Consulting Committee

Week 4: Live Case Demonstration!

BRUIN WOMEN IN BUSINESS

Why Case Interviews?

Why Case Interviews?

- Looking for: train of thought & approach
  - Analytical & problem-solving capabilities
  - Logic
  - On-the-spot thinking
  - Quick and accurate math
  - Creativity
  - Business acumen
- Not looking for: the “correct” answer
  - Though you should get to this if your framework is correct! This is not necessarily a priority, but it’s a good baseline
  - Much more important to get your thoughts across coherently

Tips and Tricks!

Tips and Tricks!

- Round numbers to make the math easier
  - Talk through the math → explain thought process and convey structured thinking
  - Lots of math tricks online → will help with accuracy and efficiency
- Ask questions that will help you achieve the objective
  - But don't ask questions that have already been answered
- Make it conversational & collaborative
- Don't make it obvious you're following a "generic" framework → be creative!
- Ask for a couple moments (max 1 min) to gather your thoughts

Let’s try a market entry case!

Prompt:

Confectionery Land is a house of major brands of chocolate and sugar confectionery sold primarily in Europe. The company is pursuing an active expansion strategy. Currently they are considering entering a European developing Country X with their best-selling chocolate products. Their CEO has reached out to your team to help them justify this decision.

** Ask some **clarifying questions!**

1. How many people are in Country X?
2. Chocolate consumption in Country X?
3. What's the product mix Confectionary Land offers?
4. Any particular goals?

Answers to the previous questions

1. Country X has a population of 9M people.

2. The annual chocolate consumption in Country X is $600M.

3. Confectionery Land offers chocolate bars, chocolate candies, and biscuits (cookies and crackers).

4. The client didn’t provide any goals.

Next, take a moment to **structure** your response. Ask for a minute to framework! Then tell the interviewer how you will approach this problem.

What are some factors to consider when creating your framework?

Chocolate Market in Country X	Confectionery Land	Financial Analysis	Risks

• Market size and growth rate
• Major chocolate brands (incl. market shares, positioning, value proposition)
• Typical profitability
• Local tastes
• Demand for chocolate
• Customer trends and demographics
	• Chocolate offerings (e.g. bars, candies, brownies, etc)
	• Customer segments (e.g. B2C, B2C, value/premium)
	• Differentiating points
	• Distribution channels
	• Expertise of entering new markets, particularly developing countries
	• Marketing
	• Reason for market entry
	• Available capital
		• Forecasted revenue and market share
		• Estimated costs
		  ○ FC:
		    ▪ Overhead
		    ▪ Salaries
		    ▪ Interest
		    ▪ Utilities
		    ▪ Storefront rent
		    ▪ Storage facility rent
		    ▪ Customer service
		  ○ VC:
		    ▪ Distribution costs
		    ▪ Raw materials for chocolate
		    ▪ Labor costs
		    ▪ Shipping
		    ▪ COGS
		• Expected investment
		• Investment criteria (e.g. ROI, NPV, payback period)
			• Market-specific
			  ○ Competitive landscape - fragmented market → hard to break in
			  ○ Commodified market
			  ○ “foreign” + not same “economic class” perspective
			• Financial
			  ○ Initial investment
			  ○ Cost of additional production + distribution channels
			  ○ Opportunity cost of expanding to developing country vs other richer countries
			• Operational
			  ○ Operational complexity
			  ○ New food regulations in country X
			  ○ Pressure on supply chains

Your analyst has put together some data on chocolate consumption in Country X. Can you calculate the size of the market?

How would you approach this problem?

for the step: the calculations

instead of blindly estimating these numbers, use **buckets** to group various parts of the overall market together. make sure to talk through your approach **before** going through all the calculations!

Clarifying Questions + Assumptions

1. Market size in terms of revenue or pieces of chocolate?
    a. Revenue

Assumptions:

1. Population = 300 million people

Population: 300M

Assume equal distribution per age group

	0 - 18	19-44	45-64	65+
Population per group	75M	75M	75M	75M
Percent that likes chocolate:	70%	80%	60%	30%
Likes chocolate:	75M * 70% = 52.5M	75M * 80% = 60M	75M * 60% = 45M	75M * 30% = 22.5M
Those who would buy:	52.5M * 20% = 10.5M	60M * 40% = 24M	45M * 40% = 18M	22.5M * 20% = 4.5M
Purchase rate:	10.5M * 1/year = 10.5M	24M * 2/year = 48M	18M * 2/year = 36M	4.5M * 2/year = 9M
Total chocolates purchased/year:	10.5M + 48M + 36M + 9M = 103.5M			
Total Revenue:	103.5M * $4 each = $414M total revenue			

The CEO of Confectionary Land has asked for a final recommendation…

Your Final Recommendation …

From the work presented earlier, I would not recommend Confectionery Land enter Country X.

Reason #1:

- Since CL is a major established chocolate brand in Europe, I'm assuming they're already gaining profit from other more developed countries. The $414M gained from Country X does not fare well compared to other profits made.

Reason #2:

- CL does not have the expertise needed to enter Country X. This may result in them needing to spend more time and money on hiring new employees, learning customer tastes in Country X, and connecting with more supply chains and distributors. This takes time, effort, and money, which may lead to cannibalization of CL's existing business. They can also consider opportunity costs from entering Country X.

Your Final Recommendation: Risks and Next Steps

Risks:

- We may be underestimating the market size of Country X and lose out on potential profits.
- We may actually have the resources needed to enter Country X, considering our large established business – this again would lead to missed profits and opportunities.
- CL might not be earning profit from their existing business, which is why they are trying to enter a developing country.

Next Steps:

- I would recommend CL to conduct a thorough analysis of their current business operations (supply chain, distribution channels, resources, investments/capital, etc) to gain a better understanding of other markets (e.g. more developed countries) they can enter that can provide a higher return on investment than entering Country X.
- I'd also recommend CL to conduct a cost-benefit analysis of entering another market vs Country X.

Reflection:

This is just an example of working through this market entry/sizing case! There is no right or wrong answer, as long as you logically work through your thought process to the interviewer. Make sure to confirm/double check that your answers are reasonable as you work through the case.

For market sizing, always consider whether your market size is an overestimate, underestimate, or a reasonable conclusion. Is $414M total revenue an overestimate or underestimate? It's important to account for any other factors that could alter your calculations. For example:

1. With current market conditions in Europe, people won't really be buying chocolate. Especially since Country X is a developing country, their current willingness to pay for chocolate is even lower.
2. Consider Country X's local tastes, competitors, demand for chocolate, etc. (Make assumptions and try to tie in business acumen.)

Thank you!

Please let us know if you have any questions, comments, or concerns!