



Industry Analysis

1. Media and Entertainment
2. Airlines
3. Retail
4. Automotive
5. Restaurants
6. Health Care Providers
7. Health Care Payers
8. Energy
9. Education
10. Internet Services
11. Pharmaceutical
12. Private Equity



- Created by Strategy Development team for Case Prep 2023-24
- These are not meant to be sample frameworks, but rather a quick fact sheet about major drivers, players, customers and risks.
- Changelog
 - Industry changes
 - Added
 - Media and Entertainment
 - Internet Services
 - Energy
 - Education
 - Separated 'Healthcare' into patient and provider
 - Removed 'Oil and Gas'
 - Revised template to support casing and conversational requirements
 - Updated additional learning material to latest sector reports

Media and Entertainment



Stakeholders	Revenue Streams and Drivers	Cost Drivers		Channels
<ul style="list-style-type: none">• Consumers• Talent - actors, writers, producers, artists• Advertisers• Distributors (theaters, streaming platforms, TV networks)• Government (FCC oversight)	<ul style="list-style-type: none">• Advertising - rates based on viewership, Circulation, traffic• Subscriptions - for streaming services and publications• Box office revenue - ticket sales for theatrical releases• Licensing - syndication, distribution rights for content	Fixed	Variable	<ul style="list-style-type: none">• Theaters• Broadcast networks• Streaming platforms• Social media
		<ul style="list-style-type: none">• Technology costs• Studio infrastructure	<ul style="list-style-type: none">• Distribution• Marketing (<i>major</i>)• Production Costs• Labor	
Customer Segments		Risks		Miscellaneous
<ul style="list-style-type: none">• Movie buffs - frequent cinemagoers• TV addicts - loyal to favorite shows and genres• Music lovers - consume a variety of artists and genres• Casual consumers - view entertainment as leisure		<ul style="list-style-type: none">• Piracy and illegal streaming• Shifting consumer preferences• Production delays or failures• Censorship and regulatory changes• Consolidation raising anti-trust issues		<ul style="list-style-type: none">• Technology disrupting traditional business models• Globalization increasing international revenue• Merchandising, licensing major additional revenue• Awards are critical for marketing prestige films• Social media engagement key for promotion

Additional Learning

- [Global M&E Outlook \(PwC\)](#)
- [M&E Trends and Forecasts \(Mordor Intelligence\)](#)

Airlines



Stakeholders	Revenue Streams and Drivers	Cost Drivers		Channels
<ul style="list-style-type: none">• Customers• Staff (Pilots, attendants, ground staff, operations)• Suppliers (Aircraft manufacturers, fuel/food providers, airports)• Maintenance, Repair and Overhaul	<ul style="list-style-type: none">• Ticket sales to both business and economy passengers• Baggage and priority boarding services (up selling)• Cargo transportation• Credit cards• Value added services (food/drinks/wifi/etc.)	Fixed	Variable	<ul style="list-style-type: none">• Internet online travel sites, airline websites• Airline sales team: call centers, online, or kiosk• Travel management companies (TMCs) serving corporate clients, travel agents
		<ul style="list-style-type: none">• Equipment leases• Marketing• Airport fees• Insurance/legal• Staff salaries	<ul style="list-style-type: none">• Fuel• Labor• Airport fees and taxes• Maintenance and repairs	
Customer Segments		Risks		Miscellaneous
<ul style="list-style-type: none">• Business travelers - need schedules, loyalty programs, high margin customers• Leisure tourists - Need affordable vacations• Visiting friends/family - Need low fares• International transit - Need route networks• Freight/Cargo Transportation		<ul style="list-style-type: none">• Fuel price fluctuations• Economic downturns affect demand• Intensely competitive market with some foreign airlines partly government subsidized• Terrorism and flight safety (737 Max)• Environmental regulations (Sustainable fuel)• Labor disputes and strikes• Weather and technology (Southwest) disruptions		<ul style="list-style-type: none">• Government regulation - highly regulated industry with oversight on safety, routes, airport access, etc.• Low cost carriers and fare competition on competitive routes• Expansion of domestic and international routes• Capacity optimization (load factor)• Seasonality of demand fluctuates significantly by impacting capacity and pricing

Additional Learning

- [Passenger airlines in the U.S. \(Statista\)](#)
- [Aviation Leaders Report 2023 \(KPMG\)](#)

