



# Commercial European strategy for a Japanese car manufacturer

Case interview preparation – downloaded from [www.eurekon.nl](http://www.eurekon.nl)

# Why case interviews?

- Case interviews are representative of our work and help us gain insight into how you approach and analyse different problems. At the same time, cases are often based on our projects and may give you a good impression of your future work
- In a case, it is important to:
  - Provide a clear structure for the analysis
  - Prioritise the components of the problem
  - Work together with the interviewer and develop a clear recommendation
- In our view, cases have no 'right' or 'wrong' answer. Rather, it is an opportunity for you to show your analytical skills and creativity
- This is a **strategy case with a qualitative focus**. The case is meant to be **solved together with an interviewer**. The emphasis is on discussion – the interviewer has additional data which the interviewee can ask for

# The case has 4 parts. For each, additional data is available on request. Give the interviewee space, but do work together

- This case has four parts:
  1. Provide basic structure: sales dropped 40% - what could be the cause?
  2. Test the structure: do interview results fit with the structure? New elements?
  3. Quantify: there are many potential causes – which ones are most important?
  4. Conclude: now that we know the cause of the decline – what can we do?
  
- Each part has a short introduction by the interviewer and additional information is available as you work through the case together. As an interviewer, please stimulate the interviewee to think aloud, bring in new ideas and 'kill' old ideas. Ask questions:
  - I see you do this or that. Why? What is your thinking behind it?
  - Could aspect X be important here too?
  
- If someone is stuck at some point, help him/ her to the next part. After all, also in 'real live', we are a team and will support each other!

# Part 1: dramatic 40% sales decline in 2 years. There must be an issue with the dealers. What is it?

Cheetah Cars is one of the world's leading car makers. However, in the last two years ('20 to '22), sales in southern EU countries declined by 40%. Management believes there is an issue with the dealers and wants us to interview them

**In finding the cause of the decline, what issues are important and how would you structure them?**



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## Additional info – provide upon request:

- Management wants to increase sales in Southern Europe in the short- and long-term
- Cars are sold both through exclusive Cheetah dealers and dealers that sell more brands
- Cheetah Cars produces both diesel and gasoline cars
- *Note: don't push the candidate into making a complete issue tree, in part 2 the tree will be completed further*

### Good candidates

- Verify the objective
- Structure their thoughts in a MECE framework
- Work hypothesis driven

