-bound transport costs exist in all customer segments?

What do you think the customer segments are?

Well, firstly there are the construction firms. These firms build roads, buildings, etc. Then there must be wholesalers/dealers of cement. There could also be an export segment.

That is correct, but the problem is rampant across customer segments.

Okay. What type of cements does the client produce? Is the out-bound transportation cost problem rampant across all products or specific products?

The client produces normal, concrete and fast-drying cements. As such costs are similar across product lines.

Well, I'd like to know more about how you conduct out-bound transportation. I would think that the client uses rail and road for domestic deliveries and sea for exports.

That is correct, but ignore shipping. What do you think are the benefits of road and rail?

Rail would be preferable when there are high volumes and when there is good connectivity of railway lines to customer's location. Road becomes an attractive choice when rail connectivity is poor. If time taken by road is less, then that is a positive factor. For example, loading/unloading of cement would take longer in rail because it also requires trucks to get to/fro the railway line. Some customers might also have a preference for road transport. Is there a difference between the rail/road mix used by our client vis-à-vis competitors?

Not really

Are rail and road costs similar to those at competitors'?

Well Indian Railways doesn't give preferential rates to any manufacturer, so those are same across firms.

So it seems that outbound transportation by road is expensive relative to competitors.

Yes

There could be three reasons. Firstly, the client might be using multiple transporters and therefore missing out on potential bulk-volume discounts. Costs depend on the volumes that the client gives to its transporters. Second, it could be that the client liaises with more expensive transporters. Transporters could be expensive because of their higher operating costs or because of their bargaining power over the client. However, since the client is big, it's unlikely that any transporter can exert this kind of pressure on the client. Third, relationships with transporters could improve to negotiate better prices.

These are good points. Is there anything else you'd like to add?

The problem could also be due to poor optimization. If orders are scattered, either across time or place, then there's no clubbing of cement being transported. Trucks probably travel without full load or if they go with full load, then they have to wait for future orders from customers in the region being served.

This is the problem. Do you have any recommendations?

The client can start renting warehouses to store cement in regions that it delivers to. If this turns out cheaper than letting trucks remain idle, then this might be a possible option. Alternatively, it can introduce incentives for customers to place large orders in one-shot instead of staggering the orders. Finally, it can store with customers.

Great, that's it. Thank you for coming.

Cost Reduction – Cement Manufacturer

Reducing costs for a cement manufacturer

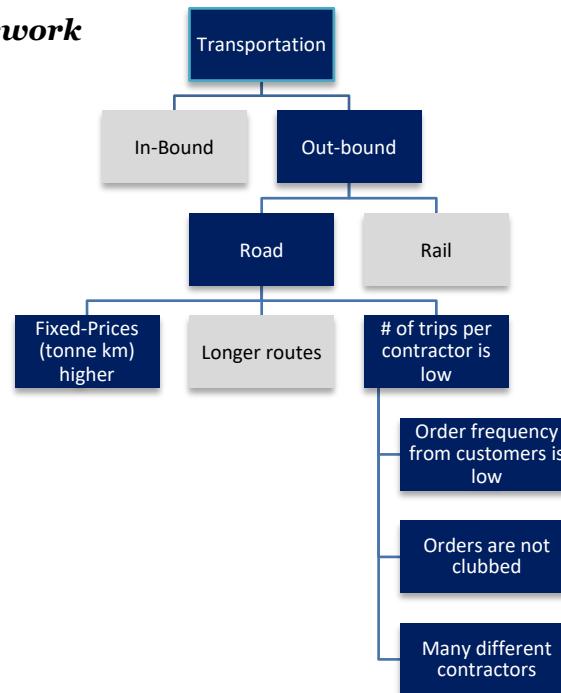
Interviewee Notes

- The client is a top-6 cement manufacturer in India
- Client produces three different types of cement – normal, concrete, drying fast

Case Facts

- In-bound transportation costs are in line with those at competitors
- Out-bound transportation costs are higher
- Client operates self-owned fleet of trucks for in-bound transport
- Out-bound transport is outsourced

Approach/ Framework



Recommendations

Out-bound transport costs are high because customers give staggered orders. The client sends full truckloads but waits for future orders from other customers in the region to place orders, instead of sending two half truckloads. As a result, the waiting time for trucks adds to rental cost of outbound trucks. Therefore, the client should create incentives for its customers to give larger orders. The client could also consider renting warehouses near delivery destinations, or better still, storing excess quantities of cement with clients themselves.

Interview Summary

The candidate began by asking relevant, probing questions on company, competition and product to identify the source of problem. He was good in delineating transport costs into in-bound and out-bound transport costs, and thereafter provided a great summary on the benefits of road transport vis-à-vis rail transport. He provided good reasons for out-bound road transport costs being high, and followed this with convincing recommendations.

Observations/Tips/Suggestions

Do not get bogged if your initial hypotheses keep getting rejected. In this interview, for example, it took many questions from the interviewee before he could nail down outbound transport costs as the source of problem. However, he managed to remain calm and eventually, did proceed smoothly. .

Cost Reduction – Auto Insurance Company - Interview Transcript

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

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

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

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

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

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

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

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

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

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

No, go on.

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

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

And what about claim costs?

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

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

Probably yes.

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

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

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

No, you can focus on claim costs

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

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

We can segment customers into buckets based on

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

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

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

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

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

That sounds good to me. Thank you.

Cost Reduction – Auto Insurance Company

To increase profitability of an auto insurance provider

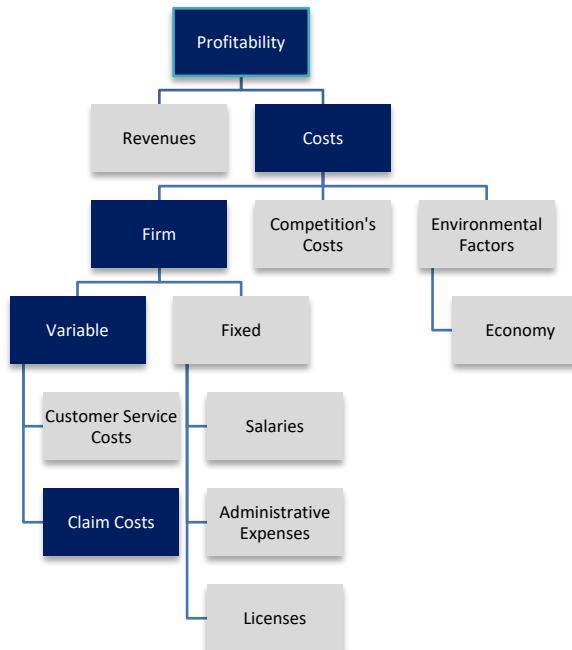
Interviewee Notes

- Profitability changes can be due to both revenue and costs
- Since revenues have been growing in line with industry, declining profitability must be due to rising costs
- Problem is also specific to the client (not an industry-issue)
- Analyze variable and fixed costs of the client

Case Facts

- Client is a top 6 player in a concentrated auto insurance industry in India
- Client has experienced falling profitability but competitors haven't
- Revenues have been growing in line with industry

Approach/ Framework



Recommendations

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

Interview Summary

The candidate began by asking relevant, probing questions on competition and market to get an initial feel. Very early on in the case, he indicated that he was going to take the revenue-cost approach to drill down the problem. Despite some occasional hiccups and incorrect hypotheses, he eventually arrived at high Claim Costs as the root cause of declining profitability. His true potential came across in his suggestion that customer risk profiles must be different. He neatly segmented customers into relevant buckets and provided a strong and logical recommendation.

Observations/Tips/Suggestions

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

Cost Reduction – Retirement benefits policy- Interview Transcript

A new retirements benefits policy has been introduced whereby every employee makes a contribution ranging from ₹5000 to ₹20000. The savings grow tax free till the employee retires. We have been approached by a client that runs a large mutual fund to help answer the following questions: Is this a big opportunity? What are the various possibilities and challenges they would face?

I'd like to explore three broad areas to answer the first question – the dynamics of the mutual fund industry, the additional earnings that we will make in leveraging this opportunity and any regulatory or exogenous factors affecting the mutual fund industry due to the change to existing policy.

First, can you tell me more about the size and dynamics of the mutual fund industry?

Sure. As you may be familiar, mutual fund companies solicit investments from individuals, retirement accounts of various firms, etc. They then invest these monies to create and manage a well-diversified portfolio for a management fee. From the investors' perspective, the creation of such a portfolio minimizes the risk.

Got it. How big is this industry?

There are a large number of players in the industry, and the total assets under management would be running into trillions.

Do we know approximately how much new money enters the industry each year? This might help me gauge whether or not the new policy will be a big opportunity for the industry.

Based on our internal studied and analysis, last year approximately ₹5 trillion was new money or addition to assets under management in the mutual fund industry.

Okay. Is it safe to assume that only the people working in the organised sector shall be benefitting from this policy?

Yes, the policy shall be valid only for employees in the organised sector.

Okay, let me now move to gauging the incremental savings that is likely to enter the investment pool. I shall make some assumptions, please stop me if any of them are unrealistic. My goal is to size the number of people working in the organised sector in India, as they shall be paying the premium amount for this policy.

I shall assume that individuals between the ages 18 and 60 are eligible to be employed. I shall assume the life expectancy in India to be 70 years, with the population distributed uniformly by age.

Okay, that sounds fine for now.

I shall break the population of 1.2 billion people into rural and urban with a 70/30 split. That gives me 360 million people working in the urban areas. I shall assume that the rural employment sector is not the organised sector. Additionally, people in the ages 18-60 comprise 60% of the urban population, and approximately 70% of these people are employable in the organised sector. This helps me exclude individuals like homemakers, students etc. who would be in the 18 to 60 age bracket. So that brings the labour force to 150 million. Figuring a 10% unemployment rate, the population in 135 million.

Why don't we ignore the unemployment rate for now and assume a round number of 150 million?

That would be easier for the calculations. You indicated a range of ₹5000 to ₹20000 for retirement account contributions. Would these be recurring contributions?

No. Also, you may assume that the contribution will be ₹10,000 on average.

Great. So the increase to the investable assets would be 150 million times ₹10000, or ₹1.5 trillion. That sounds like a substantial increase, given that last year the new addition to assets under management was ₹5 trillion. Are there any other regulatory issues or exogenous factors that would govern or restrict how these assets can be invested?

There are some stipulations, but let's not worry too much about them for now.

Excellent. In that case, our response to the first question would surely be that this is a substantial opportunity for our client in aggregate.

I'd probably agree that this is a substantial opportunity in aggregate. But how would you go about determining if this is a profitable opportunity?

