The Exotic Cases Casebook

Strange, unique cases you won’t find elsewhere.

caseprep.wordpress.com

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Swedish Coffee Maker (Case # 1)

Prompt: Your client is a Swedish coffee machine manufacturer. Revenue has declined as they entered the Italian Market. Why has revenue dropped and how can we increase it?

Additional Information (only given if asked):
- Client is the only player in the Swedish Market.
- Client’s machines are inferior to Italian coffee makers.
Swedish Coffee Maker

- Revenue has dropped from $900 million (1 year ago) to $630 million today.
- Prices haven’t changed.
- We have revenue segmented by distribution channel:

<table>
<thead>
<tr>
<th>Distribution Channel</th>
<th>Last Year Share of Revenue (%)</th>
<th>This Year Share of Revenue (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department Stores</td>
<td>25%</td>
<td>35%</td>
</tr>
<tr>
<td>Internet</td>
<td>45%</td>
<td>35%</td>
</tr>
<tr>
<td>Other Retail</td>
<td>20%</td>
<td>25%</td>
</tr>
<tr>
<td>Other Channels</td>
<td>10%</td>
<td>5%</td>
</tr>
</tbody>
</table>
Swedish Coffee Maker

- Our online channel is through Amazon.com and we have one site for both Sweden and Italy.
- Italian customers have been leaving bad reviews of our product on the site, and as a result we’re losing sales to Swedish customers through the online channel.
Swedish Coffee Maker

Solution:

• Improve the Product
• Diversify Product Lines
• Create our own website for selling the product.
Prompt: Your client is a aerospace company that has recently invented a new way to check carbon fiber for defects. Carbon fiber is a very lightweight / strong material that is used in military aircraft and thus must be tested for use. There are two types of test:

1. Water Test – Time consuming but IDs defects.
2. Laser Test – Invented by our client, much faster.

Is there a market for the laser test, and how can we sell it?
Testing Equipment

- Info about the water and laser test to be given upon request:

<table>
<thead>
<tr>
<th></th>
<th>Water Test</th>
<th>Laser Test</th>
</tr>
</thead>
<tbody>
<tr>
<td>Size of Carbon Fiber Unit</td>
<td>100 ft^2</td>
<td>100 ft^2</td>
</tr>
<tr>
<td>Scan Rate</td>
<td>20 ft^2/hr</td>
<td>100 ft^2/hr</td>
</tr>
<tr>
<td>Setup Time / Scan</td>
<td>2 hrs</td>
<td>0 hrs</td>
</tr>
<tr>
<td>Labor ($)</td>
<td>$100/hr</td>
<td>$100/hr</td>
</tr>
<tr>
<td>CapEx</td>
<td>$100k</td>
<td>$800k</td>
</tr>
<tr>
<td>Lifetime</td>
<td>1000 hrs</td>
<td>1000 hrs</td>
</tr>
</tbody>
</table>
Testing Equipment

• Note* Labor cost is for both setup and operation.

• CapEx = Price of the Machine

• The goal is to figure out if this product is economical for the customer. To do this, calculate the cost / unit scanned for each option.

• Cost / Unit Scanned = Total cost over lifetime / total # of units scanned over lifetime
## Testing Equipment

<table>
<thead>
<tr>
<th></th>
<th>Water Test</th>
<th>Labor Test</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Number of Units</strong></td>
<td>200 units</td>
<td>1000 units</td>
</tr>
<tr>
<td>Scanned over Lifetime (Life x</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Scan Rate / Size)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>**Setup Costs (Setup time x #</td>
<td>$40,000</td>
<td>$0</td>
</tr>
<tr>
<td>of Units Scanned x Labor Cost)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>**Cost of Operations (Lifetime</td>
<td>$100,000</td>
<td>$100,000</td>
</tr>
<tr>
<td>x Labor Cost)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>CapEx</strong></td>
<td>$100,000</td>
<td>$800,000</td>
</tr>
<tr>
<td><strong>Total Cost</strong></td>
<td>$240,000</td>
<td>$900,000</td>
</tr>
<tr>
<td><strong>Cost / Unit Scanned</strong></td>
<td>$1,200</td>
<td>$900</td>
</tr>
</tbody>
</table>
Testing Equipment

Solution:

• Yes, there is a market for this product because it's cheaper on a per scan basis, faster, and can scan many more units over its life so it has to be replaced less often.

• We can market it by:
  1. Targeting companies with high volume.
  2. Target Niche Industries
  3. Building a sales force / marketing campaign
Fisherman (Case # 3)

Prompt: Your client is a fisherman on an island. He has two boats, one of which is about to break. Can you help him how to maintain his profit after his boat breaks?

Additional Info

• When the fisherman goes out to fish every day he brings the second boat for additional capacity.
Fisherman

• There’s no way to fix the second boat, to buy a new one, or to add capacity to his other boat.
• There’s only 1 type of fish, sold at $112/ton. The fisherman catches 100 tons of this fish / year now, and after the second boat breaks he’ll only catch 50 tons / year.
• The fisherman can’t spend more time catching because there’s only a limited time for catching every day.
Fisherman

- The fisherman’s costs are catching ($50/ton), cleaning ($50/ton) and selling ($7.50/ton).
- The fisherman can outsource catching for $52/ton, cleaning for $50/ton, and selling for $7.50/ton.

The Solution:

- Outsource catching; the margin is lower but the other fisherman can catch 100 tons / yr = profit of $250
Fisherman

• If you add the $225 the fisherman will make catching fish also, this will actually increase his annual profit by $25.
Factory in Russian Town (Case # 4)

Prompt: Our client is a factory in a small Russian town. For some reason, many people are coming extremely late to work and you’ve been brought in to figure out why.