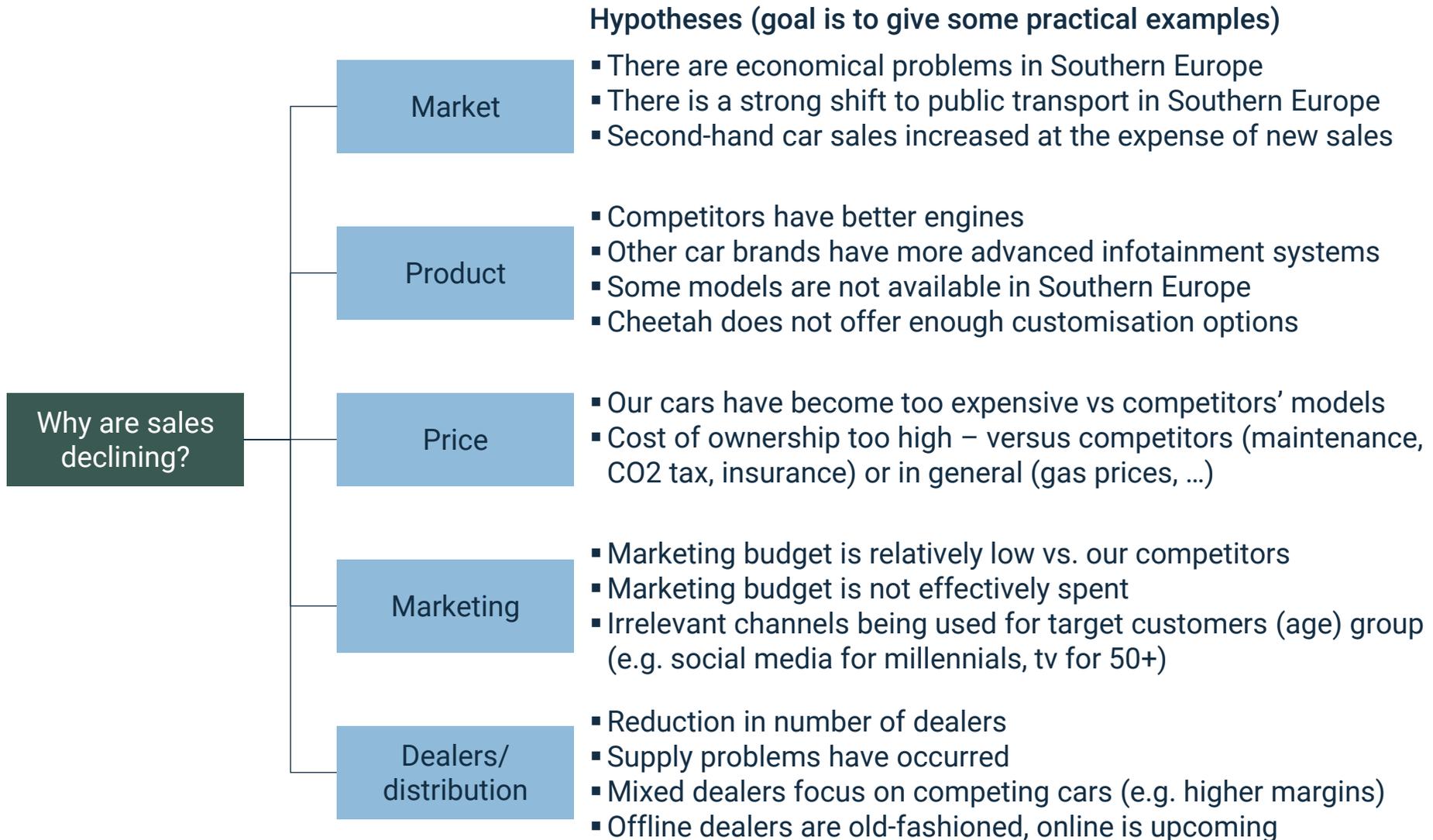
### Traps

- Not tailoring a standard framework, like the 4p's, for the situation
- Only mentioning the steps of the framework without making it practical

# Part 1 - approach: discuss potential causes and provide a 'logic tree' to structure the thinking – many solutions possible

Example framework and analyses/ hypotheses

EXAMPLE



## Part 2 – results from dealer interviews are available. What have we learned and what is the next step?

We have conducted in-depth interviews with over 30 car dealers in 4 countries to get a better picture of the root cause of the problem.

*Exhibit 1* provides the most important quotes.

**What conclusions can we draw from this? What could be next steps?**

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### Guide

- Provide exhibit 1
- If necessary, coach the interviewee into deciding

### Suggested approach

- ‘Map’ the interview quotes against the part 1 framework
- Test the framework: is it complete, are aspects missing? If so, adjust the framework

#### Good candidates

- Test their framework and adapt where needed
- Conclude that still almost all options are possible

#### Traps

- Not using the part 1 framework
- “Floating around”; not concluding
- Trying to conclude without data
- Remaining quiet without communicating their thinking (insights, ‘this is strange’, etc.)

# Exhibit 1: Car dealers offer various reasons for decrease in car sales

## Quotes from car dealers

“Management focuses on the larger dealers, no wonder that we, the smaller dealers, have decreasing sales”

“Demand for EV models has grown, but as long as Cheetah Cars Inc. does not offer an EV, we cannot give our clients what they want, and they’ll go elsewhere”

“Many clients are interested in the new voice control options and infotainment systems. These are standard for competitor models, but expensive options on Cheetah”

“The decision not to import the Jump anymore has cut off Cheetah Cars from the coupé market...”

“With the lowering margins it’s hard to survive, we might even be forced to increase our prices”

“Why can’t we sell yellow cars, other brands do that, right?”

