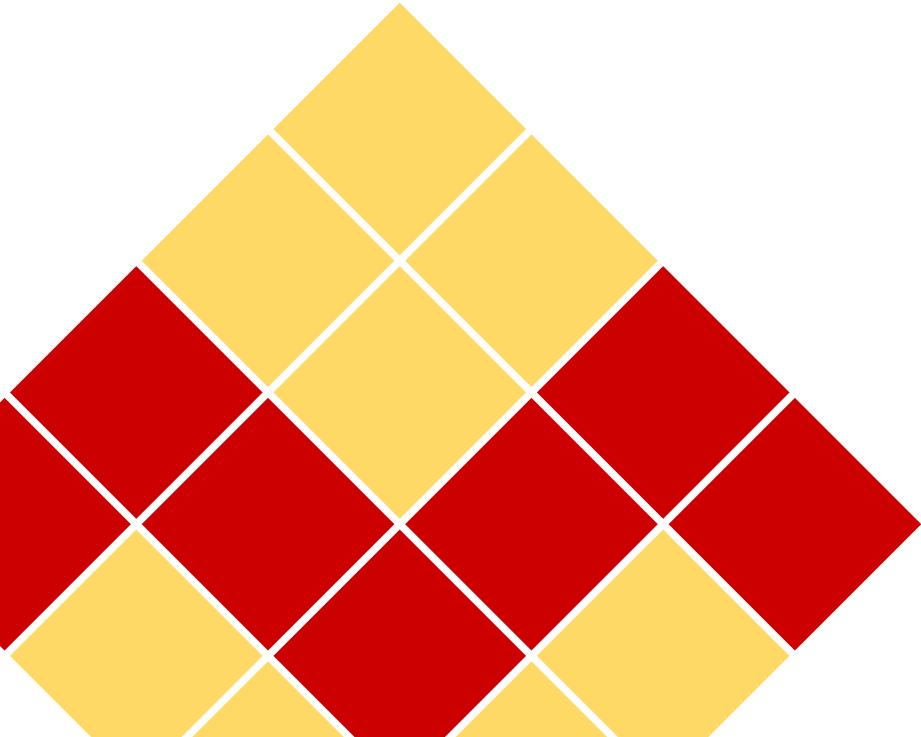


Preparation Materials



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

Notes



- 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 <ul style="list-style-type: none"> Technology costs Studio infrastructure 		Variable <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.) 	<table border="1"> <thead> <tr> <th data-bbox="986 292 1230 346">Fixed</th><th data-bbox="1230 292 1455 346">Variable</th></tr> </thead> <tbody> <tr> <td data-bbox="986 346 1230 544"> <ul style="list-style-type: none"> Equipment leases Marketing Airport fees Insurance/legal Staff salaries </td><td data-bbox="1230 346 1455 544"> <ul style="list-style-type: none"> Fuel Labor Airport fees and taxes Maintenance and repairs </td></tr> </tbody> </table>		Fixed	Variable	<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 	<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
Fixed	Variable							
<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

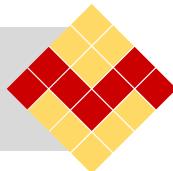


Stakeholders	Revenue Streams and Drivers	Cost Drivers		Channels
<ul style="list-style-type: none"> • Customers • Employees/ Labor Unions • Suppliers • Competitors (department stores, specialty retailers, online stores) • Mall operators - owners of retail real estate, landlords 	<ul style="list-style-type: 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 <ul style="list-style-type: none"> • Rent / ownership • Utilities • Marketing 		Variable <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

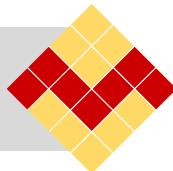


Stakeholders	Revenue Streams and Drivers	Cost Drivers		Channels
<ul style="list-style-type: none"> Customers Employees Suppliers (raw material and parts manufacturers, tech vendors) Dealers - franchisees selling and servicing vehicles Government - safety and emissions 	<ul style="list-style-type: none"> 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 <ul style="list-style-type: none"> Manufacturing infrastructure Financing Advertising R&D Marketing 		Variable <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

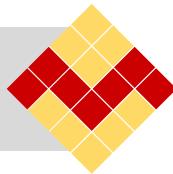


Stakeholders	Revenue Streams and Drivers	Cost Drivers	Channels				
<ul style="list-style-type: none"> Customers Suppliers Government - health and safety regulators Local communities - jobs, tax revenue 	<ul style="list-style-type: none"> Food and beverage sales - pricing driven by costs, competition Franchise fees - for brands' operating methods Ancillary - reservations, merchandising, events Alcohol sales - higher margins, but regulated Catering Merchandise (McD happy meal, Erewhon Tote Bag) 	<table border="1"> <thead> <tr> <th data-bbox="1000 292 1224 346">Fixed</th><th data-bbox="1224 292 1449 346">Variable</th></tr> </thead> <tbody> <tr> <td data-bbox="1000 346 1224 537"> <ul style="list-style-type: none"> Real estate Equipment Marketing Franchise royalties </td><td data-bbox="1224 346 1449 537"> <ul style="list-style-type: none"> Perishable ingredients Non-perishable ingredients Utilities (gas) Labor </td></tr> </tbody> </table>	Fixed	Variable	<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 	<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 <p>Word of mouth</p> <p>Miscellaneous</p> <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
Fixed	Variable						
<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 						

