



5



PrepLounge

# CASE STUDIES

Incl. Frameworks & Solutions

# 5 Case Studies

1 A small energy company operating in the UK (1 million customers) currently has an operating profit of 2%. They want to double that margin to 4%. What would you recommend?

2 A large Middle Eastern airline is looking to upgrade some of its fleet to larger planes. Firstly, estimate how many passengers come through Dubai airport each year and secondly, what should the CEO consider before they upgrade the fleet?

3 An African bank is looking to enter the UK market, aiming to capture a proportion of the migrant community. The board have asked your advice on an entry strategy.

4 The Crown Prince of Dubai is looking to sell Dubai. Whilst he is happy to sell, he does not want to be remembered for selling too cheap. What price should he sell Dubai for?

5 There has recently been a merger between three tap manufacturers, one based in the US, one based in the UK and one based in Japan. A new Chief Revenue Officer has just been appointed and wants to double revenues. What would you recommend?

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**180+ Cases** provided by real companies and former MBB consultants

The screenshot shows a case card for 'Company case by Bain & Company'. The card includes the following information:

- Company:** BAIN & COMPANY (with logo)
- Case Title:** Bain case: Asian lubricants producer (with a toggle switch set to 'Unsolved')
- Style:** Candidate-led (usual style)
- Topics:** Growth strategy, Market analysis, Market entry
- Rating:** ★★★★★ 4.6 (29.7k ratings) [Rate this case](#)
- Times solved:** 176.9k
- Difficulty:** Beginner
- Actions:** 'Invite partner to solve this case with' (green button) and 'Ask a question' (green button)
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- McKinsey-style and candidate-led
- 15+ topics (market sizing, M&A, pricing...)
- Different difficulty levels and lengths

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## Question

A small energy company operating in the UK (1 million customers) currently has an operating profit of 2%. They want to double that margin to 4%.

What would you recommend?

### Clarify

Example clarifying questions:

- 1) What is the nature of this energy company? Utilities such as gas & electric?
- 2) Operating profit includes all revenue and costs but no interest or taxes, is that correct?
- 3) Am I right to assume we are only interested in the UK market?

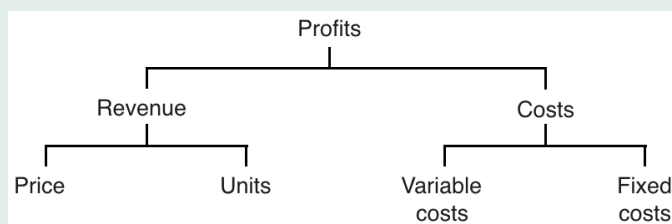
### Repeat

Example synthesis

“So, we are looking at a UK energy supplier with 1 million customers and are looking to double their operating profit margin, have I understood the question correctly?”

After confirming you have understood the question, excuse yourself for a couple of minutes to collect your thoughts and structure your answer.

Suggested framework: Profitability + general



### Framework

Consumer	Client	Product	Market
<ul style="list-style-type: none"> <li>• Who</li> <li>• What</li> <li>• Where</li> <li>• Price</li> <li>• Consumer risk</li> </ul>	<ul style="list-style-type: none"> <li>• Expertise</li> <li>• Distribution channels</li> <li>• Costs</li> <li>• Intangibles</li> <li>• Financial situation</li> </ul>	<ul style="list-style-type: none"> <li>• What</li> <li>• Elasticity of demand</li> <li>• Compliments</li> <li>• Substitutes</li> <li>• Lifecycle</li> </ul>	<ul style="list-style-type: none"> <li>• Market share</li> <li>• Competitor observations</li> <li>• Threat of entrants</li> <li>• Supplier risk</li> <li>• Regulations</li> </ul>

Tip: try and draw this out in less than 2 minutes to maintain momentum in the dialogue

# Case I

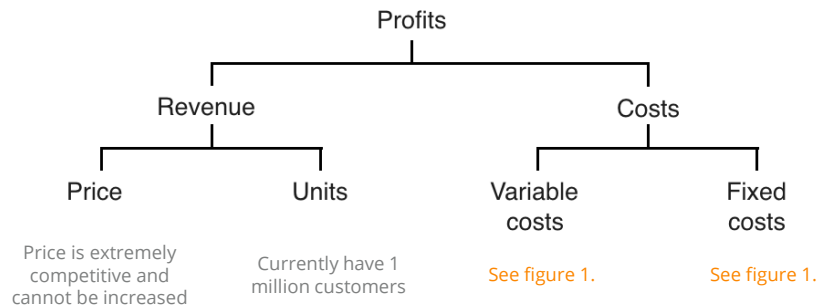
**Present** Once you have drawn your framework turn your page round and explain your thought process and reason for structuring your answer as you have. Finish your explanation with a comment such as “does that sound like a reasonable approach to you?”