“I feel like Cheetah Cars Inc. has a much lower marketing budget than most other car brands, that must be the reason why sales are dropping”

“The car market is doing well – we are the only ones with an issue”

“We used to sell 25 models, but 5 have been cut which meant losing many clients. For example, we no longer sell the premium sports car.”

“The new models that HQ promised us are late, we cannot sell cars that aren’t there!”

## Part 3 – analysis: how important are each of the mentioned issues? What is the real cause of the sales decline?

The dealer interviews show there could be multiple reasons for the sales decline. Solving each of these issues is too expensive and time consuming. Surely some issues must be more important than others?

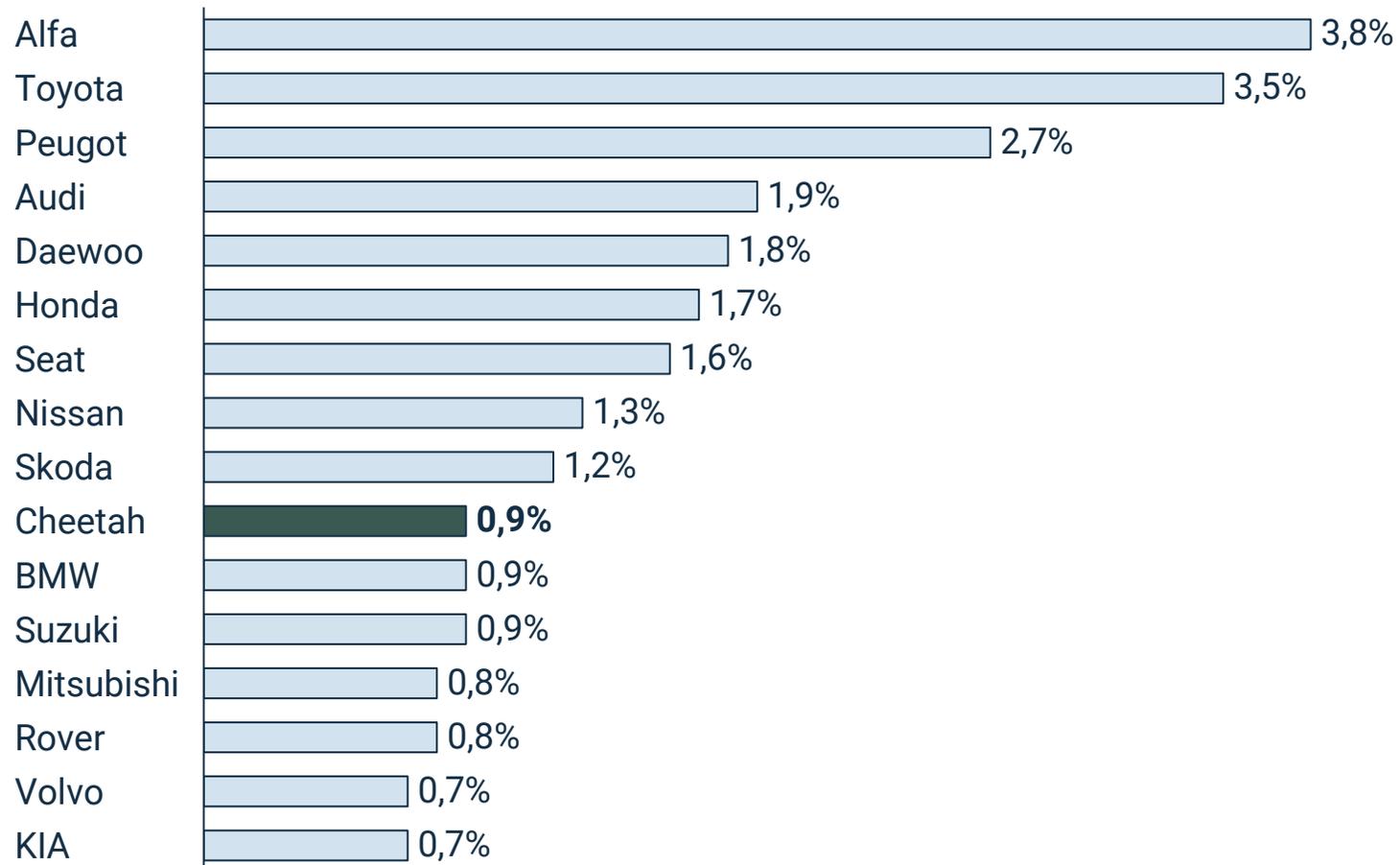
**Ask the interviewee to analyse step-by-step using the framework**

