

Case 3A

Type: Growth



PROBLEM STATEMENT

Client is an automobile parts manufacturer. They want to organically grow 2X in the next 5 years. Analyse the possible options and give recommendations.

SCRIPT KEY	
Interviewee/Candidate	
Interviewer	

<p>Client is an automobile parts manufacturer. They want to organically grow 2X in the next 5 years. Analyse the possible options and give recommendations.</p>	
<p>Alright, I'll start with a few preliminary questions to get a better understanding of the problem at hand. Where is the client based out of? What do you mean by growth – Is it in terms of revenue or profit or market share? What is the current market scenario?</p>	<p>What exactly do you mean by diversification and integration? Also, how would you narrow down the geographies to expand to?</p>
<p>Sure. The client operates Pan-India. They want to grow their revenues. The market is quite competitive- there are a total of 5 players including us, each having 20% market share.</p>	<p>By diversification, I mean expanding into new product lines – like we can explore manufacturing parts for other vehicle segments like 2-wheelers. Next, integration can either be forward or backward. Forward integration would be manufacturing the automobiles ourselves, which is not feasible. Backward integration would be to acquire a plastic manufacturing unit to cut down on our raw material costs. For geographical expansion, I would start by exploring international clients who have been working with us in India, say someone like Suzuki. Since relationship is an important component in the B2B business, the existing relationship will help us enter the new markets.</p>
<p>Okay. The business seems to be a B2B one. I assume automobile manufacturers are the major customers for the client. Is it so? What is the selling process?</p>	
<p>Good insight. Yes, 90% of our customers are automobile manufacturers. We manufacture plastic parts for cars – like steering wheel, dashboard etc. The selling process is via tenders.</p>	<p>Great. Let's talk about the existing markets.</p>
<p>I would like to understand about these tenders. What is the bidding process? What is the timeline? What is the delivery mechanism if we get the contract?</p>	<p>Revenue in existing markets depends on number of contracts and the revenue per contract. Since increasing revenue per contract might not be possible as the market is competitive, we should focus on increasing number of contracts. Our contracts is a function of total contracts in the market, % of contracts we're qualified for, % of contracts we apply to and our win rate. We can't control total contracts. The ones we're qualified for – we can increase that by focusing on R&D and understanding market trends. For the ones that we apply to – we need to understand the internal processes of decision making. Our win rate can be improved by better relations with the OEM.</p>
<p>Sure. The tender is floated when a company decides to launch a new car in the market. If you win, you get the contract for the entire lifecycle of the vehicle. The contract is given based on price quoted and existing relationship with the car manufacturers. Once you get the contract, you set up a factory adjacent to the car manufacturer and start production.</p>	
<p>Interesting. I think I've gathered a fair understanding of the context and the client. I would like to start the analysis now. I would like to divide the case into two parts – Growth in the current market and exploring new markets. Under new markets, I would cover Geographical Expansion, Product diversification and Business Integration.</p>	<p>Great. That'll be all. Thank you.</p>

GROWTH CASE STRUCTURE

Client is an automobile parts manufacturer. They want to organically grow 2X in the next 5 years. Analyse the possible options and give recommendations.

QUALITATIVE INFORMATION

Case background:

An Automobile parts manufacturer wants to organically grow 2X in the next 5 years.

Case facts:

- The client operates Pan-India.
- There are a total of 5 players including the client, having a 20% market share each.
- 90% of customers are automobile manufacturers.
- Tender contracts are based on price quoted and relationship with the manufacturers.

CLARIFYING ANSWERS TO BE PROVIDED ONLY WHEN ASKED BY THE INTERVIEWEE

<u>Interviewee</u>	<u>Interviewer</u>
Where is the client based out of?	We operate Pan-India
Are you referring to growth in terms of revenue, profit or market share?	We want to grow our revenues.
What is the current market scenario?	There are total 5 players, including us - with 20% market share.
What is the selling process?	The selling process is via tenders.

RECOMMENDATIONS

As revenue per contract cannot be increased due to competitiveness of the market, we must focus on increasing the number of contracts. Contracts is a function of total contracts in the market, % of contracts we're qualified for, % of contracts we apply to and our win rate.

Here, we can consider the following 3 cases:

- 1. Qualified Contracts:** By focusing on R&D and understand market trends.
- 2. Applicable Contracts:** By understanding the internal processes of decision making.
- 3. Win Rate:** By improving relations with the OEM.

APPROACH

