Business Class Airline

Our client is a budget airline considering entering a new market for business class flights. They are considering an all business-class service within Europe.

<u>They want your advice on whether this is a good idea?</u>

Q: What is the client's current business
A: A range of cheap short haul flights from the UK to various European destinations

Q: Do they offer any business class flights at the moment?
A: No, but passengers can pay for various upgrades such as speedy boarding and greater legroom

Q: How is their current brand perceived?
A: Extremely cheap, but very low quality service

Structure – Examples of typical questions that the interviewer could ask around each of the four areas

Customers

Business Travellers
- How price sensitive are they?
- What is most important to them?

Luxury Tourists
- Is there a likely market for this?
- How would it differ from the market for business travellers?

Competition
- How will incumbent airlines react to this?
- Are alternatives such as train travel serious competition?
- Can they position themselves as competition to other airlines' economy offerings?

Capabilities
- Will their budget brand be a limitation or an asset?
- What capabilities do they have as a budget airline that are particularly useful?
- What do they not currently do that they will need to be good at?
- Do they have access to landing slots?

Entry Mode
- Can this simply be launched as another route with a different service?
- Whom could they partner with?
- Is an acquisition or partnership a viable option?
- Should they consider setting up a new company?

Automotive supplier

The client, High Q Plastics, is an automotive parts supplier in the U.S. They primarily manufacture and sell plastic injection-molded parts, such as grills, door handles etc. to automotive customers.

The client has two primary revenue sources: large automotive OEMs, and aftermarket. The client has recently seen declining profits from $50M to $20M over the past few years.

What would you look at to better understand the reason behind High Q's declining profits?

1. The interviewee should examine the following MECE questions about the competitive dynamics of the industry:
   a) **Industry:** What is the sales volume trend? What is the % of demand and growth of OEM vs. aftermarket segment? Is one of these segments more profitable than the other?
   b) **Competitors**: Who are they? What is their relative market share? What are their prices vs. our clients'? What is their cost structure vs. our clients'? Do they have a technology or quality competitive advantage relative to our client?
   c) **Revenue:** How have our clients' prices changed in recent years? Have they declined across all customers and products?
   d) **Costs**: What trends is our client seeing in their cost structure? Increasing labor or material costs?

Industry Characteristics/Market Economics

- Automotive sales overall still growing steadily, driven by emerging markets
- Automotive manufacturing is leaving the U.S.

Client Characteristics

- Client is currently one of the leaders in this category
- Client has U.S.-based manufacturing
- Revenues have been slowly declining over last 5 years
- Client's products are of a higher quality than most Chinese competitors' products

Competitive Dynamics

- Automotive OEM customers are looking to reduce cost, driving increased price competition among parts suppliers