



UCLA ANDERSON MANAGEMENT CONSULTING ASSOCIATION

COMMON BUSINESS PROBLEMS & FRAMEWORK QUICK GUIDE

QUICK GUIDE: BUSINESS PROBLEM OVERVIEW

1. **Market Entry / New Product**
Typical client problem: whether a new product has potential to be successful in a given market, or whether existing products should be expanded into new markets. Solve case by assessing whether the new market / product will be successful and make a go / no-go recommendation to the client.
2. **Profitability**
Typical client problem: various forms of financial underperformance. Solve case by assessing client's current financial performance and make recommendation to improve future profitability using the profitability framework:
$$\pi = Q (P - VC) - FC$$
3. **Pricing**
Typical client problem: how to price a particular product / service. Solve case by recommending a price for the client's product / service that will enable the client to compete successfully and achieve any business objectives.
4. **Operations**
Typical client problem: various forms of operational underperformance. Solve case by analyzing client's operations processes and making a recommendation to optimize.
5. **M&A**
Typical client problem: whether to acquire a particular target company. Solve case by assessing whether acquiring target company is a good investment, and make a buy / don't buy recommendation to client.

QUICK GUIDE: FRAMEWORKS – MARKET ENTRY / NEW PRODUCT

External / Market

- Size / growth
- Segments
- Margins
- Trends

Competition

- Major players & market share
- Product differentiation
- Barriers to entry
- Potential new competitors
- Substitute products

Internal / Product

- Firm expertise / resources / capabilities
- Product competitive advantage – quality vs. price
- Relationships
- Capital
- Project goals
- Expected market share

Methods of Entry

- Build
- Partner / JV
- Acquire competitor(s)

QUICK GUIDE: FRAMEWORKS – PROFITABILITY (π)

External

- Market growth
- Market profits
- # Competitors & market share
- Product differentiation

Revenues

- Revenue streams
- Pricing
- Volume
- Channel
- Customer

Costs

- Fixed costs
 - R&D, PP&E, marketing etc.
- Variable costs
 - Labor, COGS, logistics etc.
- Major shifts?
- Benchmark vs. competitors
- Supplier power

QUICK GUIDE: FRAMEWORKS – PRICING

Pricing Strategies

- Cost-based pricing
- Value-based pricing
- Competition-based pricing
- Arbitrage / price discrimination?

Product

- Product differentiation
- Costs of production
- Emerging / mature / declining product?

Market

- Size
- Growth
- Customer ability to pay / WTP
- Benchmarking
- Substitute products

QUICK GUIDE: FRAMEWORKS – SUPPLY CHAIN / OPERATIONS

Manufacturing Process

- Capacity
- Efficiency
- Downtime
- Production costs

Demand

- Variability
- Customer segment profitability – who to serve first?
- Variability reduction strategies

QUICK GUIDE: FRAMEWORKS – M&A

Target Company

- Core competency
- Profitability
- Industry structure in which it operates
- Corporate structure and culture

Potential Synergies

- Strategic reason for acquisition (acquire resources vs. cut costs)
- Functional synergies (Manufacturing, HR, Finance etc.)

Integration

- Culture
- Competitive response
- NPV Analysis

QUICK GUIDE: COMMON FIXED & VARIABLE COST COMPONENTS

Fixed Costs

- PP&E
- Land / rent
- Initial investment
- R&D expenditure
- Marketing
- Overhead (salaries, HR, IT etc.)
- Insurance

Variable Costs

- Labor
- SG&A
- COGS (Raw materials, etc.)
- Logistics / transport / shipping / packaging
- Customer service / maintenance / repairs
- Utilities
- Taxes / fees (mainly related to import & export)