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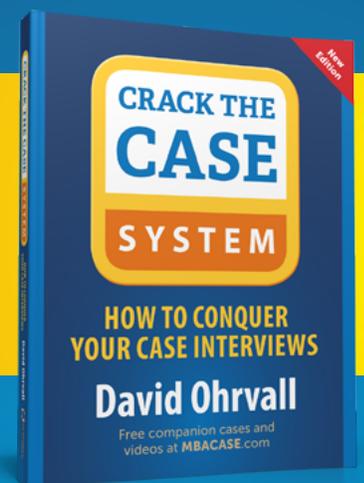
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CASE **603**

Always Fresh

David Ohrvall

FOUNDER OF **MBACASE.COM**



**CRACK THE
CASE
SYSTEM**

Always Fresh

San Francisco, California, US

603
FULL
★★★

Determined to conquer the world with the power of deodorant, the Always Fresh team has set their sights on going abroad. Help them navigate the international intricacies of personal hygiene. Will success smell as sweet outside of North America?

**SAN FRANCISCO
CITY FACTS**

- ▶ Famous landmarks: Golden Gate bridge, cable cars (the only moving National Historic Landmark), Chinatown
- ▶ Nicknames: City by the Bay, Paris of the West, Frisco
- ▶ Known as the center of liberal activism; has not voted more than 20% for a Republican presidential or senatorial candidate since 1988.



TRAIN Profile

Type	Region	Analysis	Industry	Number
	<p>SAN FRANCISCO, CALIFORNIA, U.S. Population: 809K Currency: Dollar, USD, \$</p>	<p>Enter a New Geography or Market</p>	<p>Consumer Products</p>	

Solo Practice with Video Assist

1. Find your videos
2. Set up
3. Listen to question
4. Recap
5. Create your plan
6. Present your plan
7. Stop and study
8. Reinforce



30 minutes

Partner Practice

1. Set up
2. Present the case question
3. Recap
4. Create your plan
5. Present your plan
6. Stop and study
7. Reinforce

Interview Guide

Case Situation and Question

Always Fresh is a subsidiary of a \$30B consumer products conglomerate. The company's main product line is deodorant/anti-perspirant sprays, roll-ons and sticks. Sales over the last five years have been steadily growing in North America, and now the Always Fresh team is ready to take its products global.

As the team's leader, how would you assess whether or not international expansion is a good idea? If so, which countries offer the greatest three-year revenue opportunity?

Case Twist

You discover that another large consumer products company has decided to launch similar deodorant products in the countries you picked?

What would you do?

Feedback

Physical Skills

	Weak	Strong
Body Language	①	② ③
Verbal	①	② ③
Listening	①	② ③

Thinking Skills

	①	②	③
Hypothesis Generation	①	②	③
Comfort with Ambiguity	①	②	③
Initial Plan & Output	①	②	③
Data Analysis	①	②	③
Basic Business Intuition	①	②	③
Integration	①	②	③
2nd Level Insights	①	②	③
Creativity	①	②	③

Total Score _____ / 33

Intro Facts (Tell the Candidate if Asked)

Location preferences: None. Management wants the project team to tell them.

Product line: Any or all of the three deodorant types can be launched into new locations. Each product (stick, spray, roll-on) lasts 3 months long on average.

Team: Internal resources appear sufficient to handle this launch. Your interview candidate is the leader of the team.

Capital, production and distribution: Parent company will support any well-defined need. Worldwide production and distribution facilities will help. Relationships with retailers are good.

Financial targets: 25% annual revenue growth for 3 years and year one sales of at least \$50M.

North American (NAM) sales: Last year's sales were \$350M. NAM growth is about 10% per year.

Suppliers: Non-issue, North American suppliers.

Government/ Legislation: No barriers.

Financing this venture: Non-issue.

Key Insights (Do Not Tell the Candidate)

General tips: This is a basic market entry case with critical data scattered throughout four different handouts. "Star" candidates will be on a mission to find certain facts and pull them from the handouts.

Market potential: Three countries are much larger than the others in terms of overall size: Germany, Japan and Brazil.

Pricing: AF sells three different types of product that sell at different price points. Prices also vary by country. However, since the three product types are weighted about the same, you can average the prices to develop an average price for all units for a particular country.