I think I see where you are going. You mentioned our client charges some sort of management fee for services rendered. How much is this fee and what types of expenses does the client incur?

Good question. The client charges a 1% management fee on assets under management. Simplistically, let's assume that administrative expenses on these assets like mailing statements, etc. is about ₹100 annually, while other operating expenses add up to about 10 basis points.

Interesting. So then on every ₹10000 invested, we make ₹100 in revenues per customer but have ₹100 plus ₹10 or ₹110 in expenses per customer. That doesn't seem like it is profitable.

No, it does not, does it? Would you still think that this is a substantial opportunity?

We can look at future earnings as well. If I assume a 20% growth rate based on the return earned from the additional AUM, then the ₹10000 grows to ₹12000, our revenue grows to ₹120, but our expenses grow only to ₹112. We begin to make a profit. If we know the average length of the customer's investment, we can use the present value of cash flows to estimate a lifetime customer value to the client. So it does appear to be profitable, though I'm not sure how it compares to profits currently.

You are correct. It is a profitable business. Right now, the size of each customer's account is pretty substantial. The profit margin is much more attractive. We seem to be running out of time. Can you quickly summarise for me the opportunities and challenges the client faces, given our analysis so far?

Sure. There are a number of opportunities and along with it. Among the opportunities, the first is cross selling the mutual fund opportunity to customers of the brokerage and other services. This would result in enhancing customer loyalty and also increase switching costs, leading to higher customer retention. Second, emphasizing convenience, sort of the one-stop shop for financial-services idea, can enhance the client's value proposition to their customers. On the challenges front, the most critical is probably competition. If indeed ₹1.5 trillion additional funds are likely to be invested, every financial services firm is going to want a slice of the pie, which only underscores the need to cross sell and increase customer loyalty. This is something the client is going to have to deal with.

Great. Thank you.

Cost Reduction – Retirement benefits policy

Estimate the additional earnings and profitability scope of a new retirement benefits policy on the mutual fund industry.

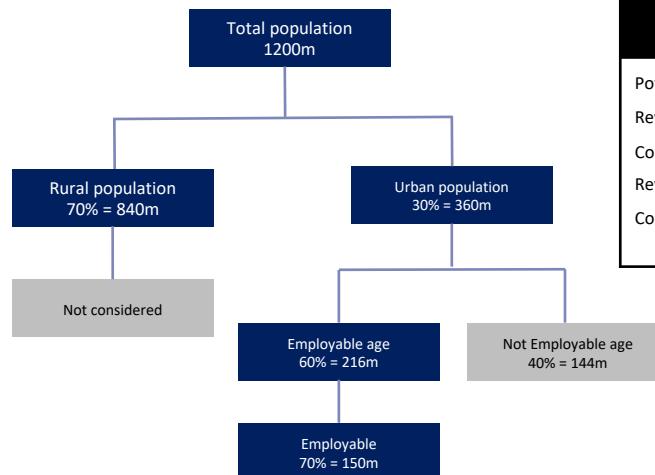
Interviewee Notes

- Have a decent knowledge of the Indian population breakdown, in terms of rural/urban, age demographics, income levels etc.
- Don't stop the profitability analysis at the first year. Look for future years to see if the opportunity becomes profitable.

Case Facts

- Last year approximately Rs. 10 trillion was addition to AUM
- Average investment per person is Rs. 10000 annually
- Total number of people covered under scheme is approximately 600 million
- Revenue per consumer is 1% of AUM
- Cost per consumer is fixed (Rs. 100 per consumer) and variable (0.1% of AUM)

Approach/ Framework



Financial Projections	
Filters	Number projections
Potential AUM	$10000 * 350 = 3.5 \text{ trillion}$
Revenue projection for client (Y1)	$10000 * 0.01 = 100/\text{cus}$
Cost projection for client (Y1)	$100 + 10000 * 0.001 = 110/\text{cus}$
Revenue projection for client (Y2)	$12000 * 0.01 = 120/\text{cus}$
Cost projection for client (Y2)	$100 + 12000 * 0.001 = 112/\text{cus}$

Recommendations

- Cross sell the mutual fund opportunity to customers of the brokerage and other services
- Emphasising convenience, sort of the one-stop shop for financial- services idea, can enhance the client's value proposition to their customers

Interview Summary

This is a market analysis case where the interviewee is expected to size a particular opportunity and gauge its expected profitability.

Observations/Tips/Suggestions

- Run through the population split step by step, calculating the number of people at each step and not just in the end
- In case you reach a scenario where the company is initially making losses, make sure you analyse future prospects to see if there is a turnaround in the additional year

Profitability- Airline operator burning cash - Interview Transcript

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

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

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

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

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

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

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

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

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

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

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

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

Yes, the hangar costs have gone up.

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

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

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

Please go ahead.

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

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

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

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

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

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

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

Yes. Please go on.

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

Profitability- Airline operator burning cash

To analyze the revenue for an airline operator

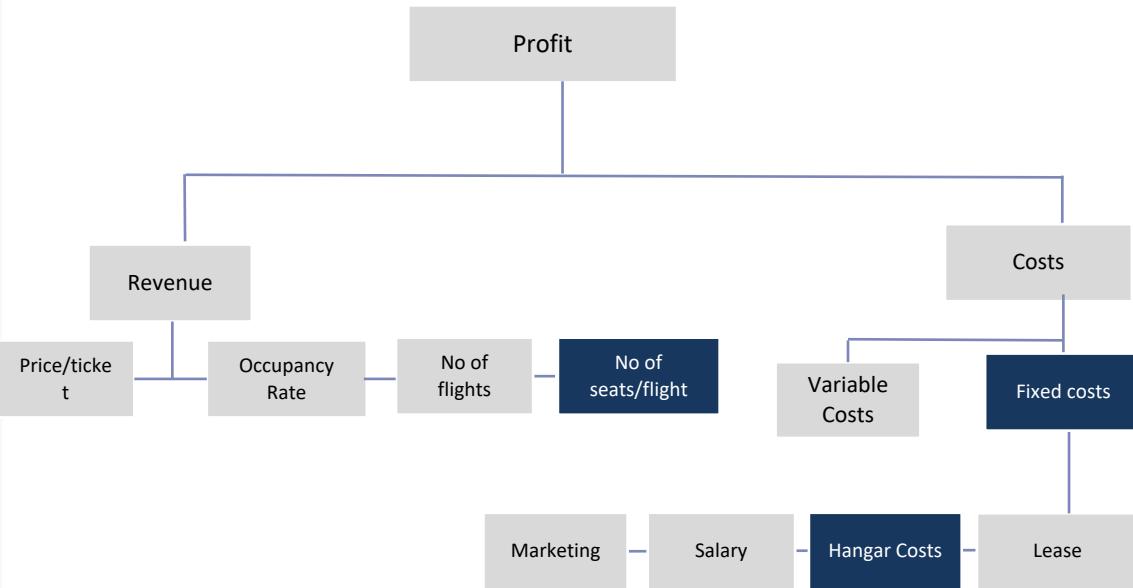
Interviewee Notes

- Revenue –cost analysis
- Client currently in airlines industry
- Ask about the current status of the industry and competitive scenario
- Which are the revenue streams?

Case Facts

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

Approach/ Framework



Recommendations

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

Interview Summary

The candidate did a good job in figuring out the fundamentals in why the revenue has gone down. Also after the cost analysis, the candidate was able to further elaborate on the reasons why the revenue has gone down. Overall a good performance.

Observations/Tips/Suggestions

The interviewer must have been impressed by the overall logical consistency that the candidate applied during the course of the problem.

Profitability – Jet Airways v/s Indigo - Interview Transcript

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

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

Yes, that is correct.

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

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

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

Across the nation.

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

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

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

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

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

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

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

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

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

New fleet has been purchased.

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

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

That's very helpful. Since we have already made substantial investment we may not want to withdraw fleets from these niche routes entirely for now. We can do the following-

1. We can expedite our marketing activities in these regions
2. We can analyse price sensitivity of the customer pool and accordingly price for now
3. Instead of having flights catering to these niche routes specifically, we can have our new flights on the conventional routes and have re-routing via these routes
4. We could also try to bundle a few parallel businesses e.g. cargo and travel

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

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

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

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

Only Jet.

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

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

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

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

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

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

Profitability – Jet Airways v/s Indigo

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

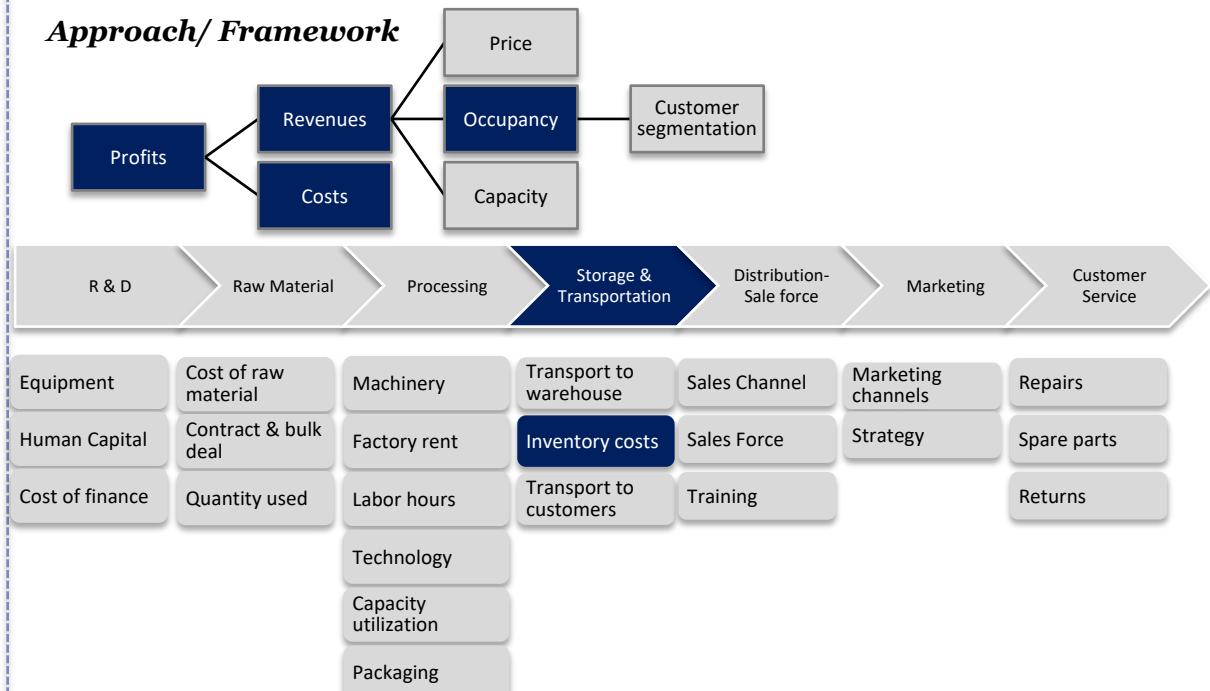
Interviewee Notes

- Revenues have fallen and costs have risen
- Identify revenue components, problem area and subsequent recommendation
- Draw the cost value chain, identify the problematic segment
- Segment the specific cost further to identify cause and make recommendations

Case Facts

- Jet airways facing declining profitability. Not an industry wide trend
- Focus on airline business, domestic travel
- Problem across India and not restricted to a particular route
- New fleet purchased for niche routes

Approach/ Framework



Recommendations

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

Interview Summary

This is a profitability case where cost reduction and revenue increase are intertwined due to client's expansion activities. The candidate should split profits into revenues and costs, identify key drivers and value chain, segment and develop recommendations. The purpose of the case was to identify maintenance of different types of inventories as the major cost driver.