Retail



Stakeholders	Revenue Streams and Drivers	Cost Drivers		Channels
<ul style="list-style-type: none">• Customers• Employees/ Labor Unions• Suppliers• Competitors (department stores, specialty retailers, online stores)• Mall operators - owners of retail real estate, landlords	<ul style="list-style-type: none">• Product sales• Membership fees / rewards programs - e.g. Costco / Amazon Prime; driven by providing value• Extended warranties• Services - installation, repair, rental• Advertising• Slotting (shelf placement fees)	Fixed	Variable	<ul style="list-style-type: none">• Physical stores<ul style="list-style-type: none">• Department Stores• Big box retailers• Discount retailers• Demographic retailers• Shopping malls• Ecommerce sites / Mobile apps• Social media
		<ul style="list-style-type: none">• Rent / ownership• Utilities• Marketing	<ul style="list-style-type: none">• Inventory• Wages• Logistics	
Customer Segments	Risks		Miscellaneous	
<ul style="list-style-type: none">• Consumer oriented. Generally segmented into different income, demographics, buying habits, and age• Bargain shoppers - motivated by sales, low prices• Convenience seekers - want speed, ease of checkout• Experience shoppers - looking for engagement, entertainment• Brand followers - loyal to labels, styles they connect with	<ul style="list-style-type: none">• Shifting consumer preferences• Economic downturn reducing purchasing power/disposable income• Supply/demand issues (Seasonal products, Evergrande blocking the Suez canal)• Cybersecurity threats with digital operations• New entrants disrupting with online and D2C models		<ul style="list-style-type: none">• KPIs to lookout for:<ul style="list-style-type: none">• Same store sales• Inventory turnover• Sales per square foot• Seasonal fluctuations in consumer spending• Retail consolidation through mergers & acquisitions• Omnichannel integration for a uniform customer experience	

Additional Learning

- [2023 Retail Industry Outlook \(Deloitte\)](#)
- [Retail market in the United States \(Statista\)](#)

Automotive



Stakeholders	Revenue Streams and Drivers	Cost Drivers		Channels
<ul style="list-style-type: none">● Customers● Employees● Suppliers (raw material and parts manufacturers, tech vendors)● Dealers - franchisees selling and servicing vehicles● Government - safety and emissions	<ul style="list-style-type: none">● Vehicle sales - pricing driven by options, competition, financing● Maintenance/repairs● Certified pre-owned - capturing used car market● Financing<ul style="list-style-type: none">● Loans● Leases	Fixed	Variable	<ul style="list-style-type: none">● Dealers (test drives, negotiate price)● Original Equipment Manufacturer (OEM)/Brand websites - customize options, order online● Auto shows - unveil new models, generate buzz● Social media
		<ul style="list-style-type: none">● Manufacturing infrastructure● Financing● Advertising● R&D● Marketing	<ul style="list-style-type: none">● Raw material● Labor● Recall costs	
Customer Segments		Risks		Miscellaneous
<ul style="list-style-type: none">● Individual drivers - focused on pricing, styling, performance● Families - need space, safety, comfort features● Businesses - fleet vehicles, trucks purchased by rental car companies, governments, delivery fleets etc● Enthusiasts - passionate about makes, models, customization● Commercial - Delivery vans & trucks (Rivian + Amazon)		<ul style="list-style-type: none">● Rising raw material costs (Lithium, Cobalt)● Demand fulfilled by ride-sharing● Shifts in consumer preferences● New emissions regulations● Disruptions by EV startups and corresponding charging infrastructure, and supply chain (Semiconductor)● Unions and manufacturing disruptions / cost increases		<ul style="list-style-type: none">● New technologies (autonomous, connected, electric)● Aftermarket customization and accessories big business● Sensitivity to economic cycles and gas prices● Extensive competition due to foreign automakers

Additional Learning

- [Automotive Industry Worldwide \(Statista\)](#)
- [Automotive revolution – perspective towards 2030](#)