Country-specific competitors: There are strong competitors in each market that AF wants to enter. Brazil and Japan are the most fragmented, which would enable AF to take market share from the small, local brands. Although AF is new, their large parent organization will make it possible for them to promote their products heavily and to use already established distribution relationships.

Global competitors: Mann and Rembrandt each have solid market share in 3 different countries. They are well-established companies like AF and its parent company.

Mid-case Data (Tell Only at Appropriate Time)

Ask, "What is the primary metric by which you could judge each country?"

- **Give the candidate Handout A.** Ask, "How would you describe what is happening?" Ask, "What kind of data would you need to best understand pricing?"
- **Give the candidate Handout B.** Ask, "What do you notice about the price structure here?" Ask, "What kind of products would you want to offer in other countries?"
- **Give the candidate Handout D,** product types by country. "Do certain countries tend to use one product type over another?" Ask, "How would you go about thinking about competitors? What information would you need to evaluate this threat?"
- **Give the candidate Handout C,** competitor share by country. Ask, "Which countries provide the most opportunity and why?"

Case Flow and Milestones

1 Present Main Question

Candidate takes notes, asks for a minute, forms a plan and presents it. Be sure to read through the handouts and the main question carefully to understand the flow.

2 Answer Any Basics

These may come up after you read the question, or later. Read through the entire case noting areas where the candidate will likely have questions.

3 Ask for Clarification

Prompt with questions: "Tell me more about this area (you choose). What are you thinking about here?" or "Tell me how the parts of your structure link to each other."

4 Guide Discussion

The "star" will get to business by assessing the full revenue and profit potential by country. Basic data that is necessary includes: size of the potential market, price per unit sold, usage rates and volume. Your goal is to provide handouts (A-D) so candidate can make a holistic decision. Review the calculations on Page 6.

5 Get Recommendation

During the Candidate's wrap-up, look for the following:

- Good grasp of the facts from the slides and clear data-driven reasons for going abroad or not
- Persuasion! Would you be ready to move ahead with the Candidate's suggestions?
- Immediate next steps

Handout and Data Guide

Handout A:

Candidate: How big is the market by country? Or Do you have any market data?

Interviewer: Here's some market data. What do you see? What jumps out to you on this chart? Any countries you would consider over others?

Insight: Big markets to consider are Brazil, Japan and Germany.

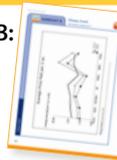


Handout B:

Candidate: Do we have any pricing information?

Interviewer: Here's some pricing by country. What do you think? What pricing trends do you see by product?

Insight: Pricing for spray is often higher. In Japan roll-on prices are higher.



Handout C:

Candidate: Do you know who the competitors are by country and their market share?

Interviewer: These numbers are rough and represent what the team could pull together in a day. What jumps out at you? Who seems to be dominant by market place?

Insight: Brazil and Japan are fragmented, creating opportunity to take share.



Handout D:

Candidate: Do we know what type of deodorant people like best?

Interviewer: Here's some quick data we got from street interviews.

Insight: Spray is preferred by Brazil and Japan. France likes roll-on. No one deodorant type dominates across countries in terms of usage.



Additional Info

Redirect the discussion to these areas if necessary:

- In terms of market potential, Brazil, Germany and Japan are the largest.
- Each country is about equal in terms of deodorant usage rates.
- Prices do vary by country; but, in general, the price points by product type do not vary much.
- Spray tends to be the highest and stick is the cheapest.
- Certain markets are more crowded than others: France, Spain and Germany. The UK, Brazil and Japan have significant fragmentation with many small competitors.
- No one type of deodorant is dominant in terms of usage.



