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Case 1 – Estate Agents

Sector: TMT

Type of Case: Market Sizing, Strategy

Overview: *There are two types of estate agent in the Netherlands, traditional and online estate agents. Traditional estate agents have branches in local high-streets, whereas online estate agents have no physical presence. In addition, traditional estate agents operate via a commission model, whereas online agents have a fixed fee per transaction.*

OC&C was approached by an estate agent that was concerned about its future performance in the market. In particular, they were concerned about competition from online estate agents. These agents offer to sell your property for a fixed price (c.€1k) vs. a traditional commission model – all based through an online platform.

Q1: Size the Dutch Residential Estate Agent market focussing only on sold properties

# Households	Sales
• # of People in NL (17m) • # of People per household (2.2) • # of Households in NL (7.7m)	• % Households that own a property (70%) • # Owned properties (5.39m) • Average length of time property is owned (20 years) • Completions / Year (150k) *or a similar metric* • % Completed through an estate agent (70%) • Completions through an estate agent (105k) • Average house price (€400k) • % Commission (2.0%) – Market Size (€840m)

Q2: The online segment of the market has begun to grow rapidly in the past few years and currently the client has no exposure to it. How would you expect this growth to impact the overall market size?

- Open-ended question, assuming all other constants equal

Q3: The client is concerned that competition and pricing pressure will impact its financial performance. What could the client do to improve its competitive and financial positioning?

Example answers
• Increase completion rate • Cross-sell ancillary services • Increase marketing spend (emphasising advantages of a branch) • Premiumisation • Create an online-only proposition Ask which ones they would recommend and why?

Q4: The client has decided they would like to proceed with an M&A investment to enter the online space, what factors should they consider when evaluating which company to purchase?

Example answers

- Revenue (historic and forecast)
- EBITDA (historic and forecast)
- Management team (strength / will they stay)
- Ownership structure (concentrated vs. fragmented, are competitors invested)
- Brand Strength
- Technology
- Market share & competitive environment
- Synergies
- Growth opportunities (e.g. expansion into new geographies)
- Customers (should be different to prevent cannibalisation)

Q5: The company acquired an online estate agent and a year later discovered the online part of the business was far more profitable than the branch-based company. The CEO has asked you if they should close their branches and focus on an entirely online proposition, what do you think?

Example answers

- Use branches as an extension of online presence
- Use online to focus on front-of-mind awareness
- There will always be a segment of the market that will not go online (e.g. local presence)
- Online is part of the customer journey i.e. a way for potential customers to browse

Additional Questions, if time

Q6: You mentioned that the client could create its own online proposition, how could it do this?

- Develop own platform
  - A good candidate will split out in-house vs. outsource development
- Acquisition
  - A good candidate will split out minority vs. majority stake

Q7: What could be the pros and cons of each option?

- Develop own platform
  - Pros - control, management buy-in, less expensive
  - Cons - longer time to launch, require capabilities
- Acquire company
  - Pros – immediate exposure, no in-house expertise required, control over company direction
  - Cons – expensive, resource-intensive process, potential loss of key personnel post-acquisition

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Case 2 – Online Food Ordering

Sector: TMT

Type of Case: Strategy, Quant-heavy

Overview: *OC&C has been engaged by takeaway delivery business WeDeliver. They operate the same business model as Deliveroo or UberEats – they have an app & website where customers can order takeaway for delivery from restaurants in their area and they also have their own fleet of riders who will collect the food from the restaurant and then deliver it to the customer.*

WeDeliver has employed us because even with very rapid growth in the last five years, they are still not profitable.

Q1: What do you think is going on?
Test: Logic/Structure Analytical & Commercial Awareness

Good answer…	Excellent answer…
• Will lay out a logical structure for breaking down the core components of revenue and cost for the business • Will split costs into central costs (head office, engineering department, marketing, etc) and direct costs (delivery cost) • Will identify that investment in growth (investment in engineering, marketing and other head offices) as a key driver for low profitability and will comment that this is normal for a relatively young, high growth business • However, may miss there is also an issue around gross profit – which is the key concern for the business here	Will identify points on the left and also: • Focus on understanding order economics (gross profit) and identify challenge around breaking even on a per order basis • Will discuss how riders are paid and identify key levers that drive profitability on a per order basis: average order value, delivery fee, # of orders rider completes in an hour, pay model for riders • Think about revenue-side for the riders: delivery fee from customers (fixed per order) and the service fee from restaurants (% of order value)

Further hints/guidance that can be given: riders are paid an hourly wage for the hours they work plus a small "drop" fee for each delivery they make.