Additional Information:
- 10,000 people live in the town
- All males 15-60 work in the factory (3000 total assuming a life expectancy of 60 and an even distribution of men / women)
Factory in Russian Town

- People get to work via a bridge that takes one hour to cross (assuming no traffic).
- This bridge has 4 lanes each way and each lane can accommodate 100 cars.
- The factory has two shifts: 9 am – 5 pm and 10 am – 6 pm
- Each worker takes their own car.
- There are 50 unused buses available that can hold 40 people each.
Solution:

• Open up all the lanes on the other side so you have 8 lanes and can hold 800 cars / hr.
• Encourage people to carpool.
• Offer busses.
Prompt: You are about to graduate and have the option of pursuing consulting or an online flower shop. Which do you choose and why?

No additional information, but this is a good one to help you practice for the fit interview as well.
Electronics Manufacturer (Case # 6)

Prompt: Your client is a large electronics manufacturer in Japan that sells high end electronics. They’re thinking about entering the mobile phone business and want you to advise them on whether or not it’s a good idea.
1. What key factors should they consider?

- **Market Attractiveness**
  1. Market Size
  2. Growth Rate
  3. Customer Segments

- **Product**
  1. What does it do?
  2. Value to customers?
  3. How is it differentiated from competitors?

- **Competitive Landscape**
  1. Existing Players
  2. What do they compete on?
  3. Barriers to Entry?

- **Financials**
  1. Profitability
  2. Synergies
  3. Breakeven Point
  4. How will we finance this?

- **How To Enter**
  1. Organically (do we have $$ and skills?)
  2. Acquisition
  3. Joint Venture
2. Name 10 characteristics people use when deciding on their mobile phones.

Hardware

Software

Financials
11. Price
3. Tell me 3 insights you get from this graph:

<table>
<thead>
<tr>
<th>Product characteristic</th>
<th>US Bought, % as reported</th>
<th>US Consider important, % as reported</th>
<th>UK Bought, % as reported</th>
<th>UK Consider important, % as reported</th>
<th>France Bought, % as reported</th>
<th>France Consider important, % as reported</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 xxx</td>
<td>79</td>
<td>76</td>
<td>76</td>
<td>67</td>
<td>87</td>
<td>69</td>
</tr>
<tr>
<td>2 xxx</td>
<td>67</td>
<td>77</td>
<td>65</td>
<td>67</td>
<td>77</td>
<td>65</td>
</tr>
<tr>
<td>3 xxx</td>
<td>56</td>
<td>60</td>
<td>55</td>
<td>58</td>
<td>72</td>
<td>66</td>
</tr>
<tr>
<td>4 xxx</td>
<td>54</td>
<td>55</td>
<td>42</td>
<td>55</td>
<td>51</td>
<td>55</td>
</tr>
<tr>
<td>5 xxx</td>
<td>45</td>
<td>41</td>
<td>37</td>
<td>47</td>
<td>43</td>
<td>44</td>
</tr>
<tr>
<td>6 xxx</td>
<td>29</td>
<td>29</td>
<td>27</td>
<td>29</td>
<td>25</td>
<td>26</td>
</tr>
<tr>
<td>7 xxx</td>
<td>26</td>
<td>22</td>
<td>23</td>
<td>21</td>
<td>21</td>
<td>21</td>
</tr>
<tr>
<td>8 xxx</td>
<td>22</td>
<td>12</td>
<td>28</td>
<td>15</td>
<td>19</td>
<td>11</td>
</tr>
<tr>
<td>9 xxx</td>
<td>13</td>
<td>40</td>
<td>11</td>
<td>32</td>
<td>18</td>
<td>51</td>
</tr>
<tr>
<td>10 xxx</td>
<td>9</td>
<td>52</td>
<td>15</td>
<td>43</td>
<td>17</td>
<td>39</td>
</tr>
</tbody>
</table>
1. The UK, US, and French markets are very similar, so you can introduce one phone for all 3 markets.

2. Characteristics 9 and 10 are an opportunity because there’s a disconnect between what customers want and what they buy.

3. Characteristics 1-5 are need to have and the rest are nice to have. We could perhaps release a low end phone with characteristics 1-5.
4. How many units do we have to sell to have 15% market share in 2 years?  
Market Size today = 500 million units  
Growth Rate = 15%

5. Please give a summary for the CEO.
CarCo (Case # 7)

Prompt: Our client is CarCo, an online aggregator of car rentals (similar to Priceline, Orbitz, and kayak.com). The questions for you are, why do these models exist and how do they make money?

1. Why do these models exist?
Customer Perspective – Ease of access, booking, and choice
Car Rental Company Perspective – Lower labor / IT costs
2. How does it make money?

Advertisements
Bookings
Rent their own cars
Newsletters / Special Deals
Featured Searches
Sell Data
CarCo

3. What’s the market size for car aggregator websites in the UK?

• 30 million visitors to the UK (come in groups of 3)
• 40% of groups rent a car, 80% go online, and 80% use a car aggregator website.
• Average transaction is $500 and we make a 14% commission.

Market Size = 10 million * 40% * 80% * 80% * $500 * 14% = $179 million
CarCo

5. Challenges with increasing sales?
   Marketing
   Increased Website Load
   Competition / Differentiation

6. Other ways to increase revenues?
   Rent our own cars, trip planning, and other aggregator businesses.