### Guide – provide when requested

Market/ Product	Price	Marketing	Dealers/ location	Distribution
<ul style="list-style-type: none"> <li>When asked about the market developments provide exhibit p10</li> <li>Cheetah only offers diesel and gasoline cars. An electric model is available in 2 years</li> <li>Since 2020 the colours of the car did not change, and the infotainment systems are up to date</li> </ul>	<ul style="list-style-type: none"> <li>If asked about prices, provide exhibit p13</li> </ul>	<ul style="list-style-type: none"> <li>Cheetah uses both offline and online advertisement</li> <li>If asked about marketing spend, provide exhibit p12</li> <li>If asked about market share or market size, provide exhibit p9</li> </ul>	<ul style="list-style-type: none"> <li>Dealer margins have shrunk by 10%, due to legislation in Europe</li> <li>Margins of competitors have also decreased between 9-12%</li> <li>Small and large dealers perform equally poor, see exhibit p11</li> <li>There is no economic reason for price drops in Southern Europe</li> </ul>	<ul style="list-style-type: none"> <li>Since 2020, the delivery times have shortened</li> <li>There are less models available in Europe since 2020. The cars are still manufactured but not for the European market. Provide exhibit p14</li> </ul>

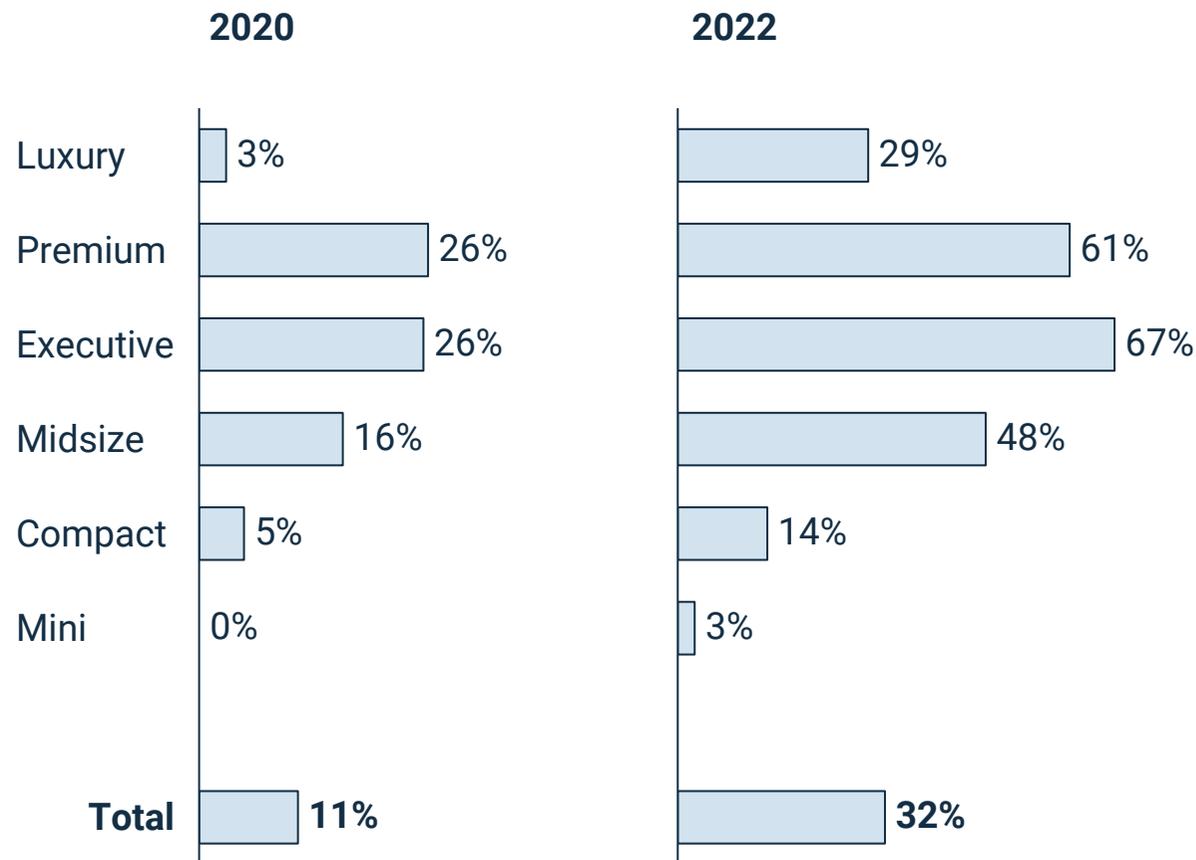
# Market share of several car makers in 2022