Observations/Tips/Suggestions

- Each cost component should be broken down into multiple cost levers to ensure that nothing is being missed out
- Revenue should also be appropriately split into its components given the airline travel industry

Your client is an upcoming builder in Kolkata. He has recently built a housing complex and wants to figure out how to price the apartments. Help him decide a price.

I would like to ask a few clarifying questions before I begin. I want to understand a few things about the complex. What kind of a locality is it located in and how crowded is the market in that region?

The complex is on the outskirts of the city. It is an upcoming region which the client has managed to make headway into before any other builder. There are just a few offices coming up near by, but largely we are the only major housing option in that region.

What are the number of apartments and buildings in the complex?

There are 10 buildings with 100 apartments each.

So 1000 apartments. Okay, and are these segmented into different categories? And if yes, what are the kind of amenities offered by each of the categories?

Assume all the apartments fall into the economy category and that the amenities are at par with the industry standard.

How much has the builder invested in this project and what is the gestation period he is comfortable with?

The builder has invested 250 crores and expects a 10-12 year gestation period

Okay, lastly what is the average size of a single apartment?

A single apartment is on average 2000 square feet.

All right. I will like to look at three kinds of pricing and then take a decision on which pricing method to go ahead with. I will look at cost based, competitor based and value based pricing.

That sounds reasonable, let's look at cost-based first in that case

Our price would be such that the profits generated give a 0 NPV when discounted with our desired growth rate. Since the number of flats occupied will increase gradually, for each year, we will essentially take: number of flats occupied * price/sq feet * 2000 sq feet.

Okay, and what would be the questions you would consider with regard to the competitors?

I would find the competitors' prices and costs in the economy category to gauge their margins. Moreover, I would compare their offerings with ours to see if they offer more or less for unit price.

One to go now. What about value based costing? What questions would you want to ask them?

Was there a particular reason why these outskirts were chosen for the project? Was the builder expecting any infrastructural facilities or any kind of positive externalities from this area?

Well yes, a metro project has been announced by the State Government, which would make it very convenient for residents to travel to the main city.

Well then that can certainly be a reason to add a premium to the competitor- based pricing I had discussed earlier, assuming the competitors don't offer this advantage. Therefore, I would price the apartments at a premium above the competitors' prices, with an overall constraint of keeping prices above or equal to the cost-based rate that was computed.

That's fair. But can you compute how much premium we can add because of the proximity to the metro stations?

I guess I can compute the monetary and non-monetary costs saved by a resident due to the availability of the metro lines, multiply it by the % of people that will actually avail this benefit and then divide this total figure over all the occupied apartments to get the premium per apartment.

Pricing – Residential Complex in Kolkata

A builder has approached you to know the price at which he should sell the apartments in his newly developed housing complex in Kolkata

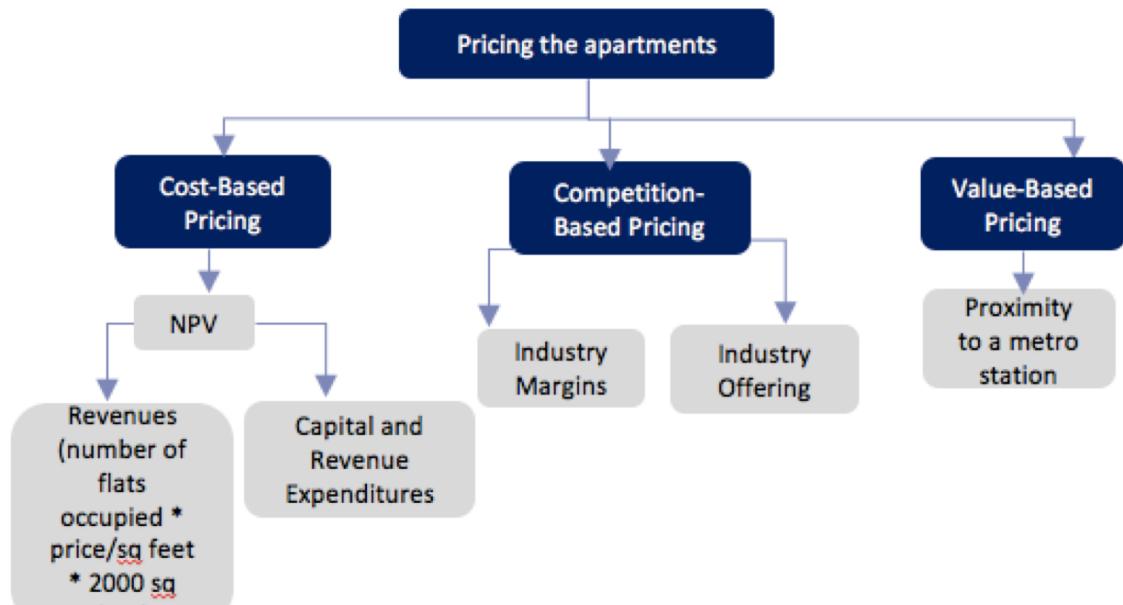
Interviewee Notes

- No product differentiation as such
- First mover advantage
- Cost, competitor, value
- Regulatory concerns

Case Facts

- 10 buildings x 100 apartments/ building = 1000 apartments
- Located on the outskirts of Kolkata
- 10-12 year gestation period
- Capex 250 crores

Pricing the apartments



Recommendations

- Understand the client's business and his expectations through clarifying questions before going on with the structure
- Figure out a way to collate or coalesce the three prices found through the three methods

Interview Summary

This case is for pricing of an apartment in the outskirts of Kolkata.. The student should detail three ways of costing and use formulae and rationale to identify the different factors that will break down those three heads and integrate them to come up with a single conceptual figure

Due Diligence - Chain of Schools - Interview Transcript

Your client is a PE Firm. It wants to take up a stake in a chain of schools. Diagnose and recommend whether it should go ahead with the acquisition.

I would like to ask a few clarifying questions before I begin. I want to understand the client's business. What is the average portfolio, the expected growth rate and exit time?

The company has a mixed portfolio of different sized investments and is looking for a 30% growth rate on this investment. It wants to make a quick exit in about 4-5 years.

Why is the firm considering a chain of schools for investment?

The firm does not have any investments in the education sector and this investment may help us complement a future investment.

Ok. So finally can I know some details about the schools? Are they private or public? Exactly how many schools are being run as of now and where?

The schools are privately owned. There are 4 schools as of now but we would like you to focus on only on the one in Mumbai.

Okay. Which education board do these schools fall into?

The school follows the IB Board.

Interesting. So that would mean it competes with only about 4-5 other IB Board schools that there are in India and its annual fees would typically be around 10 Lakhs? Can I go ahead with these figures?

Yes, that's fine. How would you value the investment?

I can find the NPV of the profits by guesstimating the revenue and cost figures. Further I can try to come up with an annual growth rate and compare it to our expected growth rate to check feasibility.

That sounds reasonable, though slow down a little bit. Assume the cost to be X. How will you compute the revenue?

Can I know if the school has any other revenue streams apart from the education fees it must be charging the students? Hostel charges maybe?

Assume that the education fees is the only source of revenue.

Revenues will be equal to the total seats x occupancy rate x the fees/ student. The total fees was 7-8L as discussed earlier and the maximum occupancy depends on the size of the school..

Assume the total number of seats is 200. Go on..

I can find the occupancy rate by estimating the demand. The demand would primarily be from urban areas. Proximity is one of the most important factors in computing demand though as one of the very few IB Board schools in the country, I think I should add, say 5% to whatever figure I come up with to account for the students coming in from different states. Taking the square of a radius of 15km x household density of say 100 per square km x pi ($\pi \times r^2 \times \text{density}$), we get the number of houses in proximity. On average there will be 2 school going kids in each household so multiply that figure by 2. Out of this figure we can multiply the % of students who would be interested and able to join an IB Board school and the % of students out of those, who would like to join our school in particular.

Okay, that's good. Now, we know that the school gets demand equal to its supply, but it is still not able to cater to this total demand. What do you think could be the reasons for this anomaly?

There may be some regulatory requirements to apportion some seats to the Economically Weaker Sections (EWS) or the school might be reserving seats under a management quota, maybe?

That's fair. We have come up with a way to compute the NPV. Do we need to consider anything else that might be a factor in our total earnings?

Yes! This NPV has to be multiplied with the percentage of equity that we are going to buy in.

Assume it would be a 100% acquisition

Well in that case yes, this NPV would be our total earnings.

Can you think of another reason why that may not be true? Think of the education industry broadly

Does the school maintain a trust or a similar fund maybe as a contingency reserve or for philanthropy?

Yes, well done. Conclude the case for me now.

The one last thing that is left is comparing the estimated growth rate of the NPV with our estimated growth rate. The former would basically be our estimates of the school's organic growth and how much we can add to it through inorganic growth. If the sum of these two is not less than 30%, and the NPV of the recurring profits seem adequate, the firm should go ahead with the purchase.