Re-routers

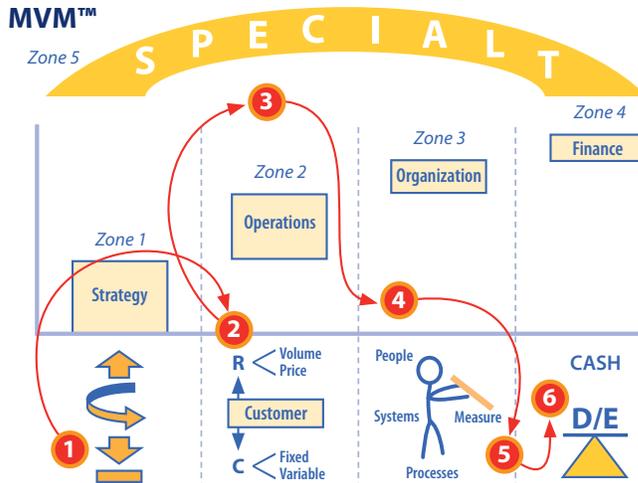
Questions to Keep Things on Track

- **What criteria would you use to rank one country over another?**
 - ▶ Market size
 - ▶ Competitor saturation and relative market share
 - ▶ Customer needs
- **How would you go about determining the potential market size?**
 - ▶ Start with all potential customers and slim down the field according to product preference and usage patterns.
- **Now that you have some target markets, what other issues should you consider?**
 - ▶ Product distribution

- ▶ Product push (spray vs. stick vs. roll-on)
- ▶ Internal marketing support
- ▶ Sales rollout
- ▶ Retailer relationships and advertising
- **What internal organizational issues concern you most?**
 - ▶ Leveraging our conglomerate's experience to support expansion
 - ▶ IT systems to track the actual success of this venture
 - ▶ Senior management support and patience
 - ▶ Team dedication—this will be a lot of work

Additional Study Using the FRAME Method

F – Form a Plan



- 1. Start in Zone 1, Strategy.** Always Fresh is changing direction and looking to start something new.
- 2. Move to Zone 2, Operations.** How much demand is there, and what can we charge?
- 3. Don't forget key external factors.** As you consider price and volume also consider:
 - Suppliers—are there any raw material problems in our future locations?
 - Competitors—how does our product compare to what they offer?
 - Industry—are there barriers to this industry in our new countries?
- 4. Shift to AF's internal team.** Do we have enough people in place and good leaders?
- 5. Discuss distribution processes.** How will they be leveraged in the new country?
- 6. Move to financing.** What will happen with the company's debt/equity?

M—Mine for the Answer

Now you can mine for data. Use your plan as a guide, as well as your initial hypothesis. Try to ask 2-3 questions in each section you explore.

Demand	Product/ Competitors	Internal Support
<ul style="list-style-type: none"> ■ Do we have evidence that people want this product? <i>Deodorant users are plentiful.</i> ■ Can we estimate demand? How about price? <i>We do have rough demand and price.</i> ■ Where do we see demand to be highest? <i>Brazil, Japan and Germany provide the most opportunity.</i> 	<ul style="list-style-type: none"> ■ What is unique about our product? <i>We have no information on what's unique.</i> ■ How can we differentiate? <i>Competitors are fragmented, so they may be slow to react.</i> ■ How will competitors respond? <i>There is a good opportunity to take market share.</i> 	<ul style="list-style-type: none"> ■ Is the team in place? Do we have a strong leader? <i>Yes. You are the leader.</i> ■ How will we sell and distribute the product? <i>Distribution relationships are in place. We can leverage the conglomerate's relationships.</i> ■ Is our financing in place? <i>Yes, there are no financing issues.</i>
Product Line	Financial Targets	Suppliers
<ul style="list-style-type: none"> ■ Does AF provide a product line that will work in several different countries? <i>Yes. Every country they want to enter uses their main products: spray, roll-on and stick.</i> ■ Do certain countries demand certain product attributes that the AF product line does not have? <i>No. Initial research indicates that the AF product line will be well accepted in all the countries</i> 	<ul style="list-style-type: none"> ■ What are management's goals with this international expansion? <i>Ultimately, management wants to see about half of AF's sales come from outside of North America. For the first 3 years, they expect 25% revenue growth.</i> ■ Are there any other financial goals in place? <i>None at this time.</i> 	<ul style="list-style-type: none"> ■ Will our product be made abroad or in the local country? <i>Initially, to take advantage of production efficiencies, all products will be made in the US. In the long term, making the products locally may be an option.</i> ■ Are there any suppliers who will react negatively to AF importing products? <i>We have no information at this point. AF's parent does have good relationships with suppliers.</i>

A – Anchor a Hypothesis

Did you take advantage of some of your initial thoughts about this decision? By anchoring your thoughts around a hypothesis, you can give yourself a natural focus for your questions as you move through the different elements of your plan.