**Hypothesis** Example hypothesis  
“Given that I believe the energy market is highly price sensitive I think I will begin my analysis on the cost component of the profit equation.”

Once the interviewer has confirmed your approach is reasonable and you have stated your hypothesis you may begin working through your answer.

It is important to keep numbers and data at the forefront of your questioning.

All maths should be done confidently and quickly without a calculator. Where possible, always remember to make the maths as simple as you can.



## Working

Consumer	Client	Product	Market
<p><u>Who</u> All UK properties</p> <p><u>What</u> Energy</p> <p><u>Where</u> UK</p> <p><u>Price</u> Cheapest usually wins</p> <p><u>Consumer risk</u> Low (1m customers)</p>	<p><u>Expertise</u> All 'standard' energy products</p> <p><u>Distribution channels</u> The national grid (same for all competitors).</p> <p><u>Costs</u> Buys energy from the grid at the same price as competitors.</p> <p><u>Intangibles</u> Brand is known but not as well as the big 4 suppliers</p> <p><u>Financial situation</u> N/A</p>	<p><u>What</u> All 'standard' energy products</p> <p><u>Elasticity of demand</u> Low elasticity of demand. Properties need energy.</p> <p><u>Compliments</u> None</p> <p><u>Substitutes</u> Home generation such as solar panels</p> <p><u>Lifecycle</u> N/A</p>	<p><u>Market share</u> See figure 2.</p> <p><u>Competitor observations</u> Competitors are charging new customers less than old customers</p> <p><u>Threat of entrants</u> Has increased due to lower barriers to entry</p> <p><u>Supplier risk</u> None</p> <p><u>Regulations</u> N/A</p>

# Case I

## Summary

- ▶ Cannot increase profits via price, especially as new entrants are taking market share.
- ▶ Volume is driven by marketing & sales so increasing volume doesn't necessarily increase profits.
- ▶ Fixed costs cannot be reduced easily and not enough to double profit margin.
- ▶ Cost of acquiring customers looks high compared to competition.

## Possible recommendations

## Recommendations

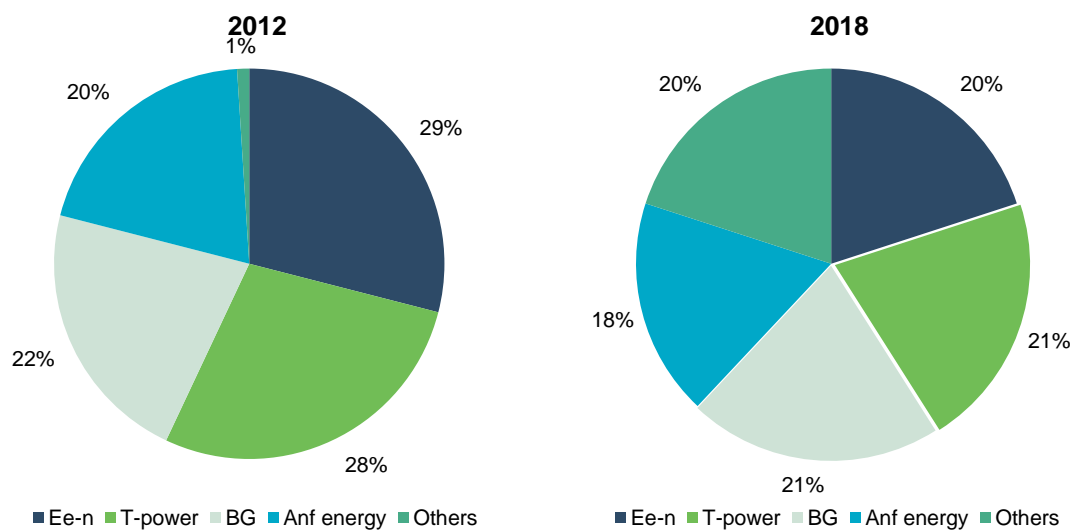
- ▶ Can confirm that the hypothesis of price being highly sensitive and cost reduction being a more realistic way of increasing profits was true.
- ▶ The main concentration area for achieving the profit margin target of 4% appears to be reducing the cost of acquiring customers and so further investigation into channels such as price comparison websites should be pursued.