Due Diligence - Chain of Schools

To estimate the number of wizard hats in London

Interviewee Notes

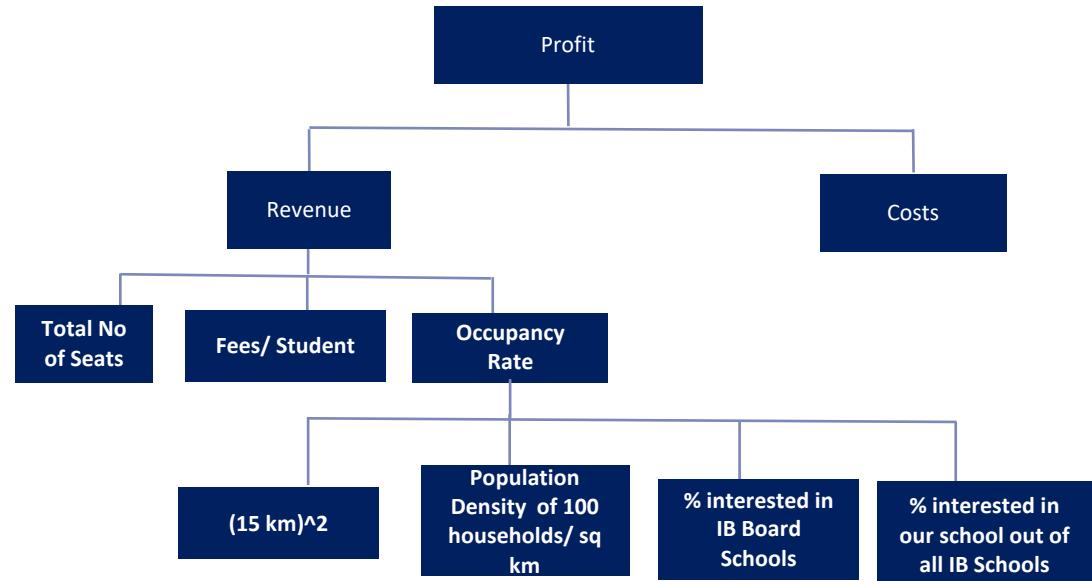
- Check the valuation and feasibility
- Demand would exclusively be from urban areas
- Assume 200 seats, 7-8L fees

Case Facts

- Wants $\geq 30\%$ growth rate
- Will exit in 4-5 years 100% acquisition
- IB Board School in Mumbai

Board School in Mumbai

Approach/ Framework



Recommendations

- If the computed growth rate is more than or equal to 30% take up the investment.
- The purchase price should be less or equal to the computed NPV

Interview Summary

This is a due diligence case which envisions a guesstimate to find the market share and market-size of an IB Board School in Mumbai. The candidate should estimate revenues from the demand side and determine the various factors that might affect these figures.

Observations/Tips/Suggestions

- Make sure formulae are elaborately and explicitly laid out in front of the interviewer
- Look for cues as to where the interviewer wishes to take the case.

Customer Satisfaction- Telecom Industry-Interview Transcript

Our client is a large African telecom company, and it has recently been experiencing a decline in the customer ratings. It has hired you to identify and resolve the issue.

To clarify, the objective at hand is to find out the reasons for decline in telecom industry customer ratings and propose steps to resolve it. Is there any other objective I should keep in mind?

No, please go ahead

Before delving on to the possible reasons, I would want to get some idea about the firm. Could you give me some idea about the African Telecom industry, the client and its competitors?

Assume that all of those factors have no direct impact on the problem.

Sure. So I would like to analyse the case from the customer point of view, and explore the various touch points that he has with the firm. The issue could be at any of the stages, ranging from SIM procurement, service quality, dissatisfaction with pricing policy or after sales service (customer service).

The problem is actually in the customer service area. Our users are not satisfied with our current levels of customer service. What do you think could be the reasons for the same?

OK, I would like to analyse the various stages that make up a customer's interaction with our service. The problem could be because difficulty in reaching the executive due to complexity of the portal, high waiting times, call drops, service experience or failure to address / resolve customer issues.

Our waiting times are indeed very high, much more than those of our competitors portals.

The waiting times could be high because of understaffing, intraday/week load variations, or executives spending too much time on trivial issues. Could you tell me the profiling of the call purpose for our customers?

Our workforce is adjusted according to weekly and monthly seasonality, but the staff strength is constant for a particular day, which leads to high waiting time at peak hours. Our executives broadly handle 3 types of calls – customer requests for activation and modification, enquiries for usage information and grievance redressal.

Firstly I would recommend the firm to incorporate some automation in terms of IVRS and issue specific mapping, so that a significant number of our calls (primarily requests and enquiries) can be addressed without manual intervention. These modifications can be communicated via SMSs, mails and can be promoted at the Point of Sale as well.

Good. What can we do to improve the operational efficiency of the centre?

We can also employ some data analytics to determine call volume patterns to vary the staff strength in multiple shifts within a day, which could help decrease the customer waiting time as well as idle time.

Great Job. Thanks a lot!

Customer Satisfaction- Telecom Industry

Our client, a major African telecom company, is facing a decline in customer ratings. You have been approached to find a solution to the problem.

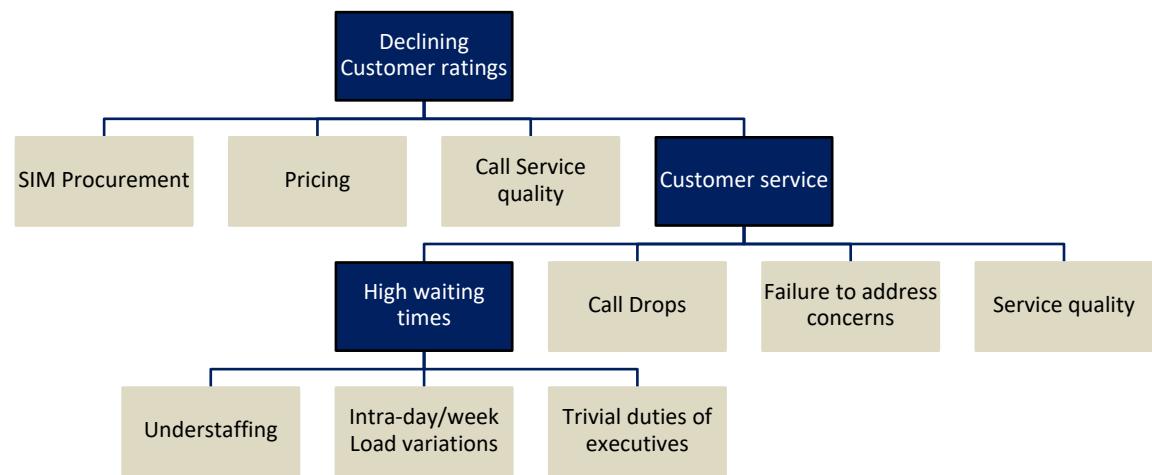
Interviewee notes

- Issue with customer service
- High waiting times
- Seasonal variations accounted for by workforce hiring
- Intra-day variations not taken into account – issue in the peak hours
- Requests, Enquiries, Grievances

Case Facts

- Africa based company
- No change in industry scenario
- No new competition

Approach/ Framework



Recommendations

- IVRS system to automate specific issues – promotion through SMS etc
- Data analysis to manage intra-day call variations and shift design

Tips / Suggestions

- Structuring an issue with reference to the entire value chain makes it easy to spot problems.

Unconventional case- Reducing turnaround time -Interview Transcript

This case focusses on the optimization of the logistics of an Indian company. Just imagine a truck delivering goods from Delhi to Mumbai. This currently takes up a substantial amount of time. The goal of the company is thus to reduce the turnaround time. Basically the firm wants to reduce the amount of time the truck spends on the road. How would you go about solving this case?

Ok, let me start off by estimating how much time it would take from Delhi to Bombay on the road. To do this I will first estimate the distance between the 2 cities. I know that the flight time is around 2.5 hours and that a plain has an average speed of 800 kilometers per hour. The distance is therefore approximately 2000 kilometers.

Now that you know the distance, how would you proceed with the case?

So what I would do is, I would split the travel time into 2 components. On the one hand the travel time consist of the time on the road and on the other hand it consists of breaks. When it moves it operates with an average speed of 35 km/hour. However, the average speed depends on the type of road, the route and on traffic. The breaks are caused by numerous factors. We can split this into primary needs and other issues. Primary needs concern bathroom breaks, as well as breaks for eating and sleeping. With the other issues, I refer to the waiting time caused by the need to fill out paper work when passing states.

Ok, so you now understand what variables affect the travel time. What kind of measures would you propose to reduce the turnaround time?

Let me start off with the measures with which I can improve the average speed while driving. One option is to set-up a new traffic schedule, where we take into account the rush hours and avoid them. Do you maybe have information on when the drivers usually depart and arrive on their destination?

They usually leave around 7.30 and will be on the road throughout the day.

Ok, so we could adjust the drivers schedule to ensure that the driver passes the major cities during night time or during non-peak hours. This would result in a higher average speed and thus a faster turnaround time.

That is fair suggestion. What else?

One other issue could be the fact that the truck drivers might not be aware of traffic and construction works. To overcome this problem, I suggest to provide all truck drivers a mobile phone with Google Maps. Google maps would always indicate the fastest route and drivers are hence expected to deliver the goods in a faster time

I agree, what about the breaks. Are there things the company could do to limit the time spent for breaks

So now let me focus on the extra travel time caused by breaks. For the waiting time when passing states, I propose a monthly/yearly pass. Drivers could show this pass, and would be allowed to immediately pass the security. For the other breaks, I believe that sleeping is the primary driver of the additional traffic time. To solve this problem, the company could rotate drivers. This can be done in 2 forms. Either, the company could use 2 drivers per truck or establish certain locations where drivers would switch. Additionally, the firm could give its drivers prepacked-food to reduce the need for breaks.

Excellent suggestions. It was nice interacting with you. Thank you for your time.