AF Should Expand

"Because of AF's parent conglomerate and its likely advantages with distributors and retailers in different countries, launching this product seems like a natural fit."

AF Should Wait

"Just because we have been successful in North America, this does not guarantee the same success abroad. I suspect that the costs will outweigh the advantages.

E – End the Case

"Always Fresh should definitely move ahead with international expansion. After assessing total potential market share, three countries—Brazil, Japan and Germany—rise to the top of the list. It appears that we can capture share quickly in the first two, with total projected conservative revenues for all three at about \$160M the first year. Additional growth at 25% may be aggressive in Germany since the market there is less fragmented. Also, distribution, IT, and sales processes will need monitoring."

Post Case Review

Case Insights & Takeaways

- In terms of market potential, Brazil, Germany and Japan are the largest.
- Prices do vary by country; but, in general, the price points by product type do not vary much.
- Spray tends to be the most expensive and stick is the cheapest. No one type of deodorant is dominant in terms of usage.
- Certain markets are more crowded than others: France, Spain and Germany. The UK, Brazil and Japan have significant fragmentation with many small competitors.

Tying it All Together

Looking for large markets makes good sense. Unless there are some unique barriers to a market that is larger, go there first.

When making calculations, you have to find ways to simplify the numbers. Try to “ballpark” your numbers (get them in the range) before going for detailed precision.

Volume: What is the common unit to count? Since each product (stick, spray or roll-on) is being used in the same manner, and likely lasts the same length of time, each sale can be counted as one unit. To get the number of units, you must know: Total Available Users x Market Share for AF x Units Used Per Year. You can get the user data from Handout A, the market share data from Handout C, and the number of units per year by asking the interviewer (4 units per year per person).

Price: As for price, a quick solution is to review the chart and come up with an average. If you have more time you could weight the price, but that is not necessary.

After determining the revenue potential, you need to apply some business judgment to the results. The Math Zone covers some of that logic.

When you present your final answer, it is natural to caveat some of your numbers and talk about what you would like to investigate if you had more time.

My Takeaways

To build skills and improve, you must apply what you learned to future cases. Take a few moments and review the interviewer feedback and jot down some key insights about your performance in the space below.

Thinking Skills

My top 2 strengths are:

My top 2 soft spots are:

To address these problems I'll begin to:

Click or scan QR to see video.

My Performance During the Case

Add up your points. → Total Score: _____ / 15

F	Form A Plan	R	Read My Audience	A	Anchor a Hypothesis	M	Mine for Answers	E	End the Case
points	<ul style="list-style-type: none"> ③ Structured, clean ② Somewhat organized and logical ① Messy, overlapping ideas 	points	<ul style="list-style-type: none"> ③ Good back & forth, caught clues ② Awkward, trouble with interviewer style ① Interviewer not interested, couldn't follow 	points	<ul style="list-style-type: none"> ③ Solid hunch, pursued clue ② Partial direction ① No hypothesis at all 	points	<ul style="list-style-type: none"> ③ Specific questions, solid analysis ② Missed some questions, some math mistakes ① Vague questions, weak math, no linkages 	points	<ul style="list-style-type: none"> ③ Used facts and data, connected the dots ② Some data, mostly understood connections ① No data, no passion, no connections



Always Fresh

San Francisco, California, US



Interviewer's Data Guide

Math Zone

Potential Approach

Estimate the Market

	Brazil	Japan	Germany
Total market:	~84M customers	~90M customers	~60M customers
Average price:	\$2 (weight toward spray)	\$3 (weight toward spray)	\$2 (even weighting)
Usage rate (no info):	4x (1 per quarter year)	4x (1 per quarter)	4x (1 per quarter year)
Est. market share:	10% (.25 of fragmented)	10% (.25 of fragmented)	5% (not fragmented)
Annual est. revenue:	~\$70M	~\$100M	~\$24M

Total Annual Revenue: ~\$194M (will vary according to your assumptions, e.g. how many units of deodorant do you use per year? Round this number to ~\$200M)

Gut Check It

\$200M for the first year seems high, given that after 5 years North America has \$350M. A sharp candidate will offer a plus or minus percent to safeguard their answer. In this case, 20% error in either direction would result in a range of ~\$160M – \$240M. Be conservative and go with \$160M.