Figure 1.

Fixed costs (£'000)		Av. cost for competitors	Variable costs		Av. cost for competitors
Labor	2.000 £	3.200 £	Energy/unit	1 £	1 £
Rent	100 £	92 £	Marketing/customer	62 £	34 £
Utilities	15 £	20 £	Customer service	20 £	21 £

## Figures

Figure 2.



# Case II

## Question

A large Middle Eastern airline is looking to upgrade some of its fleet to larger planes.

Firstly, estimate how many passengers come through Dubai airport each year and secondly, what should the CEO consider before they upgrade the fleet?

### Clarify

Example clarifying questions:

- 1) Just to make sure, the airline does not want to upgrade its entire fleet, just a proportion?
- 2) If a tourist arrives and departs in the same week how is that counted in passenger numbers?
- 3) So firstly we need to determine the required capacity and then secondly the additional considerations with the fleet upgrade?

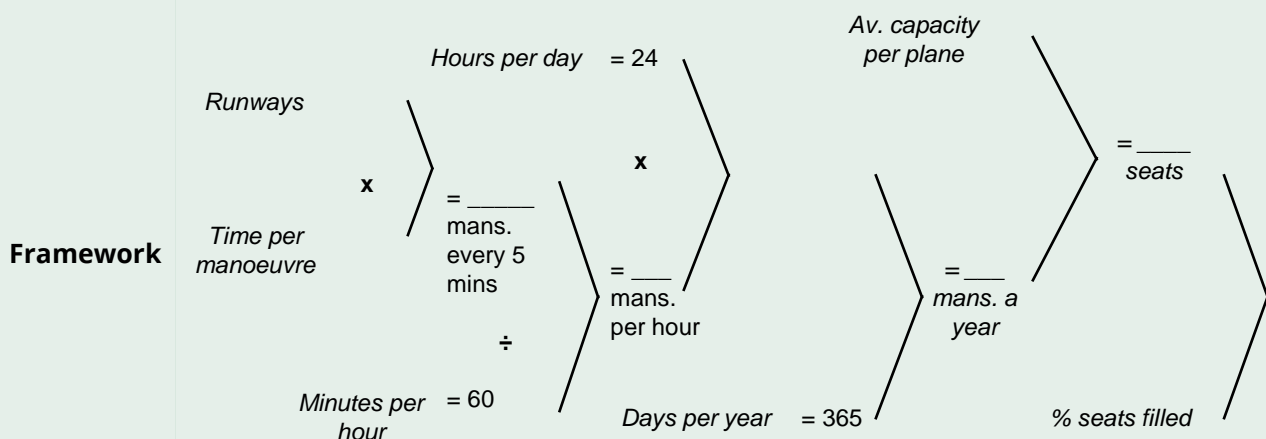
### Repeat

Example synthesis

"So, the client is a mature Middle Eastern airline that wants to know how many passengers come through Dubai airport each year and with this in mind, they have asked for us to point out factors they need to consider if they upgrade some of its fleet to larger planes, is that correct?"

After confirming you have understood the question, excuse yourself for a couple of minutes to collect your thoughts and structure your answer.

Suggested framework: Market sizing



Tip: try to draw this out in less than 2 minutes to maintain momentum in the dialogue. Tailoring it to the question will ensure full marks for structure from the interviewer.

# Case II

**Present**

Once you have drawn your framework turn your page round and explain your thought process and reason for structuring your answer as you have. In this case, draw the issue tree without numbers first and then after you have hypothesised you can request data in order to complete your answer. Finish your explanation with a comment such as "does that sound like a reasonable approach to you?"