Unconventional case- Reducing turnaround time

You have been approached by the CEO of a company in India. The client asks you to come up with ways to lower the turnaround time of its trucks between Delhi and Mumbai

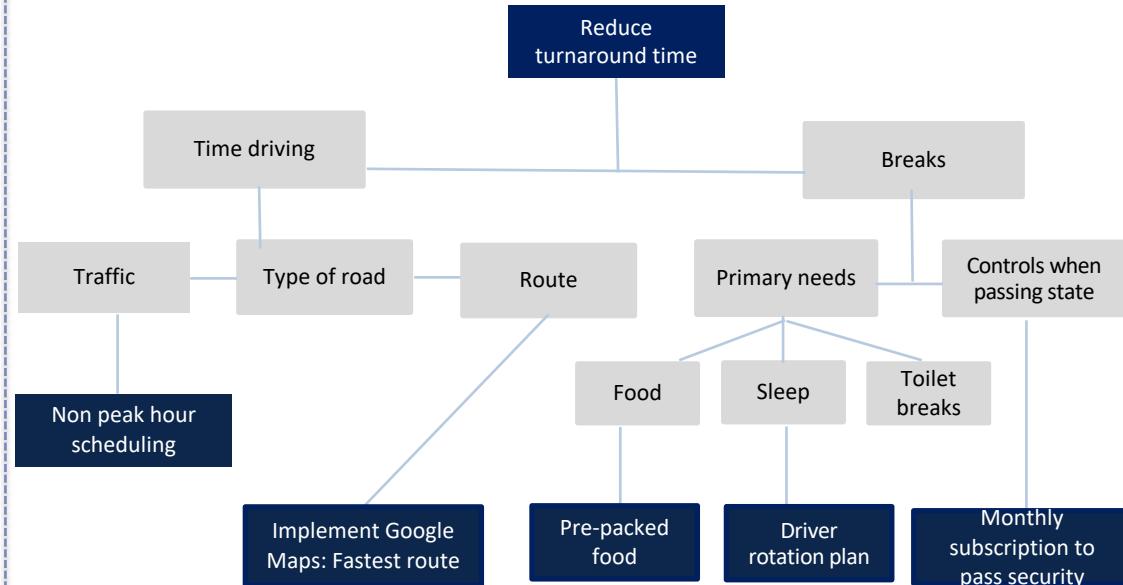
Interviewee Notes

- Contingencies are ignored in the case
- Truck drivers have to fill in paper work when passing states
- Assume that there are 2 types of road: Highway and city-roads

Case Facts

- Truck driver travels from Mumbai to New Delhi

Approach/ Framework



Recommendation

- To reduce the turnaround time, the firm can implement measures that affect either the time of driving or the length of breaks. Possible measures include the adoption of a new transportation schedule where peak hours are avoided, a driver rotation plan to minimize the amount of breaks, and the use of pre-packed food to make food-breaks unnecessary. The company can provide drivers with mobile phones with maps to ensure that drivers follow the fastest route

Interview Summary

The interviewer wanted the candidate to identify the major drivers of the turnaround time. The interviewee was then expected to come up with well-reasoned, logical and solutions that would lower the turnaround time

Observations/Tips/Suggestions

When confronted with unconventional cases the interviewee should remain calm and define a structured approach to go through the numerous steps

Your client is a transport company, which has been offered a contract to transport oil for an oil rig company. We need to decide if it should take the contract or not.

Okay. Is our client specifically into oil transport, or are the transportation areas diverse?

No, our client is not into oil transport right now. It is diversified in terms of what it transports.

Okay. How long is the contract for?

The contract is a long term one, and will last for approximately 15-20 years

Okay. Where is the oil rig company located, and where is the customer located?

The oil rig company is located in the Middle East, and the customer is located in the USA.

Alright. Does the client own any ships that might be suitable for this purpose?

No, the client doesn't currently own any suitable ships. They will have to purchase new ships to do the job.

Okay, so that is a large initial capital expense. Can these ships be used elsewhere?

No, these ships can be used only for this purpose

In that case, the large capital expense would be justified only if the long term returns are good enough to cover the costs. Are we expecting any other contracts of this nature?

Yes, we expect that we shall get more contracts in the future, as the demand for energy in these areas is increasing.

Okay. Now I would want to look at the long-term profits for the company. Do we have any data for expected profitability?

No, we don't have the numbers for the profitability. We would like you to assess the risks associated with the contract.

I'd like to segment the risks down bucket wise. According to me, the company faces geopolitical risks, economic risks, labour related risks and general risks. Does that cover the risk areas of the client? Additionally, is there any specific bucket that you'd like me to focus on?

Yes, you may proceed further with these risk buckets. We don't want you to focus on a particular risk bucket, just give a general analysis of the risks faced by the company.

Okay. In the geopolitical risks, the company may face trade embargoes in case there is an unrest in the region, as the Middle East is a very sensitive region. Additionally, the change in the tax laws in either of the countries might lead to extra costs.

How do you plan to solve this problem?

In case of trade embargoes, we might look to source the oil moving to the USA from another country, and use land routes to cover the deficit in that region. For tax laws, we can include provisions in the contract to ensure that the additional cost is passed on to the customer.

Okay, please proceed further with the economic risks.

There might be an increase in the transportation costs for our client, or the oil prices might decrease. If our contract has a variable component that is impacted by the prices, then we might be facing reduced revenues because of this. Also, in case we are purchasing the ships, we might face cost problems if the client backs out.

What's your solution to this problem?

We can try to sign futures contracts, and fix the charges within a certain range, in order to ensure that we are not adversely impacted by a price fall, that is, our downside is minimised. Similarly, we can pass on prices to the customer to an extent in case of transportation cost increase. To handle the purchasing of ships, we can choose to lease the ships till we get confirmed contracts from other clients as well. Short term leases would be the best option. Additionally, we should include provisions for compensation in case of cancellation of the contract.

Okay. What are the labour related risks that we might face? Additionally, please provide solutions with the problems.

Okay. We have to employ highly skilled labours, as any issues with handling might lead to oil spills, that will lead to economic losses as well as a hampering of our client's reputation, besides causing environmental destruction. This might be a high cost factor, and hence the client could have training programs in case they land more oil contracts.

Alright. Are there any other risks that you'd like to look at?

Yes. There are a few general risks that the client might face. First, we should look at the ship's occupancy, and see if they're being optimally utilised in transportation. Additionally, in the contract structure, we should ensure that there is no exclusivity clause, and that the requirement of deliverables is within our reach. Finally, we might also want to look at the entry/exit barriers in the market, since if it is a lucrative market with a low entry barrier, we might face competition in future contracts.

Okay, that seems comprehensive enough. Thank you.

Unconventional case- Risks of Oil transportation company

Your client is a transport company, which has been offered a contract to transport oil for an oil rig company. We need to decide if it should take the contract or not.

Interviewee

Notes

- Qualitative case, no numbers provided
- Instead of focussing on one specific issue in depth, candidate was required to cover a breadth of issues

Case Facts

- Client is a transportation company with no prior oil experience
- It is facing cost issues with more than one beer product

Approach/ Framework

Geopolitical Risks

Trade embargoes

Sol: Re-routing via Asian countries

Tax law change

Sol: Contract structured to charge customer accordingly

Economic Risks

Increase in transportation costs

Variable component on oil prices

Sol: Sign futures contracts to fix price

High capital investment

Sol: Lease ships for short periods

Labour Related Risks

Need to employ highly skilled labour

Sol: Develop a training program to reduce hiring costs

General Risks

Low ship occupancy

Exclusivity clause in contract

High requirement of deliverables

Sol: Structure contract accordingly

Low Market entry/exit barriers

Sol: Secure long term contract to avoid competition

Recommendations

- Ensure that most of the risks are mitigated in the contract signed with the client's customer
- Minimise capital risks by using short term leases on ships instead of purchasing them

Interview Summary

This is a market risk analysis case where the client is looking to enter into a new opportunity and we need to look into the possible risks associated with the opportunity, and explore ways to mitigate those risks.

Observations/Tips/Suggestions

- It is important in cases like this to be comprehensive, and hence bucketing the problems into different sections helps in structured thinking
- Most of the risks faced by the client should be problems which have solutions available and can be thought of within the interview

Unconventional case- Declining footfalls in Church- Interview Transcript

Our client, a Church, has approached us with the issue of declining number of church goers. Find out why.

To clarify, the objective at hand is to find out the reasons for declining church footfalls. Is there any other issue I need to focus on?

No, please go ahead

Is the issue limited only to our client or generally to the entire industry?

It is only for our client

Is the problem seasonal or associated to a particular age group?

No nothing of that sort. The number of visitors has been declining for over four months now across age groups and all age groups.

OK, before proceeding, I would like to structure the issue into possible reasons. Any change in number of hours the church remains open, accessibility to the church due to road or traffic, new church in the vicinity or lastly, reduced inherent demand to go to church will lead to a decline in number of church goers

There is no change with the working hours or accessibility. Explore the reasons why there is a reduced inherent demand

Primary reason to visit a church is religious.. Has there been any issue with the authenticity of the church programs recently leading to bad publicity?

No

Additionally, there are also weddings and obituaries and tourist visits which happen in the Church. If aesthetics of the Church are affected in any way, people might not prefer to have weddings there. Even tourist visits will be reduced. Obituaries will be affected by possible closure of cremation facilities nearby.

There is no issue with any of those activities. Where else could the problem lie?

Ok, there are also various programs which the Church takes up for the society – such as health check-ups and meals.

That is correct. Due to a budget cut recently, the mid-day meal program in the church was scrapped and health check up programs were minimized. Can you suggest ways to improve them?

What was the reason for the budget cut? Was the total budget for the church cut or was it only for the specific programs and it can be reallocated?

No, assume that the budget allocated cannot change. What best can you do?

Ok, we can look at the option of having fundraising campaigns to fund the programs first.

Additionally we can also target HNIs or even corporates to sponsor these programs as their CSR initiatives.

Sounds good. That will be all. Thank you.

Thank you.

Our client, a major church, is facing a decline in number of visitors. You have been approached to find a solution to the problem.

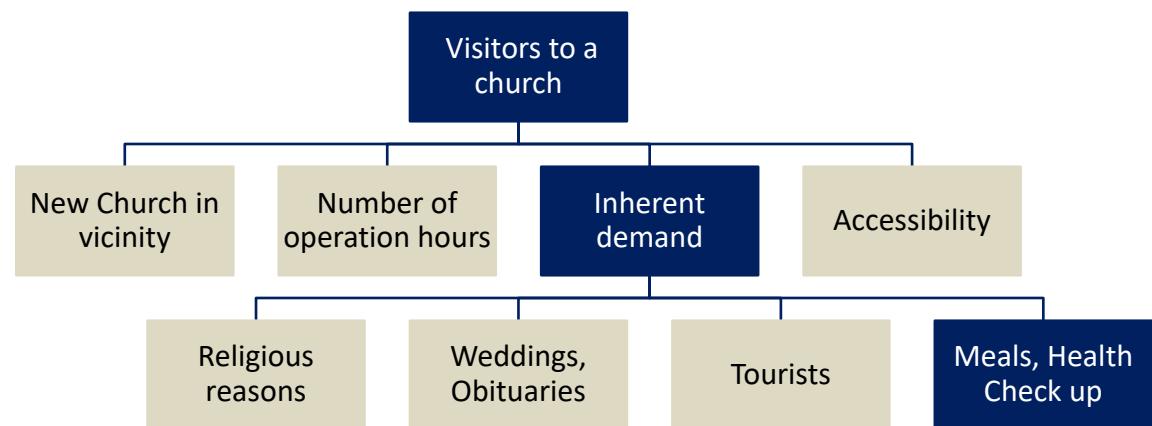
Interviewee notes

- Reduced inherent demand
- No aesthetic issues, similar tourist numbers
- No change in weddings and obituaries
- No decline for religious reasons

Case Facts

- Declining number of visitors
- Limited to our client
- No diversion to a new church; no accessibility issue