Market share of several car brands  
(%)



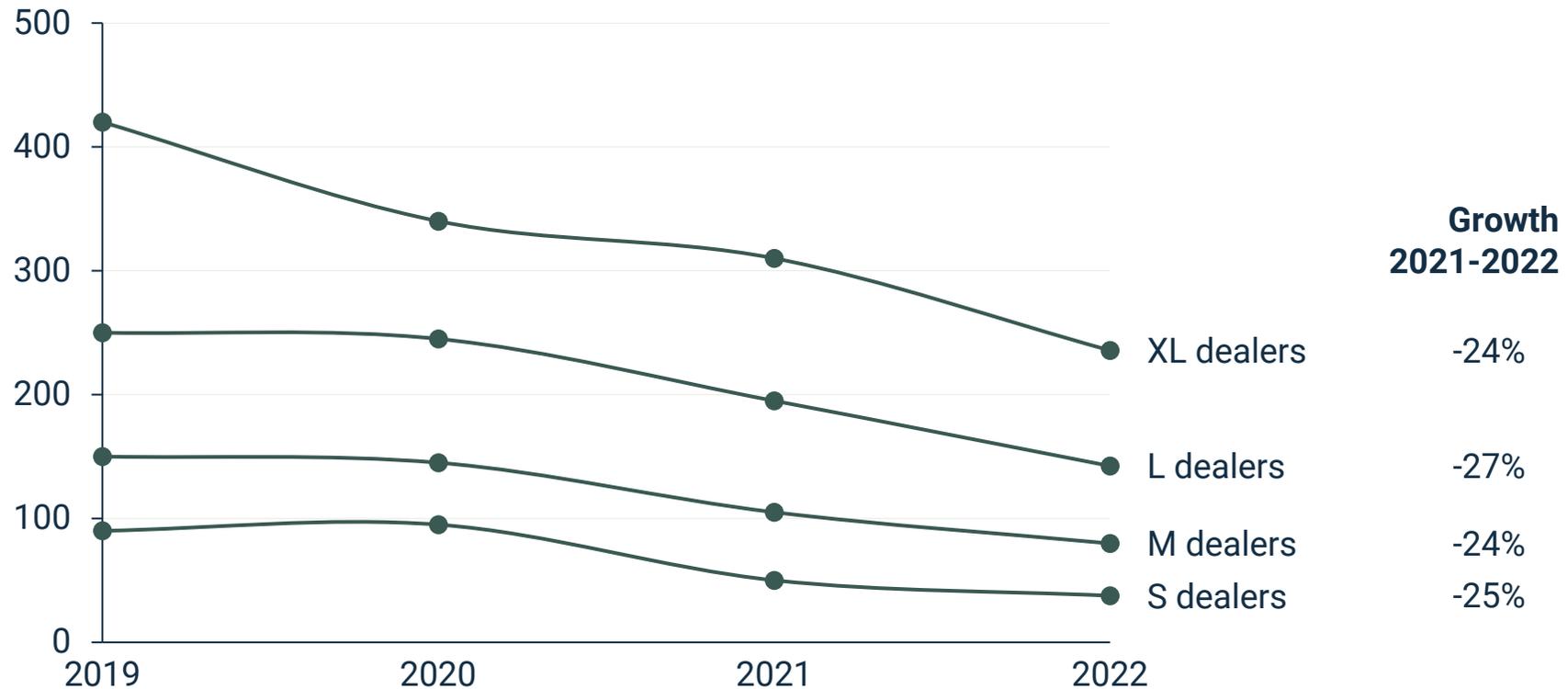
# Market share development of Fully Electric Vehicles

