



BAIN & COMPANY

Business Case A

Version A

Case 1: Flour & Pasta
Case 2: TravelCo

Case 1

Flour & Pasta

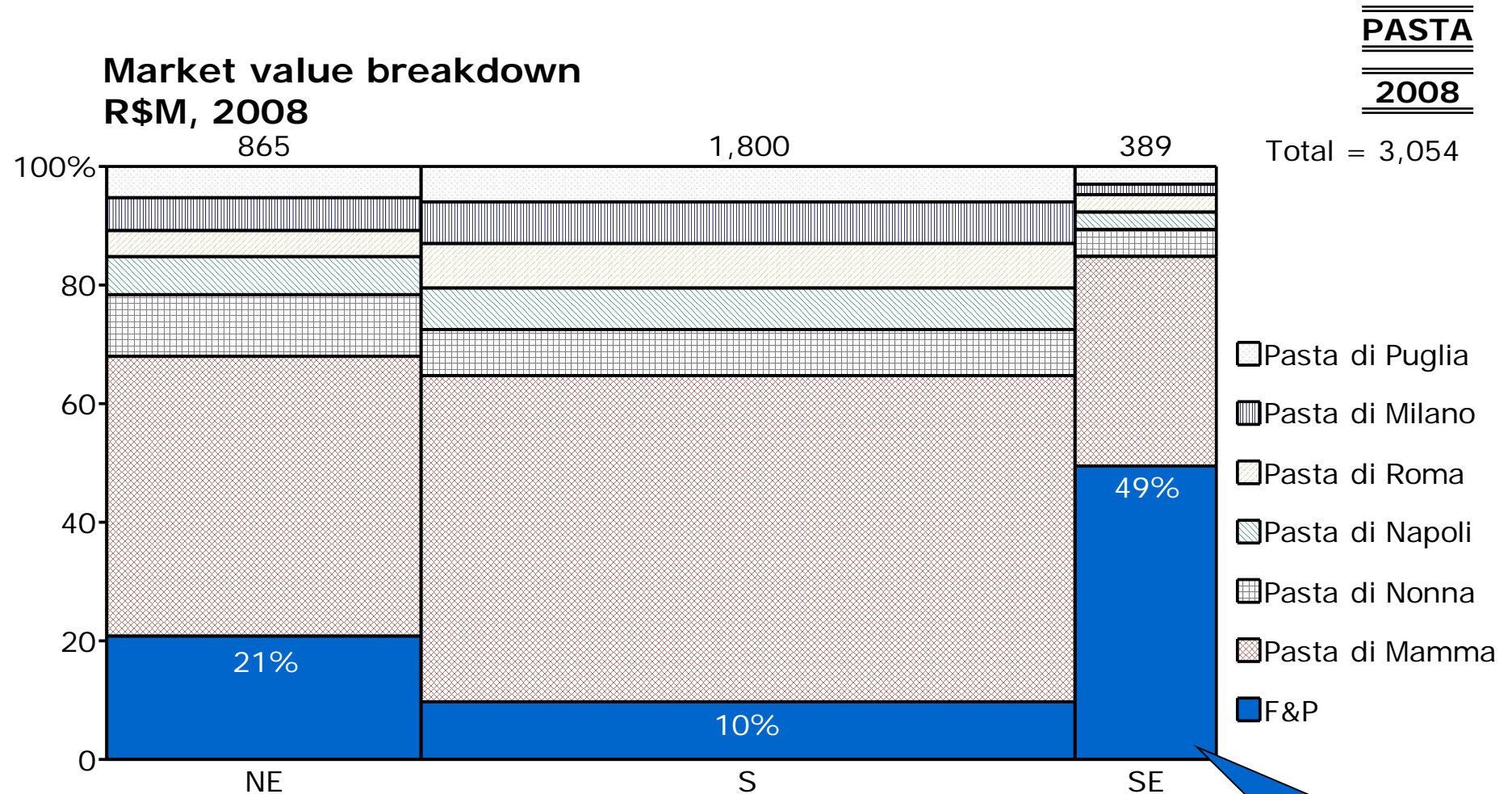
Flour & Pasta case overview

Situation overview

- F&P is a 50 year old consumer products company, with revenues of R\$1,2B in 2008
- F&P's addressable market comprises:
 - Domestic users (no B2B trading is performed)
 - The Northeast, Southeast, and South regions in Brazil
- F&P sells 5 categories of food products:
 - 3 main categories: Flour, Pasta and Cake mix*
 - 2 marginal categories: Biscuits and Baking soda
- F&P hired Bain to help them assess which categories they should invest in, and which categories they should leave
 - In spite of that, they have already made heavy investments in marketing, focusing in the pasta category
 - Market analysis indicate that this will make their revenues grow 5% above market average in 2009, in each region