Approach/ Framework



Recommendations

- Increase fund raising initiatives
- Tie ups for corporate / HNI sponsorships

Tips/suggestions

- Understanding the reasons for reduced inherent demand is critical and tends to be overlooked while looking at external factors.
- Can also be done by dividing the reasons into internal and external factors

Guestimates

**Brief Description and Proposed
Solutions**

Guesstimate 1

Estimate the monthly electricity consumption (residential) in India

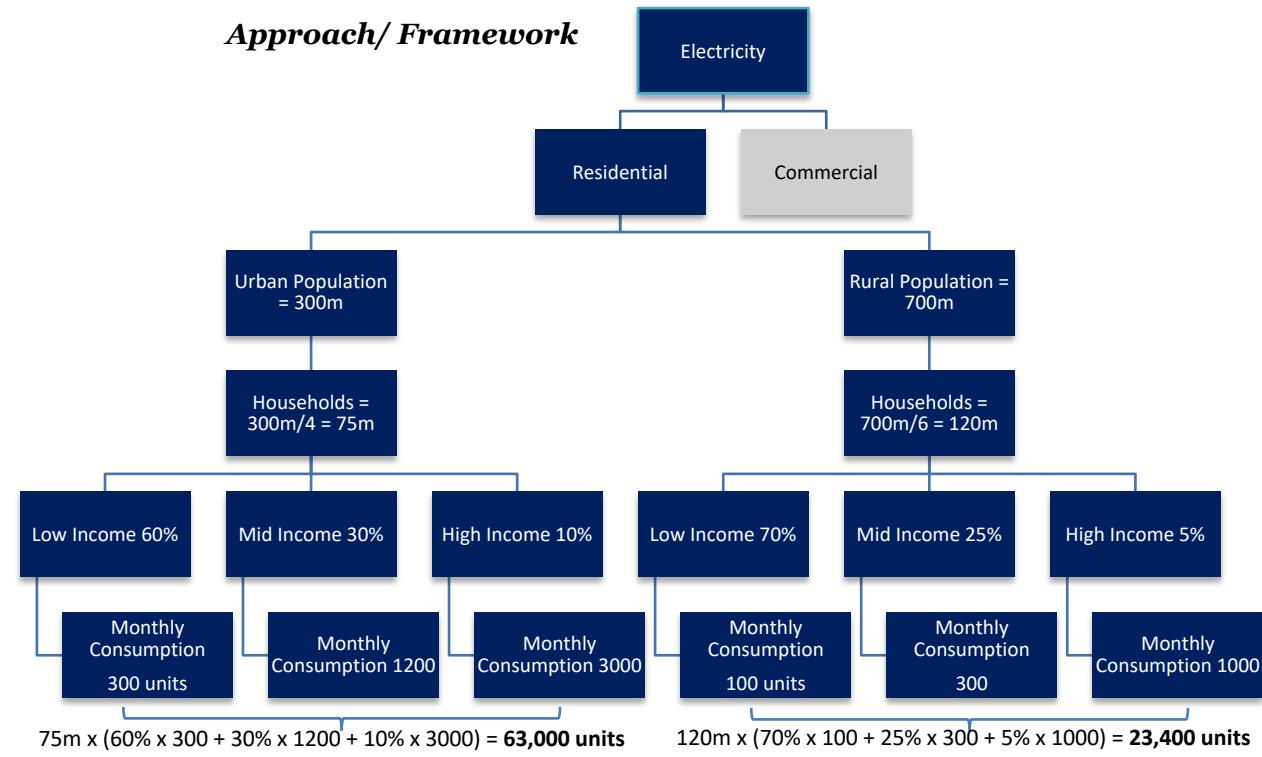
Interviewee Notes

- Clarify end-markets to be included (residential / commercial) because consumption rates are very different in these segments. In this case, focus only on residential.
- Within rural segment, interviewee should consider adjusting for (1) homeless people and (2) areas which are not electrified
- Weighing monthly consumption by % of households in the income type and multiplying this by # of households will give monthly units consumption

Case Facts

- NA

Approach/ Framework



Interview Summary

The candidate clarified the scope of the case (whether to include both residential and urban). Where he did not know, he made reasonable assumptions which he could justify. Candidate showed awareness of demographic information (rural/urban split, income distribution split)

Observations/Tips/Suggestions

- Be careful with numbers; silly calculation mistakes could be harmful.
- First create structure, then put numbers to it.
- Make reasonable assumptions and clarify with interviewers at each stage.

Guesstimate 2

To estimate the revenue of tourism in Gujarat in peak months

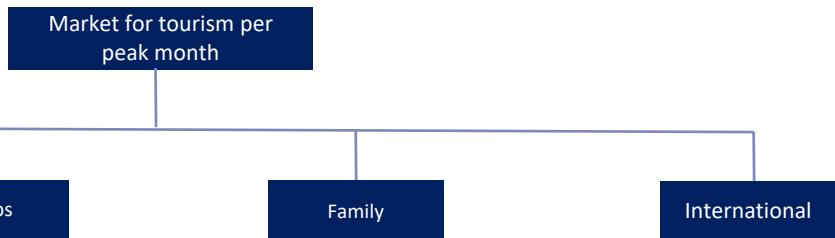
Interviewee Notes

- Was required to estimate cost per person per bucket and number of people in each bucket
- Usually it's easier to analyse group costs over individual costs
- Was required to take several assumptions
- Quantitatively intensive case, required a significant amount of breaking down into
- Number of marriages taken to be 10mn
- Calculation done for tourists only from urban India and abroad

Case Facts

- Cost per trip = Lodging + Travel + Food + Sightseeing
- Total Revenue = (Population x Can afford x No. in India x No. in Gujarat x No. in peak month/ No. of people per group) x cost per trip

Approach/ Framework



Filters	Couple	Groups	Family	International
Population	20mn	110mn	200mn	2mn
Can afford	20%	10%	10%	N/A
Number in India	80%	100%	80%	N/A
Number in Gujarat	5%	10%	5%	10%
Number in peak month	25%	8.33%	16.67%	25%
Number of people per group	2	5	5	2
Cost per trip/group	11,500	6,000	12,000	20,000
Lodging	4,000	2,000	5,000	5,500
Travel	2,000	1,500	2,000	4,000
Food	3,000	1,500	3,000	3,000
Sightseeing	2,500	1,000	2,000	7,500
Total revenue	230mn	110mn	320mn	500mn

Recommendations

- It's extremely important to know which buckets to consider in this case. Taking too many or too few buckets can lead to large errors
- Make reasonable assumptions with cost per group in each bucket. Lower income groups have less costs, and shall pull the average cost down

Interview Summary

The candidate was required to analyse several buckets to come to a reasonable approximation for the revenue of the Gujarat tourism industry.

Observations/Tips/Suggestions

When faced with guesstimates like these, which require the candidate to go into multiple directions one by one, it helps a lot to take structured notes and highlight important figures, so that the candidate does not lose track of the final solution in the process of analysing the smaller buckets.

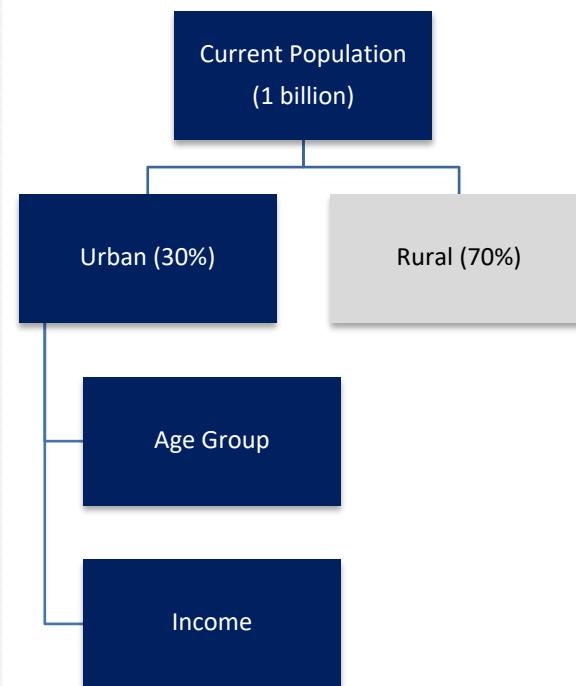
Guesstimate 3

Estimate the monthly mobile data usage (GB) in 2020

Interviewee Notes

- Divide current population into Urban and Rural. Calculate data for only Urban population, and extrapolate for Rural population using a similar logic
- In Urban areas, data usage is dependent on factors like age group (older generation may not be tech savvy) and income (lower income groups might not have access to smartphones)
- Estimate usage for 2017, and assuming an annual growth, predict usage for 2020

Approach/ Framework



Monthly Data Usage (in GB) by different age groups & income levels

	Income	Low	Medium	High
Age		60%	30%	10%
0-15	25%	0	0	0.5
15-30	35%	0.1	5	6
30-50	25%	0.1	2	4
>50	15%	0	0	2
Weighted Average (WA)	0.036	0.675	0.353	

Total (Sum of WA)	Population	Data Usage (GB) / month (2017)	Annual Growth	Data Usage (GB) / month (2020)
1.064	300 m	320 m	10%	425 m

Recommendations

- Should first create structure, then put numbers to it
- Make reasonable assumptions, clarify with interviewers at each stage
- Be prepared to justify your assumptions at each stage

Interview Summary

The candidate clarified the scope of the case; and made relevant assumptions wherever necessary. The candidate could have taken whole numbers to simplify the calculations.

Observations/Tips/Suggestions

Should be careful with numbers; silly calculation mistakes could be harmful. Case could have more layers.

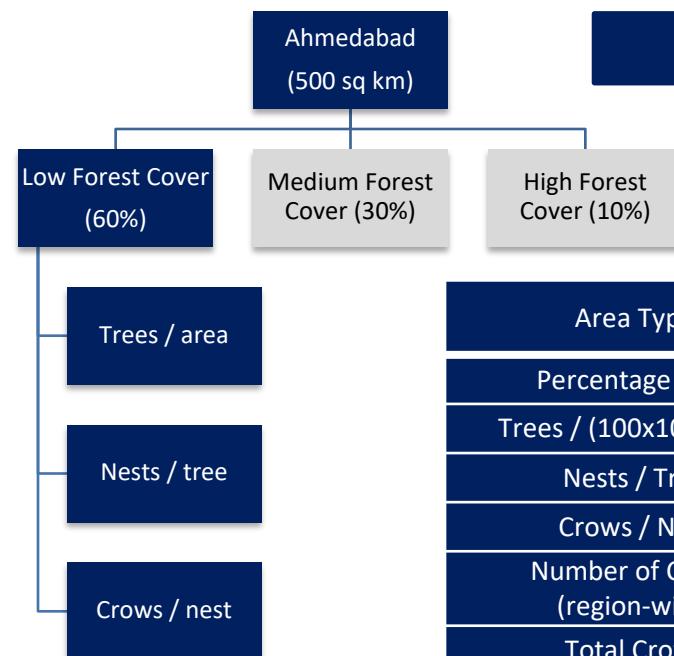
Guesstimate 4

Estimate the number of Crows in Ahmedabad

Interviewee Notes

- Since crows will be flying over different areas during the day, it would be difficult to determine total number of crows.
- Assume no crow leaves or enters the city (or assume number of crows during the day to be the same as during the night)
- At night, crows rest on trees. Try to find out the trees in different regions of Ahmedabad, and using this data, guesstimate the number of crows.