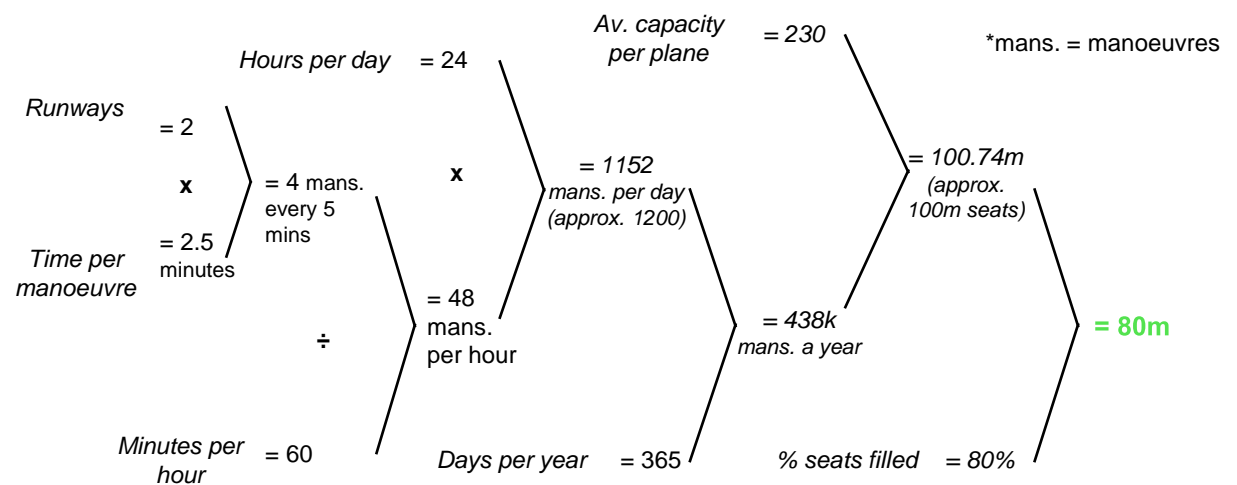
**Hypothesis**

Example hypothesis

"Given that I understand Dubai is a busy airport I think that it may transpire that upgrading part of its fleet is appropriate but only on certain routes."

Once the interviewer has confirmed your approach is reasonable and you have stated your hypothesis you may begin working through your answer. It is important to keep numbers and data at the forefront of your questioning. In this example it is easy to work through your issue tree asking for the data required to fill the gaps. All maths should be done confidently and quickly without a calculator. Where possible, always remember to make the maths as simple as you can.

**Working**



In this case you are required to use an additional data table to work out the average capacity per plane in order to get to the final answer.

The weighted capacity is to be calculated by the candidate.

Av. capacity per plane

Plane type	% of routes	Capacity	Weighted capacity
Airbus A380	70 %	550	385
Boeing 777	29,9 %	350	105
Cargo	0,1 %	2	N/A*

\*Cargo can be ignored as the number is so small but a good answer will recognise its existence

approx. 230



# Case II

## *Suggested* Answers

### Summary

- ▶ The estimated number of visitors that pass through Dubai airport each year is 80m.
- ▶ They currently use predominantly two types of plane with differing capacities.
- ▶ With approximately 1200 manoeuvres a day at Dubai airport it is highly likely that these routes have differing levels of demand.

### Possible recommendations for the CEO

### Recommendations

- ▶ Due to the small number of plane types and high number of flights everyday it is worthwhile investigating further into the demand trends of flight routes. This investigation should highlight where larger planes would be beneficial such as times of day and seasonality.
- ▶ It may be beneficial to look at other options such as leasing planes instead of purchasing them outright.

## Question

An African bank is looking to enter the UK market, aiming to capture a proportion of the migrant community. The board have asked your advice on an entry strategy.

### Clarify

Example clarifying questions:

- 1) The company currently has no operations at all in the UK?
- 2) They are already certain that they want to target the migrant community?
- 3) Does the migrant community include people that have migrated from countries where the bank does have operations?

### Repeat

Example synthesis

“So, we are looking at an African bank that wants to enter the UK market and specifically target the migrant community, is that correct?”

After confirming you have understood the question, excuse yourself for a couple of minutes to collect your thoughts and structure your answer.

Suggested framework: Market entry

### Framework

Market	Financials	Client capabilities	Entry Strategy
<ul style="list-style-type: none"> <li>• Size</li> <li>• Product types</li> <li>• Profitability</li> <li>• Market share</li> <li>• Regulations</li> </ul>	<ul style="list-style-type: none"> <li>• Financial situation</li> <li>• Investment required</li> <li>• Ongoing costs</li> <li>• Expected revenue/ROI</li> </ul>	<ul style="list-style-type: none"> <li>• Capabilities</li> <li>• Entry experience</li> <li>• Market entrants</li> </ul>	<ul style="list-style-type: none"> <li>• Timing</li> <li>• Pilot</li> <li>• Type</li> <li>• Operation location</li> </ul>

Tip: try and draw this out in less than 2 minutes to maintain momentum in the dialogue

# Case III

**Present** Once you have drawn your framework turn your page round and explain your thought process and reason for structuring your answer as you have. Finish your explanation with a comment such as “does that sound like a reasonable approach to you?”