Market share of FEV by segment  
(% of volume)



# Sales development per dealer group from 2019 to 2022

Sales development per dealer group\* in Southern EU  
(average # of cars)

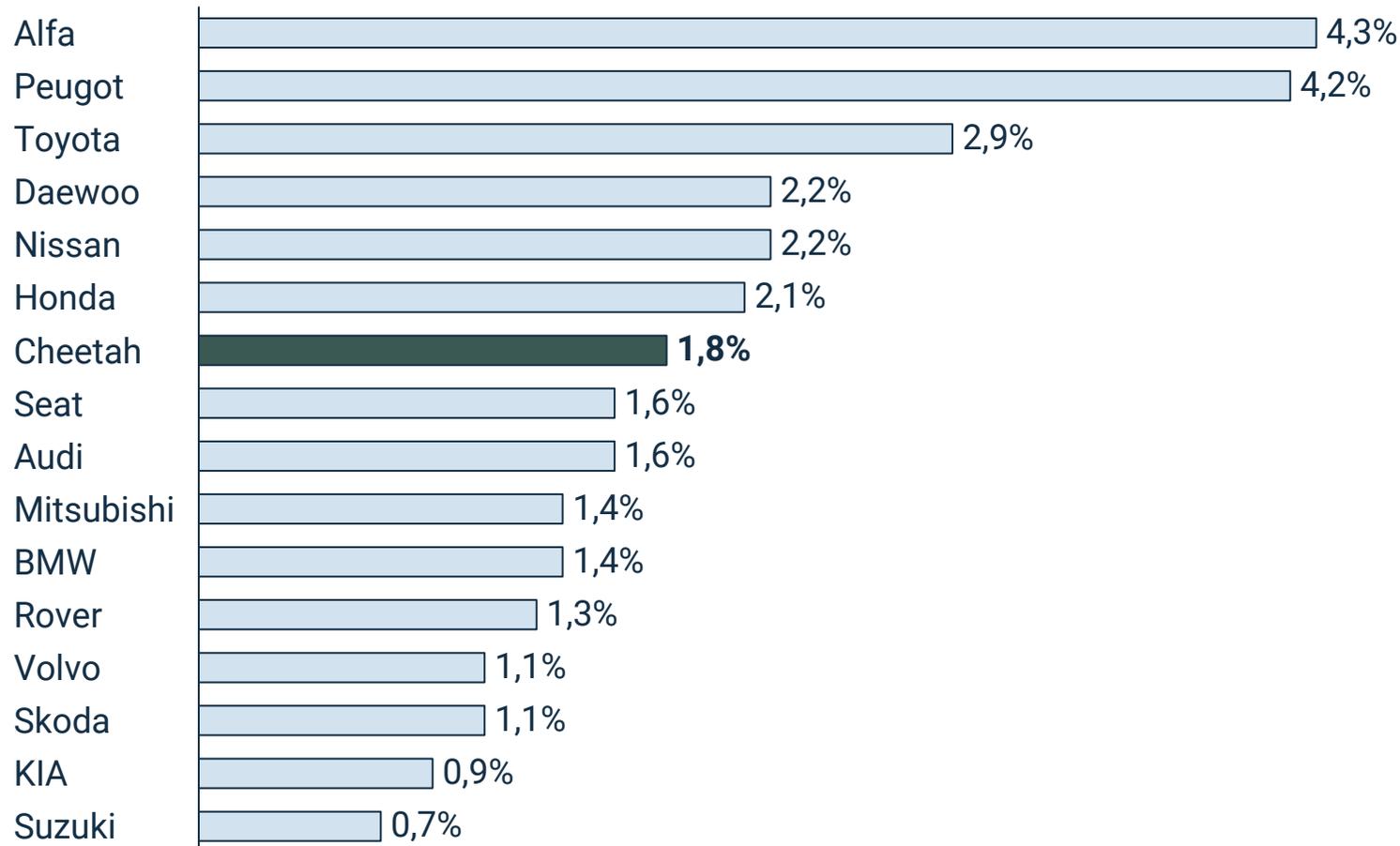


\* Definition of dealer groups constant in all years

Source: Eureka analysis

# Advertising spend of several car makers in 2022

Share of voice\* of several car brands  
(%)



\* Share of advertising spending in market

Source: Eureka analysis

# Price development of the most popular models of Cheetah compared to the competitors

Prices of the models  
(€)

Model	2020		2022	
	Cheetah	Competitors	Cheetah	Competitors
A	50.000	49.000	51.000	49.500
B	41.000	42.000	41.410	42.840
C	35.000	35.000	36.000	35.700

# Changes in offered models and their market shares in 2020

## Cheetah stopped selling coupés & sports cars

Types offered by Cheetah Inc. in Europe  
(#)

	2020	2022
Cabrio	5	5
Coupé	2	-
Sedan	7	7
SUV	8	8
Sports car	3	-

## Sedan and SUV most popular

Shares of cars sold per segments by Cheetah  
(%)

	2020
Cabrio	12%
Coupé	7%
Sedan	40%
SUV	35%
Sports car	6%

## Part 3 Marketing: spend relative to market share of Cheetah is high, not low. Marketing unlikely as key issue

### Suggested approach

- It is too expensive/ time-consuming to dive into whether Cheetah uses the right marketing channels and commercials
- An indication for relative marketing spend can be found by dividing share of voice by market share
  - Calculating every number is time consuming and not necessary. Dividing is more difficult than multiplying, so look for “smart tricks”. Cheetah’s relative share of voice is 2 ( $1.8\% / 0.9\% = 2$ )
  - So if we multiply the market share of the other competitors by 2 (“trick”), we find that competitors spend less on marketing than Cheetah relative to their market share (see calculation on the right)