Approach/ Framework



Starting Assumption: Ahmedabad Area : 500 (25x20) sq km

Area Type	Low Forest Cover	Medium Forest Cover	High Forest Cover
Percentage Area	60%	30%	10%
Trees / (100x100 sq m)	10	20	50
Nests / Tree	0.2	0.1	0.1
Crows / Nest	4	4	4
Number of Crows (region-wise)	240,000	120,000	100,000
Total Crows	460,000		

Suggestions

- This is an interesting guesstimate; take some time to create the structure, get interviewer's approval for your logic, and then possibly put numbers
- Make reasonable assumptions, clarify with interviewers at each stage

Interview Summary

The candidate brought structure to an out-of-the-box question.

Observations/Tips/Suggestions

Candidates should not get flustered when faced with unconventional questions. It is ok to take some time to work through the question. Take the interviewer through your thought process at every stage

Guesstimate 5

Estimate the daily revenue of an airport

Interviewee Notes

- Only cover the most substantial revenue streams
- Assume shops pay a fixed and a variable fee to the airport
- The number of flights per hour depends on whether it is a rush hour
- Assume that the revenue from advertising primarily comes from billboards
- Assume that parking + lounge are only a minor revenue stream for airports and can be skipped.
- Assume that the airline fees primarily come from the variable fee for slots

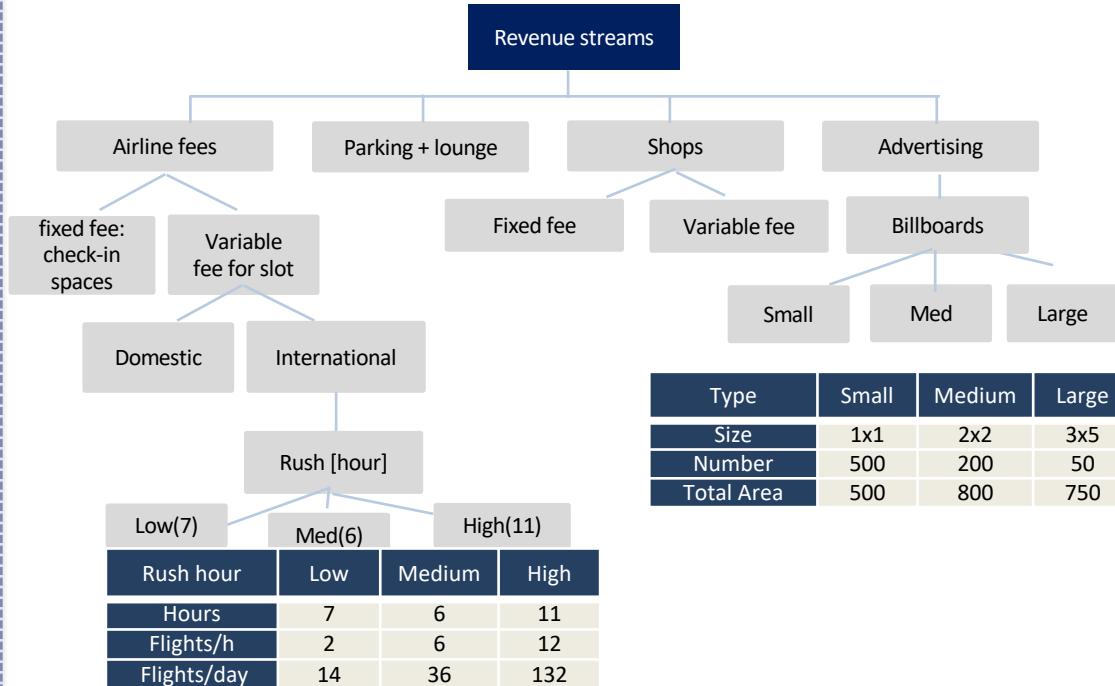
Case Facts and calculations

Revenue airline fee: 5% of the total ticket fare

Revenue from shops:

(Fixed fee per shop + % of revenue * Volume) * Number of shops

Advertising Revenue= Meters of billboards * price/meter



Interview Summary

This is a guesstimate case where the interviewee should quickly identify the most important revenue streams before laying down a structure and solving the case

Observations/Tips/Suggestions

- Should first create structure, then put numbers to it
- Make reasonable assumptions, clarify with interviewers at each stage
- Be prepared to justify your assumptions at each stage

Guesstimate 6

Estimate the yearly revenue of an IPL team

Interviewee Notes

- Only cover the most substantial revenue streams
- IPL revenue only receives a small fraction of the revenue (35% for home games, 5% for away), the rest is paid to the league
- The circumference of a cricket pitch is approximately 400 meters
- The probability of winning the league is the same for each team (1/8)
- A league season consists of 14 matches
- Merchandise is only a minor revenue stream for an IPL team, and hence, can be skipped

Case Facts and Calculations

Revenue advertising:

$$\begin{aligned} & (\text{Price per m of billboard} * \text{length}) * \text{Matches} \\ & 5000 * 400 * 7 = 1.4 \text{ Crore} \\ & (\text{Small shirt ads} * \text{Price} + \text{shirt sponsor}) * \text{matches} \\ & (10 * 5 \text{ Lakh} + 20 \text{ Lakh}) * 14 = 10 \text{ Crore} \end{aligned}$$

Revenue tickets:

$$\text{Nr. of home matches} * \text{Tickets} * \text{Ticket price} * \% \text{ of revenue} \quad (\text{same for away matches})$$

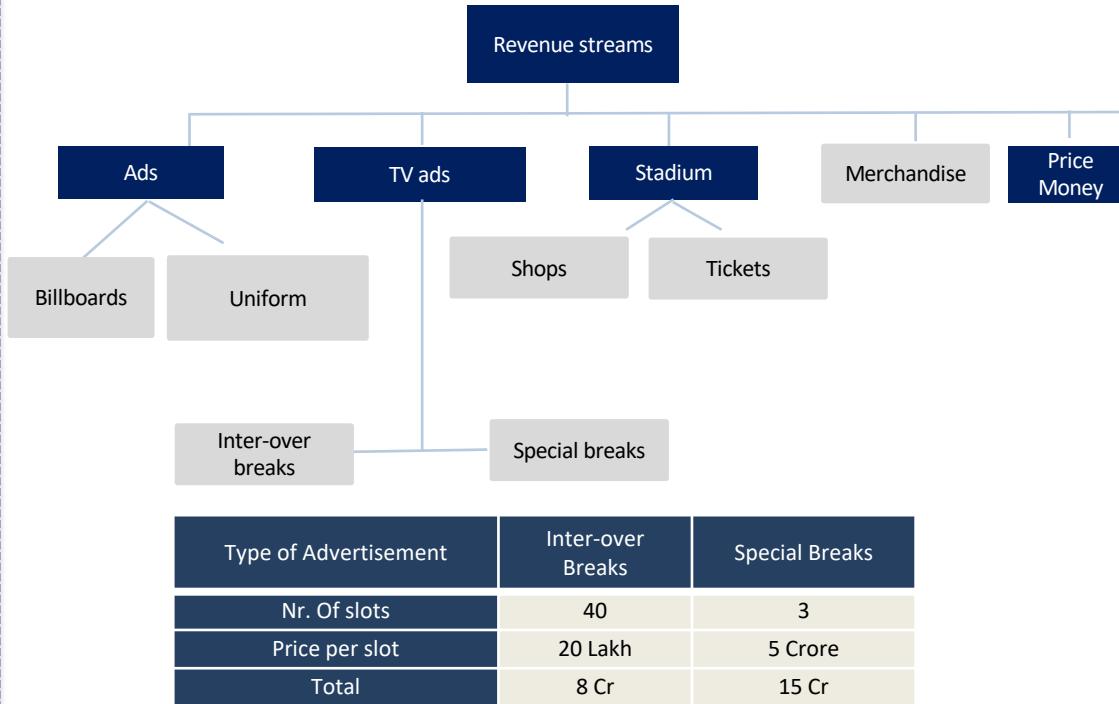
$$7 * 50k * 500 * 0.35 + 7 * 50k * 500 * 0.05 \approx 7 \text{ CR}$$

Price Money

$$\begin{aligned} & \text{Probability of winning} * \text{price money} \\ & (1/8) * 5 \text{ Cr} \approx 60 \text{ Lakh} \end{aligned}$$

TV ads (See Framework)

Approach/ Framework



Recommendations/Solution

Based on my assumptions and analysis I conclude that the yearly revenue of an IPL team is 42 Crore

Interview Summary

This is a guesstimate case where the interviewee should quickly identify the most important revenue streams before laying down a structure and solving the case

Observations/Tips/Suggestions

- Candidate should define the structure first before moving to the calculations
- Clearly communicate your assumptions to interviewer
- Only focus on the most important revenue streams. Communicate to the interviewer why you leave out certain revenue sources

Guesstimate 7

Estimate the number of emails flowing through IIMA mail server

Interviewee Notes

- Guesstimate and was told to exclude PGPX and other programs for simplicity.

Approach/ Framework



$$\begin{aligned}
\text{PGP 1 :} \\
&= \# \text{ courses} * \# \text{ students} * \# \\
&\text{mails/course} \\
&= 6 * 450 * 3 = \mathbf{8.1 \text{ k/week}}
\end{aligned}$$

$$\begin{aligned}
\text{GNB: } &10/\text{week} * \\
&\text{Community size (2k)} \\
&= \mathbf{20\text{k/week}}
\end{aligned}$$

$$\begin{aligned}
&4 \text{ Joos} + 6 \text{ SPFS/JPNS/day} \quad 5 \text{ mails per community} \\
&= 10/\text{day} * 7 * 1000 (\text{No of member}) = 5 * 2k \\
&\text{students) } \\
&= \mathbf{10\text{k/week}} \\
&= \mathbf{70\text{k/week}}
\end{aligned}$$

$$\begin{aligned}
\text{PGP2:} \\
&= \# \text{ courses} * \# \text{ students} * \\
&\# \text{ mails/week} \\
&= 30 * 80 * 3 \\
&= \mathbf{7.2 \text{ k/week}}
\end{aligned}$$

Framework Summary

Structured the case into 4 parameters – Academic, Administrative, SIF and Peer to peer.

