Cornell Consulting Club Example Interview Case 3 (Interviewee Led)

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This case scenario is fictional and not based on any of CCC’s client engagements.

Case Overview and Context:

Our client is Luxury Auto, a multi-billion-dollar European luxury car manufacturer located in Germany. The company’s main market has been Germany in the past, but the client has seen declining profitability over the last 2 years. Luxury Auto has plenty of investable capital and in order to counter this profitability problem, it is looking to enter a new market in one of the following countries: Switzerland, France, or Japan. Our client would like you to evaluate which of these countries it should enter.

Guidance for Interviewer:

This is a market entry case with given options for potential entry targets. The candidate should develop an initial framework that evaluates Luxury Auto as well as each of the countries, financially and qualitatively. The candidate will need to understand why profitability has been declining in Germany, evaluate the potential revenues, investment costs, and other costs for each country, and consider the compatibility of each country with the client’s capabilities.

Information Provided Upon Request:

- A new tax on automakers in Germany (fictional) implemented two years ago has increased Luxury Auto’s costs
- Focused on environmental sustainability, the regulatory environment in Germany has been unfriendly toward automakers
- The market size for luxury automobiles in Germany has shrunk from $50B to $40B over the last five years
- Specific cost and revenue information for Luxury Auto over the past two years is not relevant
- **Luxury auto market size**
  - Switzerland: $20B
  - France: $30B
  - Japan: $50B
- **Luxury auto market five-year growth predictions:**
  - Switzerland: 5%
  - France: 10%
  - Japan: 10%
- **Potential % market share**
  - 15% in Switzerland
- 10% in France
- 5% in Japan

- Investment costs are irrelevant; candidate should only evaluate unit costs qualitatively (e.g. shipment costs to Japan vs. other countries in Europe, labor costs in each country)

### Revenue Calculations:

<table>
<thead>
<tr>
<th>Country</th>
<th>Market size x Growth Rate x Market Share</th>
<th>Revenue (in 5 years)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Switzerland</td>
<td>$20B x 5% x 15%</td>
<td>$150M</td>
</tr>
<tr>
<td>France</td>
<td>$30B x 10% x 10%</td>
<td>$300M</td>
</tr>
<tr>
<td>Japan</td>
<td>$50B x 10% x 5%</td>
<td>$250M</td>
</tr>
</tbody>
</table>

### Sample Recommendation:

Luxury Auto should enter the French automobile market for two main reasons: first, the client’s potential revenues in France are higher than either of the other two countries. Second, on the qualitative side, it is the best option due to its proximity to Germany (despite its revenue potential, Japan is far from Germany, meaning it will have high transportation costs and cultural barriers, as well as its having its own very competitive car brands) and its competitive growth rate. France is also a larger country than Switzerland and presents more room for growth.

### Risks and Mitigation:

- The client should be cautious of environmental regulations that may be imposed in France, which would present the same problems it had been facing in Germany
- Potential market share should be verified
- Entering a new market could sacrifice the business in Germany even further

### Next Steps:

Luxury Auto should evaluate whether to set up new manufacturing centers in France, or to use pre-existing ones in Germany and export. The client should also determine which vehicles to sell first in the new country, as well as what products would sell best long-term. Further market analysis would have to be done to obtain this information. Finally, Luxury Auto would need to decide what to do with its current business in Germany (whether to continue, reduce, or discontinue).