Q2: How much gross profit does a rider make for WeDeliver per hour in the Netherlands?
Test: Numerical Analytical

Good answer: will use the structure laid out in Q1 and will make sensible assumptions for the following numbers (numbers can vary slightly around the below but guide towards sensible numbers with prompting questions/hints if dramatically off). May need a hint to segment

Excellent answer: will proactively think about taking a segmentation approach e.g. Rotterdam vs Rest of the Netherlands, Big Cities vs Smaller Towns, Individual vs Corporate orders.

Data Points / Prompts:

Rotterdam / Big City:

- *Hourly rate: €10 / hr*
- *Drop fee (paid to rider): €2 per drop*
- *No of orders completed per hour: 3*
- *Average order value: €25*
- *Service charge (revenue, paid by restaurant): 20% order value = €5 per order*
- *Delivery fee (revenue, paid by consumer): €3 per order*

*Gross profit per hour = ((€3 + €5) *3) – (€10 + (3*€2)) = €8*

Regional Towns:

- *Hourly rate: €10 / hr*
- *Drop fee (paid to the rider): €1 per drop*
- *No of orders completed per hour: 1*
- *Average order value: €15*
- *Service charge (revenue, paid by the restaurant): 20% order value = €3 per order*
- *Delivery fee (revenue, paid by the consumer): €3 per order*

Gross profit per hour = (€3 + €3) – (€10 + €1) = € (5)

Outcome: WeDeliver is operating profitably in big cities but struggling where demand is lower.

Q3: What can WeDeliver do improve gross profitability?
Test: Idea Generation / Conceptual

Good answer…	Excellent answer…
…will look at each of the levers above and will suggest ways each could be improved: • Increase number of orders per hour • Increase average order value • Increase service fee charged to restaurants • Increase delivery fee charged to customers • Decrease hourly pay of riders • Decrease / remove drop fee paid	…will discuss factors on left but will also identify that the major issue is having the relatively “fixed” cost of €10/ hour pay of the rider even when demand can be low so an additional solution can be to increase drop fee (the variable component) and decrease the hourly fee (the “fixed” component) in regional towns

Q3a: Which of these levers to improve profitability would you recommend to the client? How would you recommend they be achieved?

Example initiatives and follow up questions:

- Decrease hourly pay of riders
  - Candidate should only recommend if also recommending increasing drop-fee significantly
- Decrease / remove drop fee paid

  - Candidate should not recommend this – it is an important incentive for riders to accept and complete orders
- Increase number of orders per hour
  - Good recommendation. Ask candidate how they would increase # orders per hour, potential solutions are:
    - Increase demand (marketing)
    - Decrease size of areas that riders work in (less distance to cycle), however, requires a high density of orders/restaurants
    - Increase number of orders riders can pick up/drop off at one time (e.g. be assigned multiple orders at once from the same/nearby restaurants to deliver to customers who are near each other)
    - Better matching of the supply of riders to the demand of orders from customers (so never oversupplied)
- Increase average order value
  - Good recommendation. Ask candidate how they would increase this, possible suggestions:
    - Force customers to have higher-order value (ok but would decrease some conversion)
    - Grow share of corporate (tend to have larger order values)
    - Recommend upgrades/add-ons (e.g. customers who order this, also order that)
    - Improve pricing for bundles
    - Marketing initiatives targeting group ordering
- Increase service fee charged to restaurants
  - Could be done but ask candidate why we may not want to consider doing (the answer is increasing competition)
  - Excellent candidate will note that we could increase services offered to restaurants beyond just delivery (e.g. packaging, kitchen space, etc.)
- Increase delivery fee charged to customers
  - Not recommended (also for competition reason)

Case 3 – Hair Straighteners

Sector: FMCG

Type of Case: Market Sizing, Strategy

Overview: *HairCo, a hair straightener manufacturer, has hired OC&C to help develop its long-term strategy.*

Q1: What are the various channels through which hair straighteners are sold?