- **Conclusion: relative to its market share, Cheetah spends a lot on marketing. Further research could be done into the effectiveness of the campaigns. However, it is not likely that the 40% drop in sales is due to marketing**

Brand	Market share	Market share*2	Advert. share	Relative spend
Toyota	3,5%	7,0%	2,9%	Lower
Nissan	1,3%	2,6%	2,2%	Lower
Honda	1,7%	3,4%	2,1%	Lower
Cheetah	0,9%	1,8%	1,8%	=
Seat	1,6%	3,2%	1,6%	Lower
Audi	1,9%	3,8%	1,6%	Lower
Mitsubishi	0,8%	1,8%	1,4%	Lower

## Part 3 Price & Margins: unlikely as driver for strong sales decrease. They do highlight the urgency of the situation...

### Suggested approach

#### PRICE:

- There are no noteworthy differences in prices compared to competitors
  - Prices for all models have increased. For model A and C, the price increase by the Cheetah car was more than the competitor's; for model B the other way around
  - Good candidates will indicate that the price elasticity in the automobile market is not that strong. These small increases will have almost no impact on sales
- **Conclusion: increased prices have no significant impact on the number of sales**

#### MARGINS:

- Our dealers have decreased profitability due to lower margins. However, this is also the case for other dealers. It is therefore not likely that dealers prefer selling competitor's cars because of the decrease in margins
- Dealers could go bankrupt or are forced to increase prices, due to the loss in sales and the lower margins while costs are largely fixed. This will potentially decrease sales even more in the long-run
- **Conclusion: the lower margins are unlikely to drive the sales decrease. However, with lower margins AND lower volumes at fixed costs, profitability for dealers is decreasing strongly and Cheetah could lose distribution channels. This explains the heated discussions we had with some of the dealers...**