Calculate Required Growth

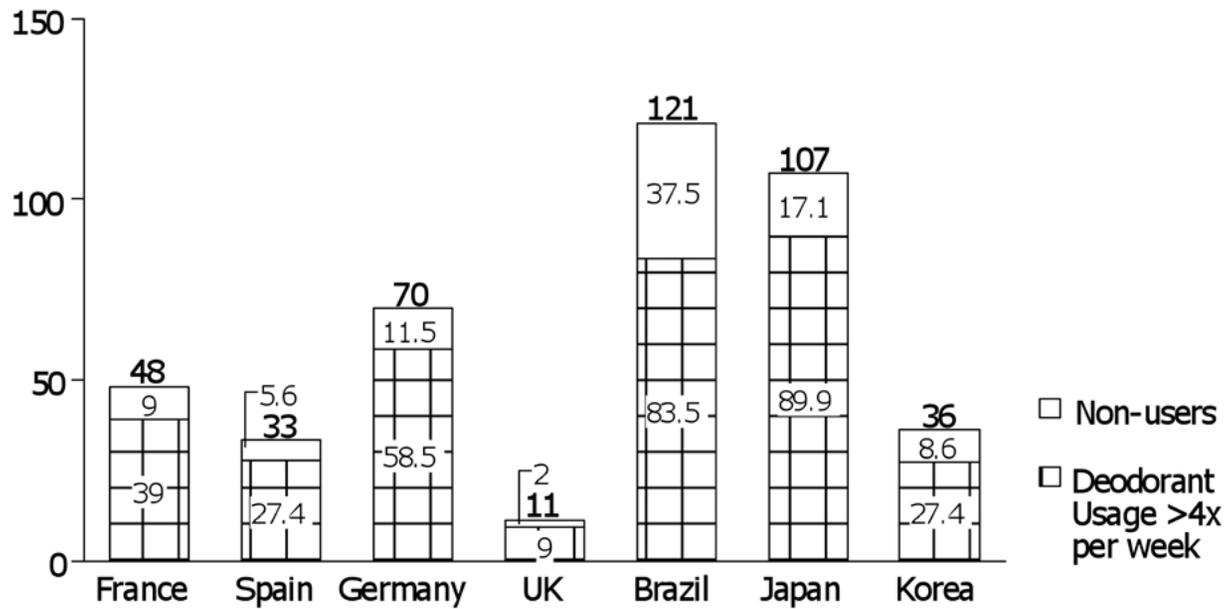
In the first year, sell about \$160M. This number seems aggressive.
In the second year, grow at requested 25% (\$40M), so sell ~\$200M.
In the third year, grow at requested 25% (\$50M), so sell ~\$250M. After three years, Always Fresh would be about \$250M (international), which seems reasonable since NAM is \$350M after five years.

Interpret the Numbers

Establishing the business during the first year is important and will be difficult. Germany in particular is not fragmented, and gaining shelf space may prove difficult.
Growing at 25% may be possible, given that Brazil and Japan are so fragmented. It does seem aggressive, however, given NAM's 10% growth rate.
We may have the option of entering only two countries and still reaching our targets.