- Open-ended question for discussion

Q2: What is the size of the market for hair straighteners in the Netherlands? Size the Personal Straightener market and the Hair Salon Market.

A. Personal market	B. Salon market (assume each hairdresser has their own straightener)
• Population of Women (9m) • Segment by Age • Assume sensible penetration by age (60% average) • Assume replacement rate (3 years) • Price (€50) – Answer: c.€90m	• Population of Women (9m) • # of haircuts per year (4) • Total haircuts (36m) • # of haircuts per year per hairdresser (1,200) – Haircuts/day (6), assuming 8 hours/day – Number of workdays (200) • Total number of hairdressers (30,000) • Assume replacement rate (2 years) • Price (€50) – Answer: c. €750k

Q3: HairCo has 30% market share of the personal market and 60% market share of the salon market. What are their sales?

- Personal market: 90*30% = €27m
- Salon market: 750*60% = €450k

Q5: Overall hair straighteners market is growing at 15% per year. Discuss possible reasons.

- Ownership rising (more people styling at home (DIY, Instagram, YouTube, etc.)
- Purchase frequency (people buying more regularly for fashion/brand/ gifting etc.)
- Price (increasing premiumisation)

Q6: HairCo wants to boost revenue by entering new markets. What would you recommend and why?

- Open-ended question for discussion

Case 4 – Airlines

Sector: Leisure

Type of Case: Strategy, Exhibits-driven

Overview: *OC&C has been approached by the CEO of a start-up airline "Wing Airlines". She is interested in getting your initial ideas about her business model to see if she would like to retain you as a consultant in helping her get her new venture "off the ground".*

Initially, she is planning a small fleet of two Boeing-777 aircrafts that will fly non-stop from Rotterdam to Johannesburg, South Africa. Wing Airlines has purchased one plane and is leasing the other on a long-term contract. The airline will offer one flight each way per day. One plane will have its "home base" in London Heathrow (LHR) and the other in Johannesburg (JNB). The head office is in London, and the airport-based staff will be from each respective location. The flight crews are mostly South African nationals.

Q1: Please estimate the total revenue from tickets sold on a one-way flight from LHR to JNB.

a GOOD candidate…	• will estimate the revenue on a class-by-class basis: – Average ticket price x total seats x occupancy rate% *To assist this, please assume that a Boeing-777 has 300 economy, 80 business, and 10 first-class seats*
a GREAT candidate…	• will realise that: – Occupancy will likely vary by class, by day of the week and by season – Fare rates will vary considerably by factors other than seating class (e.g. proximity to travel date, flexibility of ticketing conditions, etc.) – Many passengers don't pay the full average fare in cash due to loyalty schemes – and that these are likely to fall more heavily in the more expensive seating classes *No need to work all this out, just recognise the high degree of variation likely*

Q2: We have talked about the ticket revenue on this flight. Can you think about what other potential revenue levers there may be for Wing Airlines to pull?

The candidate does not need to provide any quantitative assessment, and this is open to their creativity, sample answers:

- Advance boarding
- Seat selection
- Charging for meals/drinks
- Inflight Wi-Fi
- Duty-free shopping
- In-seat gambling
- Sponsored credit cards
- Rental car and hotel alliances
- Advertising (Inflight entertainment system, inflight magazine, website)

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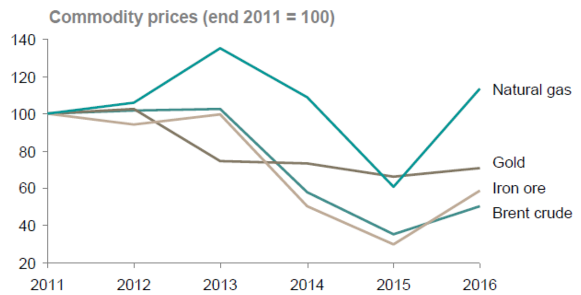
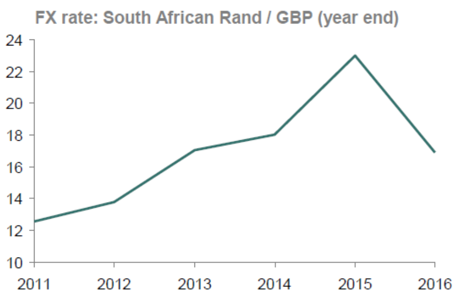
Q3: While we have focussed on revenue, please discuss what might be the major costs the airline will face?