<b>Hypothesis</b>	<p><u>Example hypothesis</u></p> <p>“Given that I know the UK banking market is highly competitive I would hypothesis that for the client to achieve a successful market entry they will have to develop a bespoke product offering for the migrant community.”</p>
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Once the interviewer has confirmed your approach is reasonable and you have stated your hypothesis you may begin working through your answer.

It is important to keep numbers and data at the forefront of your questioning.

All maths should be done confidently and quickly without a calculator. Where possible, always remember to make the maths as simple as you can.

	Market	Financials	Client capabilities	Entry strategy
<b>Working</b>	<p><u>Size</u> £119bn</p> <p><u>Customers</u> See figure 1.</p> <p><u>Product types</u> All financial products and services are available in the UK</p> <p><u>Profitability</u> Highly profitable</p> <p><u>Market share</u> Dominated by incumbents but ‘challenger banks’ emerging</p> <p><u>Regulations</u> High</p>	<p><u>Financial situation</u> Bank is willing to invest £50m for the first two years</p> <p><u>Investment required</u> See figure 2.</p> <p><u>Ongoing costs</u> N/A</p> <p><u>Expected revenue/ROI</u> See figure 2.</p>	<p><u>Capabilities</u> The client has the technical capabilities to launch any of the financial products in figure 2.</p> <p><u>Entry experience</u> Entered other African countries but no western countries yet</p> <p><u>Market entrants</u> New ‘challenger banks’ have become popular in recent years</p>	<p><u>Timing</u> UK population more open to switching banks than ever before</p> <p><u>Pilot</u> Research suggests that a pilot of one retail store is appropriate</p> <p><u>Type</u> The only thing preventing entering on their own is a UK banking license</p> <p><u>Operation location</u> The UK banking license stipulates that the UK operation must be run from the UK itself</p>

# Case III

## Summary

- ▶ The migrant community will accept higher borrowing rates if they know that these will not change for longer than average periods of time.
- ▶ The majority of the migrant population appears to be in London.
- ▶ Migrants biggest pain point with current banks is the difficulty to open an account.
- ▶ All competitors have an online offering.

## Recommendations

### Possible recommendations

- ▶ Open in London with a single retail store.
- ▶ Reduce requirements to open a bank account if possible.
- ▶ Start by offering a current account (saving) and small loans (lending) - need to have one of each type of product to function as a bank.
- ▶ Further research is required into the demand for an online offering from migrants.

Figure 1.



## Figures

Figure 2.

Product	Type	Investment required (over 2 years)	Forecast ROI
Current account	Savings	£20m	-£20m
Savings account	Savings	£25m	-£80m
Small loans	Lending	£25m	£100m
Mortgages	Lending	£200m	£400m

# Case IV

## Suggested Answers

### Question

The Crown Prince of Dubai is looking to sell Dubai. Whilst he is happy to sell, he does not want to be remembered for selling too cheap.

What price should he sell Dubai for?

### **Clarify**

Example clarifying questions:

- 1) What does selling Dubai include? businesses? buildings?
- 2) Has a city ever been sold before?
- 3) Following the sale will the buyer receive all future earnings as with a usual sale?

### **Repeat**

Example synthesis

"So, we are looking to find a sale price for the city of Dubai but the Crown Prince does not want to be remembered for selling too cheaply?"

### **Framework**

Not applicable for this question, it is such a unique type of question and is a test of how well you can apply structure to a completely unstructured problem.

As always the best place to start is to segment where possible. The answer here segments Dubai into industries.

### **Present**

Explain your thought process and reason for structuring your answer as you have. Finish your explanation with a comment such as "does that sound like a reasonable approach to you?"

### **Hypothesis**

Example hypothesis

"I think that many valuations are made by multiplying revenue or EBITDA by an industry specific multiple. I think that a sale price could be determined this way."