Restaurants



Stakeholders	Revenue Streams and Drivers	Cost Drivers		Channels
<ul style="list-style-type: none">• Customers• Suppliers• Government - health and safety regulators• Local communities - jobs, tax revenue	<ul style="list-style-type: none">• Food and beverage sales - pricing driven by costs, competition• Franchise fees - for brands' operating methods• Ancillary - reservations, merchandising, events• Alcohol sales - higher margins, but regulated• Catering• Merchandise (McD happy meal, Erewhon Tote Bag)	Fixed	Variable	<ul style="list-style-type: none">• Physical locations:<ul style="list-style-type: none">• Dine-in• Takeaway• Owned delivery & Ghost kitchen• Delivery aggregators (DoorDash)• Online (Yelp, Google Maps), social media
		<ul style="list-style-type: none">• Real estate• Equipment• Marketing• Franchise royalties	<ul style="list-style-type: none">• Perishable ingredients• Non-perishable ingredients• Utilities (gas)• Labor	
Customer Segments	Risks		Word of mouth Miscellaneous	
<ul style="list-style-type: none">• Families - casual dining, kid-friendly meals• Professionals - business lunches and dinners• Tourists - experiencing local cuisines• Health-conscious - looking for nutritious options	<ul style="list-style-type: none">• Labor shortages• Increased food costs• Changing consumer preferences• Food safety issues• Per capita disposable income• Office occupancy rates		<ul style="list-style-type: none">• Range from independent to major nationwide chains• Significant capital costs for renovations, expansions• Supply chain challenges impacting inventory• Sustainability initiatives around waste, packaging• Repeat customers represent a large share of customers	

Additional Learning

- [State of the Restaurant Industry 2022 \(BofA\)](#)
- [Restaurants & Food Service Industry \(Deloitte\)](#)

Healthcare Providers



Stakeholders	Revenue Streams and Drivers	Cost Drivers		Channels
<ul style="list-style-type: none">● Patients● Providers - doctors, nurses, healthcare professionals● Payers (insurance, Medicare/aid)● Suppliers - medical device, pharma, tech vendors● Government (regulators, policymakers)	<ul style="list-style-type: none">● Insurance premiums - risk-based pricing● Medical services - based on insurance coverage, ability to pay● Medical products - devices, pharma; patent-protected pricing● Public health funding - Medicare, Medicaid, grants● Investment income - investment of premium dollars	Fixed	Variable	<ul style="list-style-type: none">● Hospitals and clinics - care delivery● Insurer offices - enroll members, explain coverage● Online - telehealth, insurance sales, Rx orders● Pharmacies - distribute drugs and devices
		<ul style="list-style-type: none">● Facilities● Claims process● R&D	<ul style="list-style-type: none">● Drugs and devices● Labor	
		<ul style="list-style-type: none">● High costs of new tech implementation● Inefficient organizational structures		
Customer Segments		Risks		Miscellaneous
<ul style="list-style-type: none">● Individuals - shop for affordable care and coverage● Employers - provide employee health benefits● Government - Medicare, Medicaid, VA members		<ul style="list-style-type: none">● Rising healthcare costs and utilization● Strict regulations and compliance● Uninsured and underinsured patients. Federal funding for Medicare and Medicaid.● Market consolidation● Economic conditions impacting eligibility		<ul style="list-style-type: none">● Interoperability and data sharing challenges● Aging Baby Boomer population (in US) driving increased revenues● Consumerism and member experience growing focus● Innovations in digital health and analytics● Consumerism and member experience growing focus

Additional Learning

- [U.S. Health Care from a Global Perspective](#)
- [US Healthcare Industry in 2023](#)

Healthcare Payers



Stakeholders	Revenue Streams and Drivers	Cost Drivers	Channels
<ul style="list-style-type: none"> Members - individuals and employers insured Providers - doctors, hospitals in network Employees - claims staff, account management Brokers - sell plans and facilitate enrollment 	<ul style="list-style-type: none"> Insurance premiums - risk-based pricing Public health funding - Medicare, Medicaid, grants Investment income - investment of premium dollars 	<ul style="list-style-type: none"> Medical claims Sales and marketing Broker commissions 	<ul style="list-style-type: none"> Insurance brokers - advisers, enrollment Employers - offer plans to employees Marketplaces - sell individual and small group plans Websites - self-service account management
Customer Segments	Risks		Miscellaneous
<ul style="list-style-type: none"> Individuals - shop for affordable care and coverage Employers - provide employee health benefits Government - Medicare, Medicaid, VA members Worldwide - medical tourism for procedures 	<ul style="list-style-type: none"> Rising healthcare costs Pandemics and disease outbreaks Strict regulations and compliance Uninsured and underinsured patients. Federal funding for Medicare and Medicaid 		<ul style="list-style-type: none"> Preventive care and personalized medicine trends Consolidation of payers, providers, pharmacies Interoperability and data sharing challenges Staffing shortages - doctors, nurses Aging Baby Boomer population (in US) driving increased revenues Affordable Care Act has had major implications