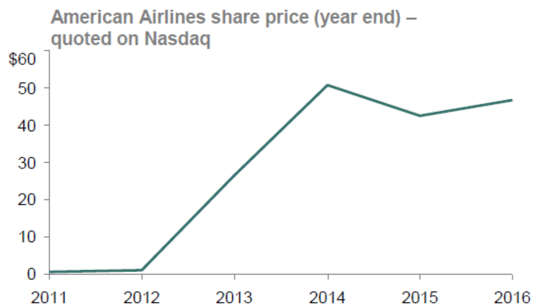
a GOOD candidate…	• will likely consider the following: – Labour (pilots, on-board staff, groundcrew) – Fuel – Leasing payments – Catering – Maintenance – Insurance – Landing and flight fees – SG&A
a STRONG candidate…	• would not only come up with the above list but make some assumptions about relative importance (e.g. fuel cost is massively important in this context; pilots are highly skilled and trained, so will be much more expensive than groundcrew, etc.)
a GREAT candidate…	• might also consider the nature of this as a cross-border, capital intensive business, so will mention financial implications such as: – Interest payments – Currency swaps – Fuel hedging contracts – Depreciation (for purchased aircraft)

Q4: Please review the associated charts. These show various metrics over the past few years. Please comment on how you think these could have been relevant to the business (assuming it had already been operational during that time)?

(Hard question – any candidate can comment about some aspects of the data, but great candidates will filter out the relevant data from the noise, and then think about the various implications)







a GOOD candidate…	• may make some of the following observations:
	– Natural gas and iron ore prices are not very relevant to this industry's economics, drop in Brent crude price over the past few years will benefit transport companies due to lower fuel costs, however that changed in last year
	– Recent decline in Rand per € could have a few impacts on the airline:
	  • Demand from SA-based customers could be negatively impacted
	  • Earnings from SA-based customers taken in local currency would be worthless to the airline
	  • Salaries for SA-based employees will be relatively cheaper
	– AA share price is probably not very relevant – it is based on an entirely different market
	– Employment statistics
	  • Perennially high unemployment rate may indicate a struggling economy in one of the company's two core markets
	– Rising wage inflation would make SA-based staff (the majority of the operational staff pool) more expensive

a GREAT candidate…	• may also consider other points, such as:
	– SA is a major producer of gold, so the decline in the gold price could indicate poor prospects for one of its traditional sectors (*factual knowledge is not necessary)*
	– While the decline in the oil price is generally a good development for a business like this, any airline that takes out hedges at too high a price could find itself at a disadvantage relative to competitors
	– Fall in the Rand could provide operational opportunities (e.g. switching more aircraft maintenance costs to the SA end of operations)
	– While the AA share price is largely irrelevant, the candidate might comment on the fact that at the start of the timeframe the price was close to zero (what the chart shows is the company being rescued from bankruptcy in a merger with a competitor)
	– Employment statistics
	  • High unemployment rate combined with accelerating wage growth suggests some structural issues in the labour market which might concern the business:
	    – High levels of unionisation and industrial militancy
	    – Divergence in cost of skilled and unskilled labour (e.g. pilots are a very expensive, rare commodity whereas baggage handlers are not)