#mails/course: 2 from Instructor on average and 1 for the quiz notification

Community size: 1000 students + 1000 faculty, academic and other staff.

There will be some other additional external mails which are sent from outside.

Also PGPX and other programs are not taken into consideration.

Tips

Well structured thought process.

Guesstimate 8

Estimate the total length of barbed wire used in India

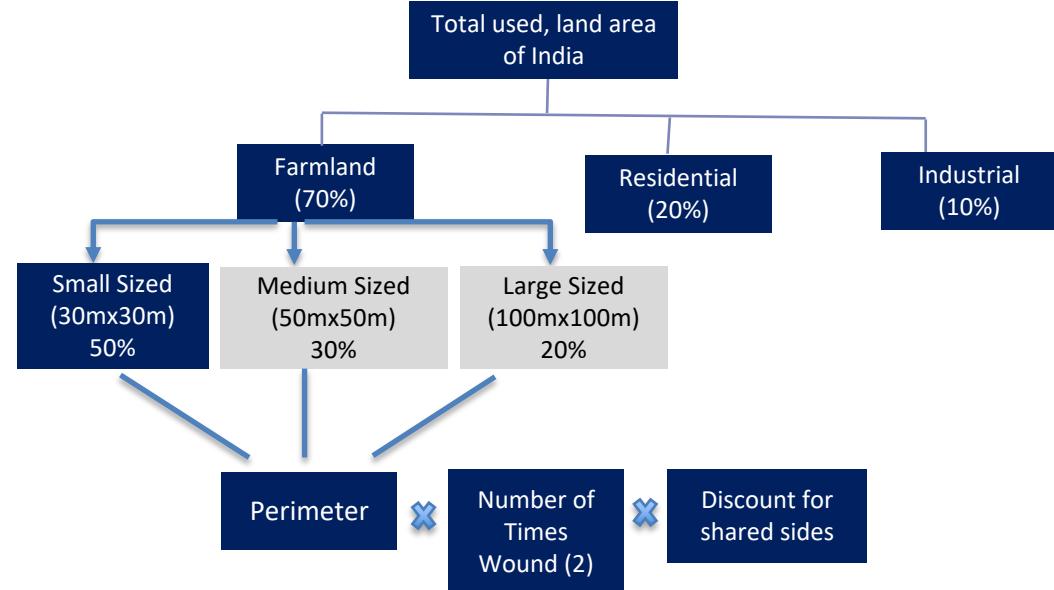
Interviewee Notes

- Assume square farmlands
- Find the average perimeter of each size of farmland
- Barbed wire needed = perimeter * number of times the wire is wound
- Adjacent farmlands would be sharing a common side of barbed wiring.
- Multiply the total number with a factor to account for how barbed wire is usually used: circled through the perimeter

Case Facts

- NA

Approach/ Framework



Recommendations

- Should first create structure, then put numbers to it
- Ask the interviewer if he would like you to focus on all the three branches or just one.

Interview Summary

The candidate was challenged to figure out that the major use of barbed wires is done on farmlands. In the structure, he was asked to ignore the residential and industrial sector and focus only on the farmlands.

Observations/Tips/Suggestions

Think deeply about the major uses of a product before you begin segmenting a suitable variable. Sometimes it may be hard to identify the major source of use of a product if you haven't seen that source yourself.

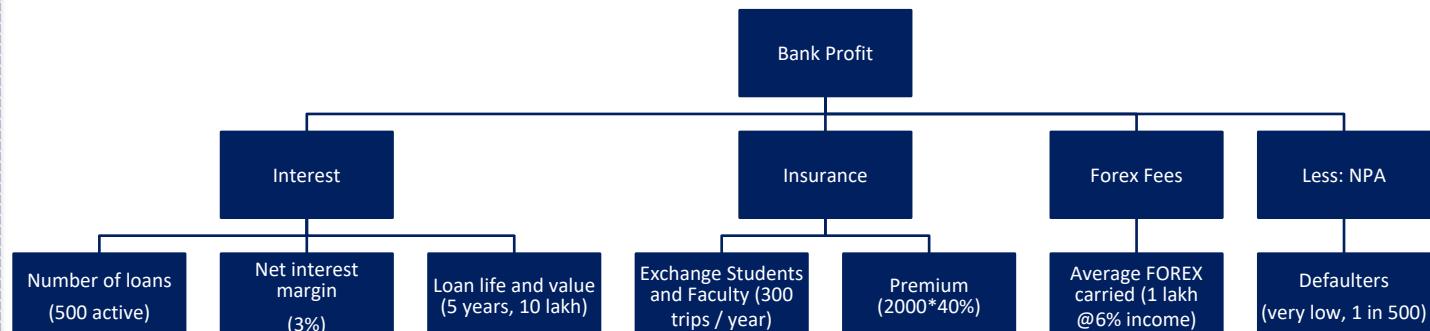
Guesstimate 9

To estimate profit made by SBI branch in IIMA Campus.

Calculations

- Loans per year ~100; Lifetime – 5 yrs
- 500 active loans at any point
- Principal Rs.10 lakh (for 20 lakh fee – averaged over repayment of 5 years)
- Net interest margin – 3%
- Interest income = $500 \times 10 \times 3\% = \text{INR } 1.5 \text{ Cr}$
- Exchange students – 100 trips/ year
- Faculty – 200 trips / year
- Insurance Premium per person – 2000
- ~ 40% commission for per policy
- Fees – $300 \times 2000 \times 0.4 = \text{INR } 2.4 \text{ lakh}$
- Forex – INR 6000 per person (assume everyone carries INR 1 lakh worth FOREX)
- Forex income = $300 \times 6000 = \text{INR } 18 \text{ lakh}$
- NPA – Total Loss of Principal and Interest – 1 per year
- ~INR 25 lakh

Approach/ Framework



Recommendations

- Understanding the concept of loan life and other bank revenue streams is important

Tips / Suggestions

- Reasonable assumptions were made regarding number of students going on exchange.

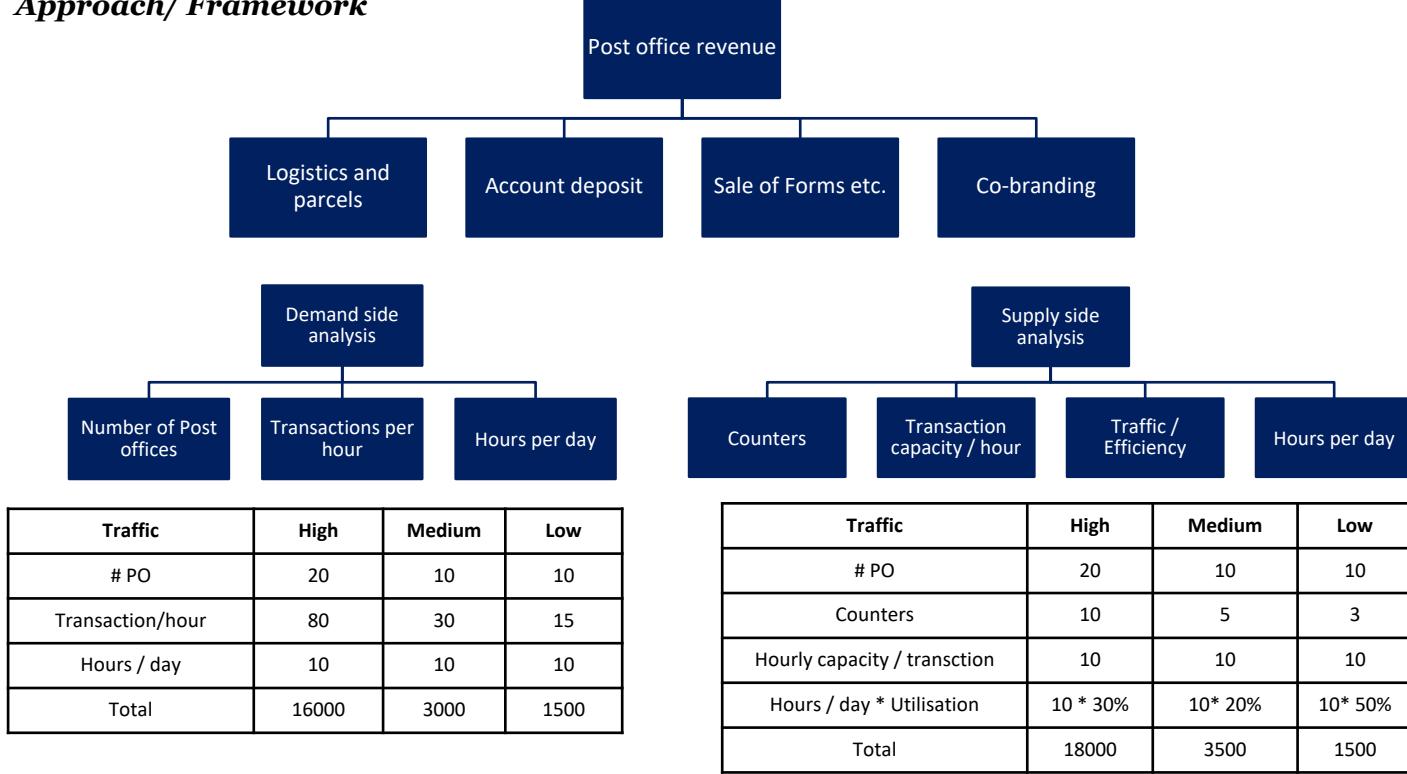
Guesstimate 10

Estimate the revenue of a typical post office in India.

Calculations

- Major portion of revenue – logistics and parcels. Others ignored
- Typical circle of coverage for a metro post office ~ 2 km radius or 12 km²
- Typical metro area = 500 km²
- Thus, 40 post offices in the metro
- Assume, high volume – 20 and medium, low - 10
- Two approaches – demand side (number of transactions) and supply side (number of counters, utilisation in a day)
- Revenue per parcel ~ 50, neglect any charges for extra weights etc
- Total parcels ~ 20000
- Total revenue ~ INR 10 lakh

Approach/ Framework



Recommendations

- Can be approached from either of the demand / supply sides.

Tips / Suggestions

- It is essential to structure the revenue into different streams first.
- Interviewer will automatically guide you to focus only on the stream of logistics and parcels.