# Case IV

## Suggested Answers

GDP of Dubai = **\$380bn**

### Industry breakdown

Industry	% of total GDP	Industry multiple
Natural resources	60 %	3
Tourism	10 %	1,5
Construction	10 %	1,5
Retail	1 %	1,5
Finance	8 %	2
Education	1 %	1,5
Real estate	5 %	3
Aerospace/defence	5 %	2

### Working

### Weighted calculation

Industry	% of total GDP	Industry multiple	Valuation (\$bn)
Natural resources	60 %	3	\$684
Tourism	10 %	1,5	\$57
Construction	10 %	1,5	\$57
Retail	1 %	1,5	\$5.7
Finance	8 %	2	\$60.8
Education	1 %	1,5	\$5.7
Real estate	5 %	3	\$57
Aerospace/defence	5 %	2	\$38

**\$965.2bn**

\*The calculations during the interview will need to be done without a calculator.

### Summary

Via industry segmentation and using their respective multiples it has been possible to find a sale price for Dubai.

**Recommendation** The recommended sale price of Dubai is \$965.2bn

# Case V

## Question

There has recently been a merger between three tap manufacturers, one based in the US, one based in the UK and one based in Japan. A new Chief Revenue Officer has just been appointed and wants to double revenues.

What would you recommend?

### Clarify

Example clarifying questions:

- 1) By taps, is that the taps you find on a sink?
- 2) The client is only concerned about revenue and not worried about the consequences on profit?
- 3) Should I assume the merger has been a success and treat the client as a a single enterprise?

### Repeat

Example synthesis

“So, we are looking at a tap manufacturer that has a soul aim of doubling revenues. It has operations in the US, UK and Japan. Have I understood that correctly?”

After confirming you have understood the question, excuse yourself for a couple of minutes to collect your thoughts and structure your answer.

Suggested framework: General

The reason why we suggest general rather than profitability is that we know revenue = price x volume and to increase volume we need to take a thorough look at the customer, market and product offerings.

### Framework

Consumer	Client	Product	Market
<ul style="list-style-type: none"> <li>• Who</li> <li>• What</li> <li>• Where</li> <li>• Price</li> <li>• Consumer risk</li> </ul>	<ul style="list-style-type: none"> <li>• Expertise</li> <li>• Distribution channels</li> <li>• Costs</li> <li>• Intangibles</li> <li>• Financial situation</li> </ul>	<ul style="list-style-type: none"> <li>• What</li> <li>• Elasticity of demand</li> <li>• Compliments</li> <li>• Substitutes</li> <li>• Lifecycle</li> </ul>	<ul style="list-style-type: none"> <li>• Market share</li> <li>• Competitor observations</li> <li>• Threat of entrants</li> <li>• Supplier risk</li> <li>• Regulations</li> </ul>

Tip: try and draw this out in less than 2 minutes to maintain momentum in the dialogue

# Case V

**Present** Once you have drawn your framework turn your page round and explain your thought process and reason for structuring your answer as you have. Finish your explanation with a comment such as “does that sound like a reasonable approach to you?”

<b>Hypothesis</b>	<p><u>Example hypothesis</u></p> <p>“I would hypothesize that as the client is a merger of manufacturers there may be an opportunity to diversify its distribution channels rather than diversify its product offering. I will now work through my framework to attempt to test this hypothesis.”</p>
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Once the interviewer has confirmed your approach is reasonable and you have stated your hypothesis you may begin working through your answer.

It is important to keep numbers and data at the forefront of your questioning.

All maths should be done confidently and quickly without a calculator. Where possible, always remember to make the maths as simple as you can.

	Consumer	Client	Product	Market
<b>Working</b>	<p><u>Who</u> Household and commercial property owners via third parties.</p> <p><u>What</u> Taps for any requirement.</p> <p><u>Where</u> Global</p> <p><u>Price</u> Competitive</p> <p><u>Consumer risk</u> Low</p>	<p><u>Expertise</u> Tap manufacturing</p> <p><u>Distribution channels</u> Wholesale</p> <p><u>Costs</u> N/A</p> <p><u>Intangibles</u> The shape of the taps are recognised by end consumers</p> <p><u>Financial situation</u> Healthy</p>	<p><u>What</u> Taps</p> <p><u>Elasticity of demand</u> Fairly elastic</p> <p><u>Compliments</u> Potentially additional to sinks and baths</p> <p><u>Substitutes</u> N/A</p> <p><u>Lifecycle</u> Multiple years</p>	<p><u>Market share</u> An oligopolistic market dynamic. Became the biggest player following the merger.</p> <p><u>Competitor observations</u> Also sell wholesale</p> <p><u>Threat of entrants</u> Low due to large quantity requirements</p> <p><u>Supplier risk</u> None, all built and owned in-house</p> <p><u>Regulations</u> N/A</p>



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