Population and Deodorant Usage

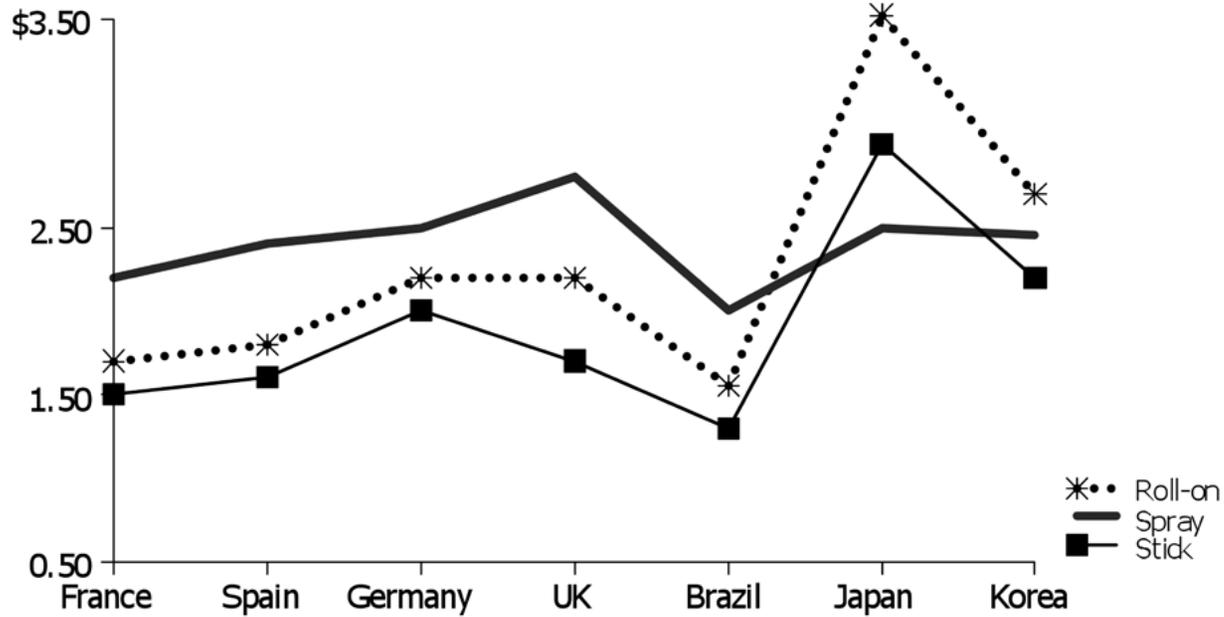
Population in Millions of Potential Users (Age 15+ years)



Sources: GeoHive, Theodora.com

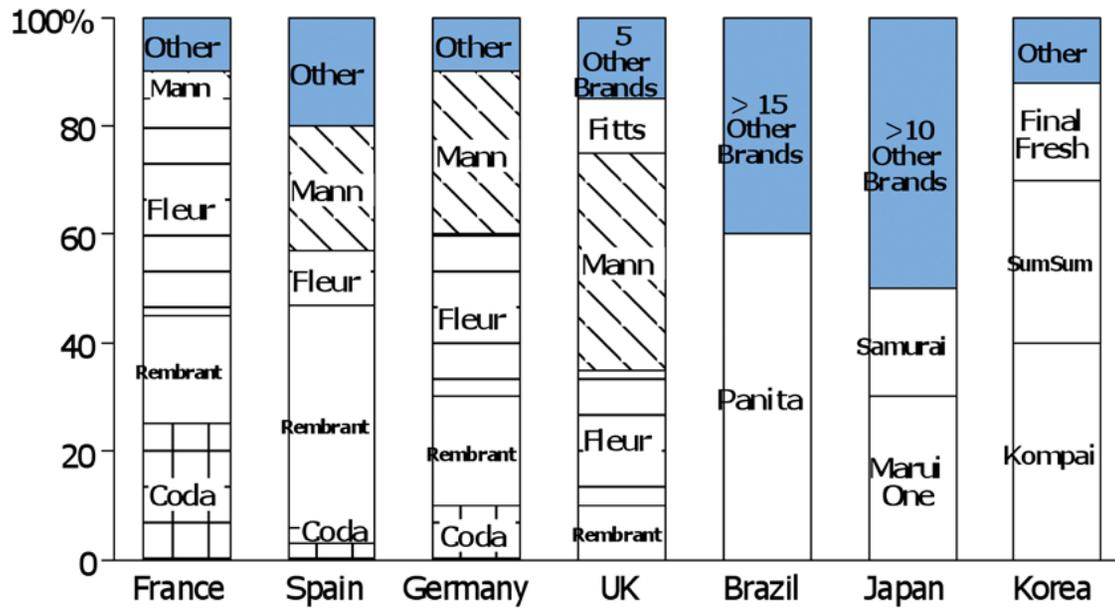
Average Price Paid per 2 oz.