Additional Learning

- [U.S. Health Care from a Global Perspective](#)
- [US Healthcare Industry in 2023](#)

Energy



Stakeholders	Revenue Streams and Drivers	Cost Drivers		Channels
<ul style="list-style-type: none">• Customers• Suppliers - equipment, turbine, panel, cable manufacturers• Competitors - utilities, independent power producers• Distribution (pipeline) & Refining• Government - regulators, policymakers	<ul style="list-style-type: none">• Electricity sales - rates set by public utility commissions• Natural gas sales - prices follow market conditions• Oil/gasoline sales - driven by crude prices set on markets• Renewable incentives - tax credits, feed-in tariffs	Fixed	Variable	<ul style="list-style-type: none">• Utilities distribute electricity, gas, bill customers• Oil/gas sold business to business and at gas stations• Solar, wind farms sell power to grid operators• Websites, apps provide account management
		<ul style="list-style-type: none">• Infrastructure• Operations and Labor• Exploration (seismic study, drilling)	<ul style="list-style-type: none">• Fuel costs• Maintenance• Transmission	
Customer Segments	Risks		Miscellaneous	
<ul style="list-style-type: none">• Residential - need lighting, heating, appliances• Commercial - offices, buildings require electricity• Industrial - manufacturing plants are major consumers• Government - large energy buyer	<ul style="list-style-type: none">• Price volatility of natural gas, oil• Aging infrastructure• Adoption of distributed renewable energy• Weather events (Austin,TX winter & Hawaii wildfires) damaging facilities and grids• Cyberattacks on operational systems• OPEC decisions		<ul style="list-style-type: none">• Push toward decarbonization, clean energy, nuclear, fracking• Smart grid, metering, demand-side management trends• Electric vehicle growth impacting power demand• Government intervention and possible deregulation opening retail power markets• Energy storage advances enabling renewables	

Additional Learning

- [U.S. Energy Facts \(Energy Information Administration\)](#)
- [Energy Sector Overview \(WSU\)](#)

Education



Stakeholders	Revenue Streams and Drivers		Cost Drivers		Channels
<ul style="list-style-type: none">● Students● Teachers● Administrators● Parents● Government (oversight, policy, loans, and funding)● Employers (hire students)	<ul style="list-style-type: none">● Tuition - set based on type of institution, operating costs● Public funding - government support and grants● Donations - gifts from alumni, foundations, corporations● Research - academic R&D, patents, technology transfer	Fixed	Variable	<ul style="list-style-type: none">● Campuses - physical classroom instruction● Online platforms - eLearning systems and resources● Admissions offices - recruit students● Career centers - connect students to employers	
		<ul style="list-style-type: none">● Facilities● Faculty compensation● IT infrastructure	<ul style="list-style-type: none">● Student services● Supplies and equipment		
Customer Segments		Risks		Miscellaneous	
<ul style="list-style-type: none">● Traditional students - seek full-time degrees● Working professionals - upskill through part-time/online● International students - looking to study abroad● Lifelong learners - take individual courses		<ul style="list-style-type: none">● Rising costs and student debt● Competition from alternative credentials● Demographic shifts in college-age population● Technology disruption of instruction models● Public perception and value of higher ed		<ul style="list-style-type: none">● Range from public to private institutions● Accreditation key for reputation and funding● International branch campuses expanding globally● Industry consolidation through M&A	

Additional Learning

- [Education worldwide \(Statista\)](#)
- [Higher Education Market Outlook 2023 \(IMARC Group\)](#)