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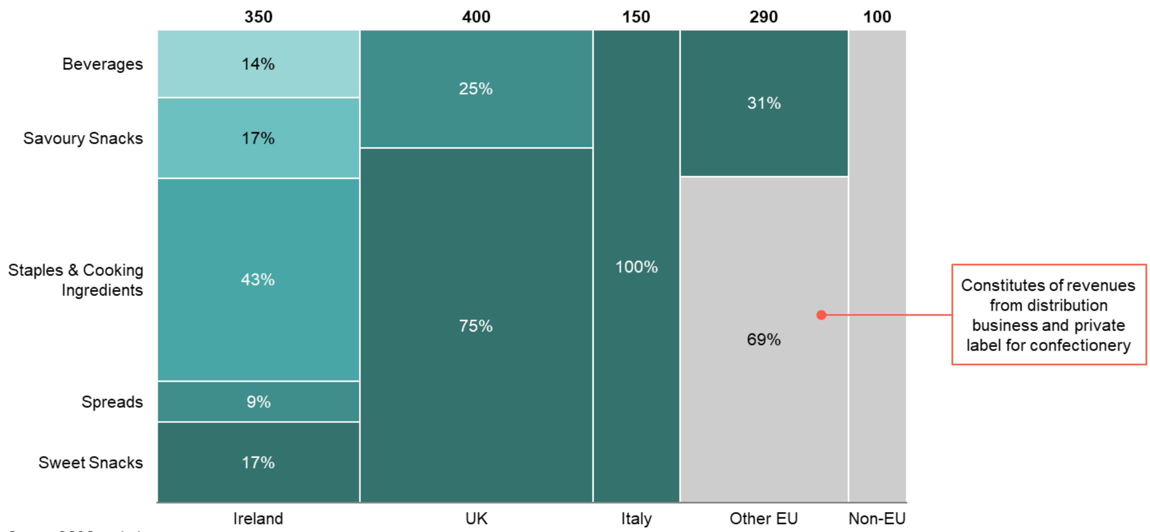
Case 5 – Food Manufacturer

Sector: FMCG

Type of Case: Market sizing, Strategy

Overview: *Our client is a European food manufacturer that has grown revenues by acquiring heritage food brands, stripping costs out and driving sales. They have a brilliant management team who have successfully turned around several brands using the above model and have the following revenue mix today (introduce Exhibit A)*

Exhibit A: Breakdown of Revenues (€m)



Source: OC&C analysis

Q1: Estimate the size of the Dutch Honey market

- Population – 17m
- Persons per Household – 2
- Households – c. 8.5m
- % households buying honey – 30%; 2.55m
- Consumption per household – 1 tl = 5g x 365 days; c. 1.8kg
- Price - €15 per kg
  - Market Size: €68.85m

Check candidate's approach to segmentation and identification of characteristics of the various segments, e.g. purchase frequency, customer segments, price, etc

Q2: The client is looking to double their revenues in 3 years, how might you suggest they do that?

Candidate should suggest methods for organic and inorganic growth. Probe further about inorganic growth.

"*What would be potential strategies when searching for target companies to expand by M&A?*"

Possible answers:

- Country specialists – double down on existing countries, however, con: over-dependency on that country's economy and no real synergies
- Category specialists – can have procurement synergies, knowledge sharing, and common R&D
- Trend-driven growth - buy growth by buying companies in trending categories ripe to grow rapidly, however, con: could be fairly risky and time-taking
- Pan-European conglomerate - acquire similar pan-European conglomerate with a separate set of geographies and products

Q3: Follow-on for category specialists – How would you assess and identify good categories to expand into?

If candidate hasn't suggested this as a strategy, nudge them to think in this direction

A good candidate should mention characteristics including size, growth forecast, competition (fragmented vs consolidated, private label).

Introduce Exhibit B for category characteristics and ask:

Q4: What do you think are the most attractive categories to expand into?

Exhibit B: Category Market Dynamics; Selected European Countries[1]

	Total Market Size (€bn, 2018)	Top 3 Brand Owners Market Share (%)	Private Label Market Share (%)	Category Value Growth 2015–18 (%)
Canned Fruit and Vegetables	10	30%	40%	2%
Cooking Ingredients and Meals	60	10%	30%	3%
Sweet Spreads	15	35%	25%	5%
Confectionery	40	30%	10%	-1%
Sweet Biscuits, Snack Bars and Fruit Snacks	10	50%	30%	2%
Breakfast Cereals	25	65%	40%	1%

1. Selected Markets: UK, Ireland, France, Germany, Italy, Spain, Netherlands, Poland

Answer should refer to points mentioned in Q3 and then make a reasonable recommendation