## Part 3 Market/ Product: not offering EV seems a key driver of the decline – other product features less important

### Suggested approach

- The colour of cars and infotainment is unlikely to have a significant impact on sales, especially because this is 'problem' existed for over two years. A skilful salesperson will talk his/ her clients into another colour or provide an option with a discount if that is the key issue to get the sale
- Two years ago, 11% of the cars sold were electric. Today, almost one-third of the cars sold are electric. If we assume constant Cheetah market share in the gasoline and diesel segments, we can calculate the impact of the market shift to EV. Here it is key to make a calculation based on limited information

$$Impact = \frac{Non\ EV\ sales_{2020} - Non\ EV\ sales_{2022}}{Non\ EV\ sales_{2020}} 100\% = \frac{89\% - 68\%}{89\%} 100\% = 24\%$$

- **Conclusion: the loss of almost a quarter of the sales can be explained by not offering electric cars. The industry is moving into a new direction. Offering EV's should be of the highest priority to Cheetah**

## Part 3 Distribution: not selling sports cars directly impacts sales – which has significant impact

### Suggested approach

- There are no problems with delivery times
- Cheetah is no longer delivering sports cars to Europe. To calculate what the impact is, we should look at which cars are not sold anymore and what was their sales volume. Exhibit p14 shows that 5 sports cars and coupés are no longer offered. They amounted for 13% of the sales in 2020
- If you don't offer sportscars or coupés you cannot sell them 😊. Even a skillful salesperson will not talk a customer interested in a sports care into an SUV – if he/she gets to talk to the customer at all
- **Conclusion: not offering sportscars and coupés had a 13% negative impact on sales. Offering sportscars and coupés in Southern Europe again could be a short-time solution to increase sales. Costs and benefits for both Cheetah and its dealers are to be weighed**

# Part 4 – Conclusion: what would you recommend to the CEO of Cheetah Motors?

You have done some quick, effective analyses on different topics.

**What would you recommend the CEO? What is causing the decline, what are next steps?**

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## Suggested conclusion

- Many factors are mentioned and may have effect. However, two factors explain a sales drop of 37% - and thus almost 90% of the total sales drop:
  - 24%point is caused by the lack of electric vehicles. The market has shifted very quickly to EV. Market share in petrol and gasoline is stable
  - 13%point is caused by the discontinuation of sports car and coupés. Dealers cannot satisfy customers for these segments
- For the sports cars and coupés, an analysis could be made whether to change the policy or not – weighing costs and benefits. For the EV, it will take around two years for Cheetah to be competitive. This may be too long for most dealers. If Cheetah wants to maintain its dealer network, it may have to support the profitability of (selected) dealers in the meantime – for example with higher margins. And giving highest priority to EV development, of course

### Good candidates

- Produce short- and long-term solutions
- Reflect on their analysis, and summarize the most important points to the CEO
- Are creative and practical in their next steps

### Traps

- Not considering the decreased profitability of dealers as a problem
- Forgetting to quantify the problem

## Evaluation – for interviewer: focus on the reasoning of subjects tackled, not so much on handling everything

- This case gives a candidate the opportunity to look into many different aspects of a business. It may take quite some time to discuss all the elements. However, completeness is not the objective. As an interviewer, the objective is to find positive evidence of:
  - Creativity in mentioning a range of possible causes for the decline
  - Structuring ability – does the candidate come up with a logical grouping of issues? Is there a logical structure in the issues discussed?
  - Practical analyses – can the candidate effectively use the limited information to arrive at a conclusion of what is likely to be important and what is not?
  - Business sense – that can be displayed in all parts of the case
  - Teamwork – working together with the interviewer, sharing thoughts etc.
  
- And remember... it is better to act, share your thinking and make mistakes than to give perfect answers without sharing your thinking



**Any reactions? Did you have another approach? Please let us know via [career@eurekon.nl](mailto:career@eurekon.nl).**

At Eurekon Strategy Development, we don't believe in 'one size fits all' frameworks. We choose our tools depending on the needs of the situation. And we do not give up until the issue is solved.

We are eager to learn, so please let us know whether this case was helpful and share new insights or a creative idea!