Additional Learning

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

Healthcare Providers

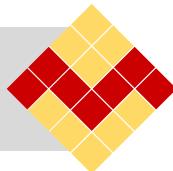


Stakeholders	Revenue Streams and Drivers	Cost Drivers	Channels						
<ul style="list-style-type: none"> Patients Providers - doctors, nurses, healthcare professionals Payers (insurance, Medicare/aid) Suppliers - medical device, pharma, tech vendors Government (regulators, policymakers) 	<ul style="list-style-type: 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 	<table border="1"> <thead> <tr> <th data-bbox="1071 298 1224 335">Fixed</th><th data-bbox="1224 298 1445 335">Variable</th></tr> </thead> <tbody> <tr> <td data-bbox="1071 335 1224 454"> <ul style="list-style-type: none"> Facilities Claims process R&D </td><td data-bbox="1224 335 1445 454"> <ul style="list-style-type: none"> Drugs and devices Labor </td></tr> <tr> <td data-bbox="1071 454 1224 543"> <ul style="list-style-type: none"> High costs of new tech implementation Inefficient organizational structures </td><td data-bbox="1224 454 1445 543"></td></tr> </tbody> </table>	Fixed	Variable	<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 		<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
Fixed	Variable								
<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 insuredProviders - doctors, hospitals in networkEmployees - claims staff, account managementBrokers - sell plans and facilitate enrollment	<ul style="list-style-type: none">Insurance premiums - risk-based pricingPublic health funding - Medicare, Medicaid, grantsInvestment income - investment of premium dollars	<ul style="list-style-type: none">Medical claimsSales and marketingBroker commissions	<ul style="list-style-type: none">Insurance brokers - advisers, enrollmentEmployers - offer plans to employeesMarketplaces - sell individual and small group plansWebsites - self-service account management
Customer Segments	Risks	Miscellaneous	
<ul style="list-style-type: none">Individuals - shop for affordable care and coverageEmployers - provide employee health benefitsGovernment - Medicare, Medicaid, VA membersWorldwide - medical tourism for procedures	<ul style="list-style-type: none">Rising healthcare costsPandemics and disease outbreaksStrict regulations and complianceUninsured and underinsured patients. Federal funding for Medicare and Medicaid	<ul style="list-style-type: none">Preventive care and personalized medicine trendsConsolidation of payers, providers, pharmaciesInteroperability and data sharing challengesStaffing shortages - doctors, nursesAging Baby Boomer population (in US) driving increased revenuesAffordable 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 <ul style="list-style-type: none"> Infrastructure Operations and Labor Exploration (seismic study, drilling) 		Variable <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 <ul style="list-style-type: none"> Facilities Faculty compensation IT infrastructure 		Variable <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 		

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 consumers Business customers Employees Hardware partners Regulators (privacy, content oversight) Advertisers 	<ul style="list-style-type: none"> Advertising Subscriptions Transaction fees Affiliate marketing - revenue share for driving traffic, sign-ups 	Fixed <ul style="list-style-type: none"> Technology infrastructure R&D Engineering talent 		Variable <ul style="list-style-type: none"> Sales and marketing Support services Compliance
Customer Segments	Risks			Miscellaneous
<ul style="list-style-type: none"> Personal users - free services, communication, entertainment Businesses - pay for productivity, advertising, infrastructure Developers - build on top of platforms and APIs Advertisers - targeted customer outreach 	<ul style="list-style-type: none"> Changing regulations around privacy and content Security threats such as hacking, viruses, fraud Hardware infrastructure failures or service outages Maintaining trust and loyalty of users Competition from new innovations 			<ul style="list-style-type: none"> Increasing shift towards mobile engagement Role as gatekeepers of information and commerce Key acquisitions expanding products and capabilities Artificial intelligence shaping user experiences Environmental impact of electricity usage and e-waste

Additional Learning

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

Pharmaceutical

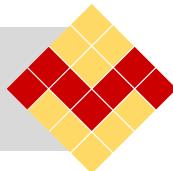


Stakeholders	Revenue Streams and Drivers	Cost Drivers		Channels
<ul style="list-style-type: none"> • Patients • Healthcare providers • Payers - insurance companies, government programs • Employees • Regulators - FDA approval, safety oversight 	<ul style="list-style-type: none"> • Drug sales - patented 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) 	Fixed <ul style="list-style-type: none"> • Clinical trials • R&D 		Variable <ul style="list-style-type: none"> • Manufacturing • Marketing • Distribution
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](#)