



## **On-line Case**

Example for distribution

July 2008

THE BOSTON CONSULTING GROUP

# Candidate briefing

**The Online Case:** During our recruiting process you will go through a BCG on-line case. Like case interviews, it is an opportunity to better grasp the kind of issues we address at our clients and test a number of key skills like logic, analysis and business sense. You will find enclosed some sample questions which will allow you to get prepared for that experience and be familiar with the navigation.

**The sample:** You will find enclosed a hard copy sample that consists of **4 questions** and should last **8 minutes**. The purpose is to help you get prepared for the actual on-line exercise, which lasts **45 minutes** and consists of **23 questions**.

**The screen** is divided into 2 parts:

- on the left, you will find the questions and the multiple choice answers
- on the right, you will find the documents to which you have access during the case

**To answer the questions:** you can click on one or more answers depending on the question. You will be able to move onwards and backwards from question to question and change your prior answers if needed. At the end of the 45' period you will need to quit the case.

**Evaluation:** In calculating your score you get +3 points for every right answer, 0 points for no answer and -1 point for a wrong answer

**Good luck and have fun!**

Question 1 / 4



Doc 1

Doc 2

Doc 3

What is approximately the average gross margin?

- 7.1%
- 6.7%
- 6.3%
- None of the above / we lack sufficient information at this stage**

## Pricing Strategy – "ExpensiveOil" Company

### Case overview

For the past twenty years the government has set the retail price of gasoline for cars

Under the recent increase in oil prices, the government has decided to allow the gasoline distribution companies to set the retail price themselves

The market leader – ExpensiveOil – has hired us to advise her on an appropriate strategy for pricing in the country

### Current situation

Previously, the price changed on a weekly basis to ensure that the distribution companies make €0.10 per liter in gross profit

There are three types of gasoline: Fast, High and Regular differentiated by the level of octane and the degree to which the fuel is unleaded

Client sales are 30% in the €1.7 per litre price range, 40% in the €1.60 price range and 30% in the €1.50 price range. For all types gross profit is approximately €0.10

Question 2 / 4



Doc 1

Doc 2

Doc 3

What is the price per litre the company should charge to maximize profits on gasoline sales?

(Assume for simplicity reasons that the company is selling only High gasoline)

- €1.5
- €1.6
- €1.7
- €1.8

### Maximize gasoline profits

#### Inelastic consumers

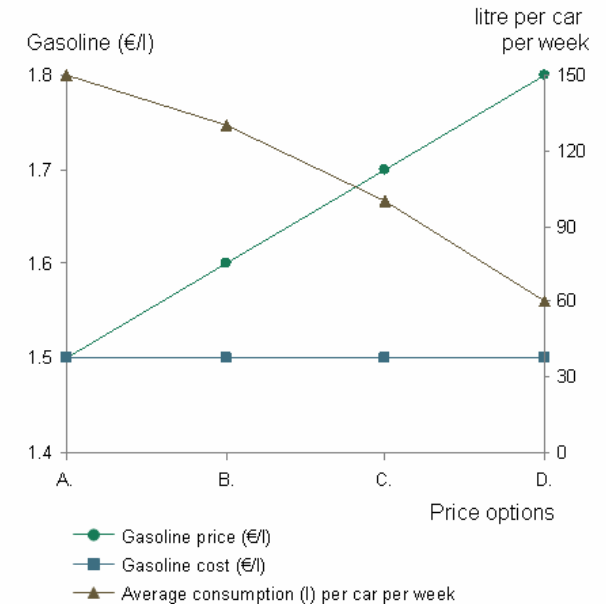
After the liberalization of the retail price of gasoline our client will have to select the price per litre

A market study indicated that consumers were price inelastic across a broad range of prices, but do select service stations based on price, convenience and ancillary services

However, it should be noted that if prices increase too much, consumers may prefer using other means of transportation which would reduce the average consumption per car

Currently, gasoline sales have been growing 5% per annum as more people live in suburbs and commute by car to work.

#### Market study



Question 3 / 4



Doc 1

Doc 2

Doc 3

What is the price the company should charge to gasoline per litre to maximize sales from mini markets?

- €1.5
- €1.6
- €1.7
- €1.8

### Maximize additional stream of revenues

#### Superior client performance

In addition to gasoline retail sales, the firms also engage in retail activities by co-locating mini-markets in the gas stations that sell items such as soda, cigarettes, snack food, etc.

Industry research shows that this area has been the area of fastest growth (10% p.a.) for the firms and yields a net margin of 15%.

However, our client due to its superior selection and perception has been growing by 20% p.a. with a net margin of 30%

#### Industry research

Gasoline price (€/l)	1.5 €/l	1.6 €/l	1.7 €/l	1.8 €/l
Cars buying from gas station per week	130	90	60	40
Average retail sales per car (€)	10	10	10	10

Question 4 / 4



Doc 1

Doc 2

Doc 3

What is the price the company should charge per litre to maximize combined profits?

- €1.5
- €1.6
- €1.7
- €1.8

### Maximize additional stream of revenues

#### Superior client performance

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# Correct answers

## Question 1

- 7.1%
- 6.7%
- 6.3%
- None of the above / we lack sufficient information at this stage

## Question 2

- €1.5
- €1.6
- €1.7
- €1.8

## Question 3

- €1.5
- €1.6
- €1.7
- €1.8

## Question 4

- €1.5
- €1.6
- €1.7
- €1.8

**Total score should be 12 !**