

Case 1A

Type: Profitability



PROBLEM STATEMENT

Your Client is a Kirana shop owner who is facing a decline in profit for the past 5-6 months. Identify the root cause and recommendations for the same.

SCRIPT KEY	
Interviewee/Candidate	
Interviewer	

Your Client is a Kirana shop owner facing a decline in profit for the past 5-6 months. Identify the root cause and give recommendations

I have a few preliminary questions – Where is the store located? Who are the customers? Does the shop provide home deliveries? Are there any competitors? Have they been facing similar issues? And should I take Covid -19 impact into consideration?

Consider a pre- covid scenario. The store is in a 2nd tier city. Customers are mostly people from the city and a few villagers from a nearby village. We take call orders and provide home deliveries. The competitors haven't been facing this issue.

Noted. Decrease in profits can either be due to decreased revenue, increased costs or a combination of both. Do we have any information?

It is a drop in the revenues.

Revenue is a function of the number of customers and average transaction amount. Can we point out what has gone down?

The number of customers have decreased.

This can be due to Internal and External factors. Internal factors can be analysed via a customer journey map, which involves Travel -> Parking -> Product Ask -> Waiting > Transaction/Finance -> Post-Purchase Service. For travel, if there is any hindrance in reaching the shop or any blockage to the shop's visibility, it can be an issue. Or the parking, if there is any change in the current parking system or any blockage in the same. For products, any change in offerings can cause problems. Increase in waiting time or rude behavior of workers during that time can be an issue.

Under transaction, unavailability of certain modes can cause difficulty. Lastly, for the Post-Purchase Service, Kirana stores primarily replace products to retain their customers. Any change in this routine can be an issue.

Good analysis. However, none of this is applicable.

Okay, let's move on to the External factors. These can comprise the customers, competitors or regulators.

Please explain the three buckets.