Internet Services



Stakeholders	Revenue Streams and Drivers	Cost Drivers		Channels
<ul style="list-style-type: none">Individual consumersBusiness customersEmployeesHardware partnersRegulators (privacy, content oversight)Advertisers	<ul style="list-style-type: none">AdvertisingSubscriptionsTransaction feesAffiliate marketing - revenue share for driving traffic, sign-ups	Fixed	Variable	<ul style="list-style-type: none">Websites and mobile applicationsApp stores - distribution platformsAdvertising networks - user targeting and deliveryAffiliate programs - third party promotion
		<ul style="list-style-type: none">Technology infrastructureR&DEngineering talent	<ul style="list-style-type: none">Sales and marketingSupport servicesCompliance	
Customer Segments		Risks		Miscellaneous
<ul style="list-style-type: none">Personal users - free services, communication, entertainmentBusinesses - pay for productivity, advertising, infrastructureDevelopers - build on top of platforms and APIsAdvertisers - targeted customer outreach		<ul style="list-style-type: none">Changing regulations around privacy and contentSecurity threats such as hacking, viruses, fraudHardware infrastructure failures or service outagesMaintaining trust and loyalty of usersCompetition from new innovations		<ul style="list-style-type: none">Increasing shift towards mobile engagementRole as gatekeepers of information and commerceKey acquisitions expanding products and capabilitiesArtificial intelligence shaping user experiencesEnvironmental impact of electricity usage and e-waste

Additional Learning

- [Software Report \(Statista\)](#)
- [Technology Trends Outlook 2023 \(McKinsey\)](#)

Pharmaceutical



Stakeholders	Revenue Streams and Drivers	Cost Drivers		Channels
		Fixed	Variable	
<ul style="list-style-type: none"> • Patients • Healthcare providers • Payers - insurance companies, government programs • Employees • Regulators - FDA approval, safety oversight 	<ul style="list-style-type: none"> • Drug sales - patented products, pricing power • Licensing - rights to develop compounds • Milestone payments - for achieving clinical goals • Insurance coverage for drugs are a major driver of its sales volume • Grants (from federal government for R&D) 	<ul style="list-style-type: none"> • Clinical trials • R&D 	<ul style="list-style-type: none"> • Manufacturing • Marketing • Distribution 	<ul style="list-style-type: none"> • Wholesalers • Pharmacies (stores and mail order) • Hospitals • Pharmaceutical sales reps - visit doctors' offices
Customer Segments		Risks		Miscellaneous
<ul style="list-style-type: none"> • Primary care - initial prescribers for common diseases • Specialists - target specific therapeutic areas • Hospitals and health systems - major buyers • Payers - reimbursement influences prescribing • Pharmaceutical industry has an indirect marketing model where the consumers (patients) are not the ones making purchase decisions (doctors are) for most drugs 		<ul style="list-style-type: none"> • Drug development failures • Patent expirations allowing generics • Pricing pressures from payers • Regulatory compliance and safety • Dependence on external countries like China, India for manufacture of active pharmaceutical ingredients (APIs) 		<ul style="list-style-type: none"> • Highly competitive generic drug industry • Consolidation and M&A among big pharma • Political debates over drug pricing • Pressure to lower patient out-of-pocket costs • Robust pipeline key to long-term success

Additional Learning

- [Software Report \(Statista\)](#)
- [Technology Trends Outlook 2023 \(McKinsey\)](#)

Private Equity



Takeaways

- Value creation: selling underperforming assets, pricing optimization, diversifying customer base, operations efficiency
- Exit: strategic or IPO
- Synergies
- Stability of cash flows (IRR, NPV)
- Strong management team
- Targeted returns ~ 40%+
- Un-invested capital vs. invested

Revenue

- Components of the revenue charge:
 - Invested capital
 - Transaction and advisory fees
 - Carried interest
- Divestitures

Costs

- Wages and profit sharing (VC)
- Administrative costs (regulatory filings, record keeping, accounting and travel) (FC)
- Outsourcing of capital-intensive IT functions for algorithmic trading (VC)

(VC) = Variable Cost,
(FC) = Fixed Cost

Investors

- Pension funds (largest share)
- Private investors (e.g. High net worth individuals)
- Banks, sovereign funds and life insurance companies

Industry Averages

- Large firms focus on deals ~\$1B+; middle market firms cover deals between \$15M - \$1B
- Average holding period before sale has increased from 3 years to 6 years in the past 15 years
- Borrowing can typically range from 65% to 85% of the purchase price of the firm

Risks

- New regulations, compliance costs, rising competition, decreasing industry fees
- Competition also exists with sovereign wealth funds and corporate buyers
- Changes in tax structure

Economic Drivers

- Investor uncertainty/Pension demand
- Access to credit/interest rates
- Regulations
- Exit opportunities
- GDP/Investment returns

Additional Learning

- [Global Private Equity Report 2023](#)
- [McKinsey Global Private Markets Review 2023](#)