Average price paid per 2 oz. in US\$



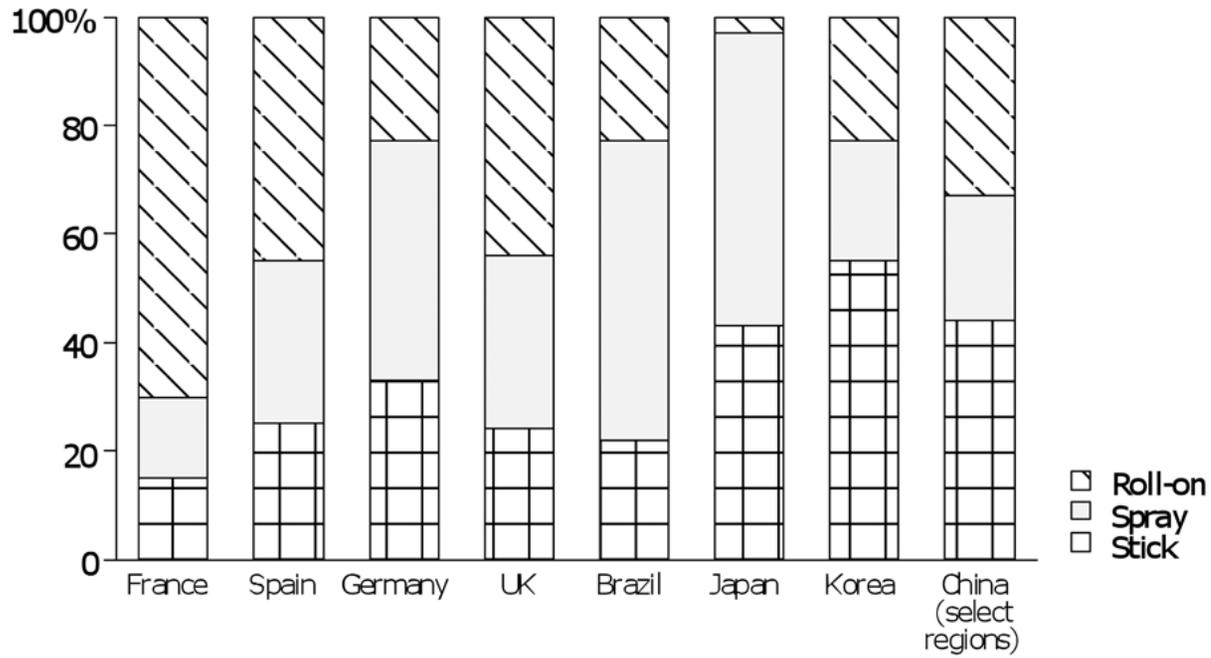
Key Competitors by Market

Percent of Market Share



Deodorant User Preferences

Percent of Users by Deodorant Type





WORKSHEET

Always Fresh
San Francisco, California, US



Today's date:

2. Be original with your data

4. Leave ample room for a structure and additional notes as the case progresses



3. Take clean and simple notes

ALWAYS FRESH

Potential Plan and Output



WORKSHEET

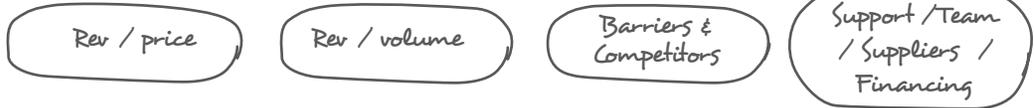
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Is global expansion a good idea?
Which countries offer best 3 yr. rev. opp?

Rev - subsid. of \$30B CPG
Costs - no data
Profit - no data
Goal: cut costs
Goal: Assess whether international expansion is good
Biggest 3 yr. opp?
Financial targets? Rev. or profit targets?
Number of countries?

- Main prod. Deodorant
- anti-persp. / roll-ons / sticks
- Sales growing in N. A.
- Plan for global expansion



What are price points by country?
What is the pricing trend across products?
What pricing est. can we use?

Deodorant market full potential by country?
What market share is possible?
What is predicted volume over 2 years?

What will we face by country?
Have other CPG companies established themselves?
Country specific boundaries?

Do we have funding in place?
Does the conglom. team have experience?
Do we have "new entry" processes: marketing, sales and distribution

HUNCH: AF will succeed - deodorant is global need. Stick to developed countries and take share.



Voiceover

"Our goal is to enter a new country, so I want to determine which countries offer the best revenue and the simplest entry. Issues like suppliers, competitor response, and industry barriers will be important. I also would like to discuss internal support issues like our team, marketing, distribution, and financing. Before I go down this path, does management have any specific goals for our team? For instance, do you have the number of countries or revenue or profit targets?"

Click or scan QR to see video.

Additional Study: For more questions to consider, review Section 13: Roadmaps.