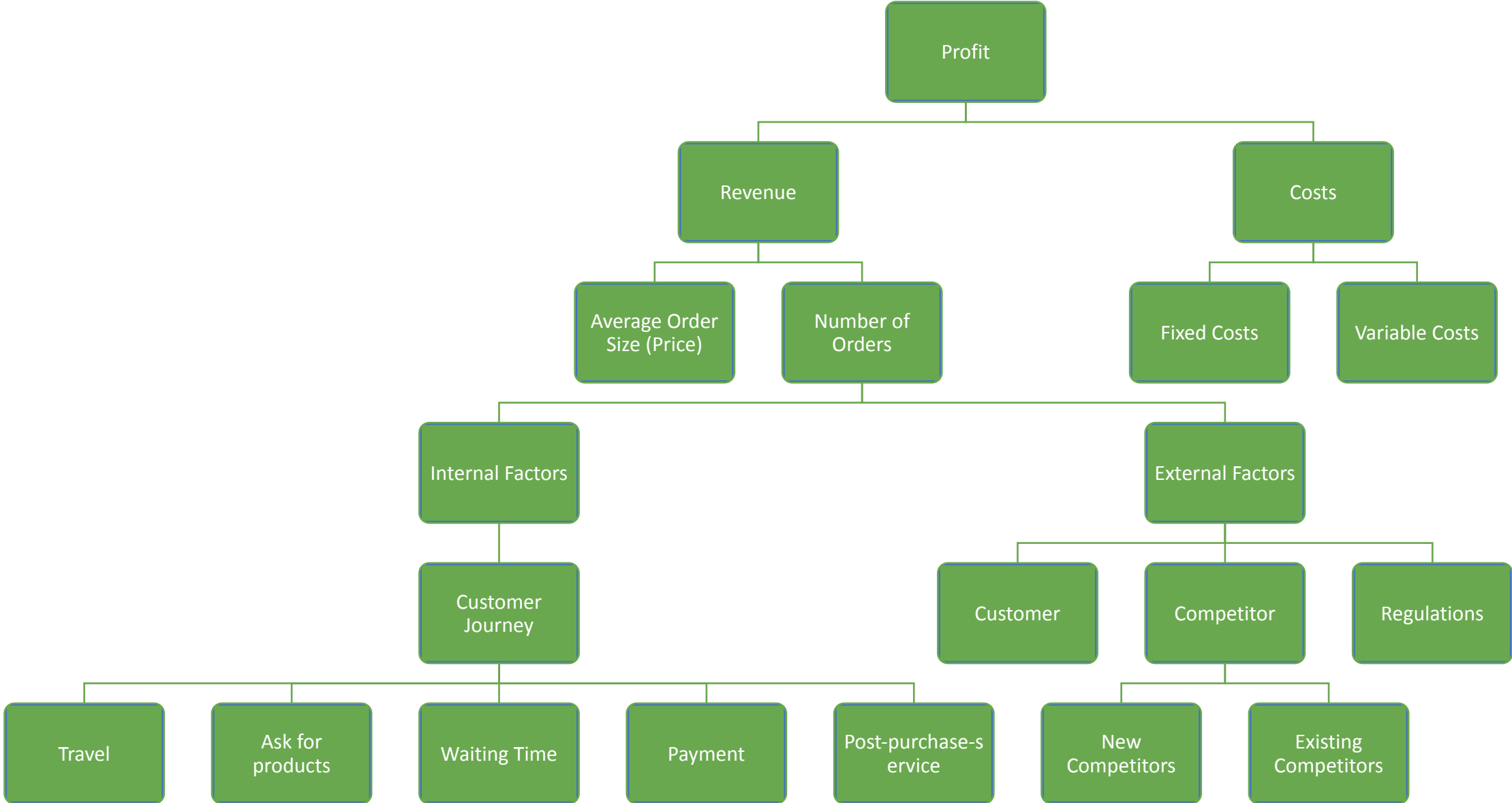
Sure. In the customer's bucket, any change in customer's preferences will impact our revenues. The preferences can be store-specific or brand-specific. Under competitors, it can either be due to new competitors or existing competitors. Any new competitor will impact our sales, while discounts/loyalty programs by existing competitors will also impact our sales as the customers will shift to them. Under regulators, any regulatory challenges like change in shop timing, change in market rules etc can impact our sales.

You have got the answer. One of the competitors has started offering discounts on orders above INR 500. Since people from the nearby village visit to buy their monthly ration, their bill is above this amount, and they have shifted to the competitor. Can you give some recommendations?

Ofcourse. In the short-term, we can start offering more lucrative discounts for orders above a certain amount. Since our competitor's offering above INR 500, we can start from INR 490 to attract the customers back. In the long term, we can start offering home deliveries in the nearby village at a minimal additional cost.

Those are feasible recommendations. We can close the case here.

KIRANA STORE OWNER



QUALITATIVE INFORMATION

Case Background:

A Kirana shop-owner is facing decline in profits due to a drop in their revenues.

Case Facts:

1. A Tier-2 city Kirana shop.
2. Shop provides home deliveries too.
3. Problem since 5-6 months
4. Drop in the revenues.
5. Number of customers declined due to external factors.
6. One of the competitors offers discounts.

CLARIFYING ANSWERS TO BE PROVIDED ONLY WHEN ASKED BY THE INTERVIEWEE

<u>Interviewee</u>	<u>Interviewer</u>
Where is the store located?	A Tier-2 city.
Are there any competitors? If yes, have they been facing similar issues?	Yes. No competitor is facing similar issues.
Who are the customers?	Mostly from the city and a few village folk from a nearby village.
Should I take into account the COVID-19 situation?	No.

RECOMMENDATION

- 1) **Short-Term Recommendation-** Lucrative discounts can be offered to customers in order to retain them.
- 2) **Long Term Recommendation-** Since majority of customers are from nearby village, home delivery service should be provided at a minimal additional cost.