*Cake mix is a mixture of flour, sugar, baking soda, used to make cakes more easily at home

Graph 1 – Pasta market breakdown, by region in Brazil, and by player

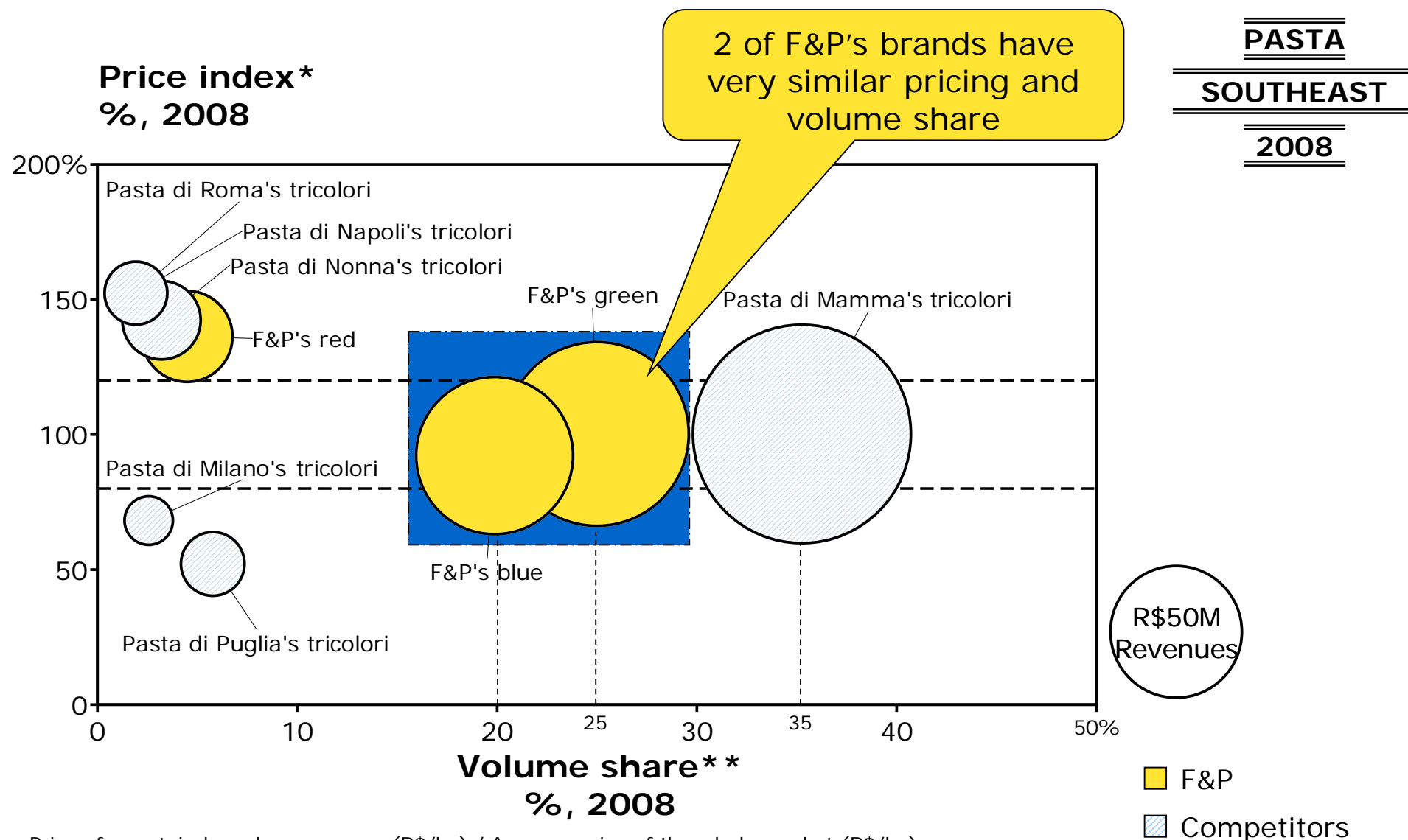


| | NE | S | SE |
|--|------|------|------|
| Market average price (R\$/kg) | 2.47 | 3.00 | 2.49 |
| Expected market value growth 2008-2009 | 20% | 15% | 0% |

F&P value share* in Brazil as a whole: 18%

* Value share = Revenues of a certain brand or company (R\$M) / Sum of revenues of all the players in the market (R\$M)
Source: Market research; Bain analysis

Graph 2 – Pasta volume and price distribution, by each brand of each player, in the SE region

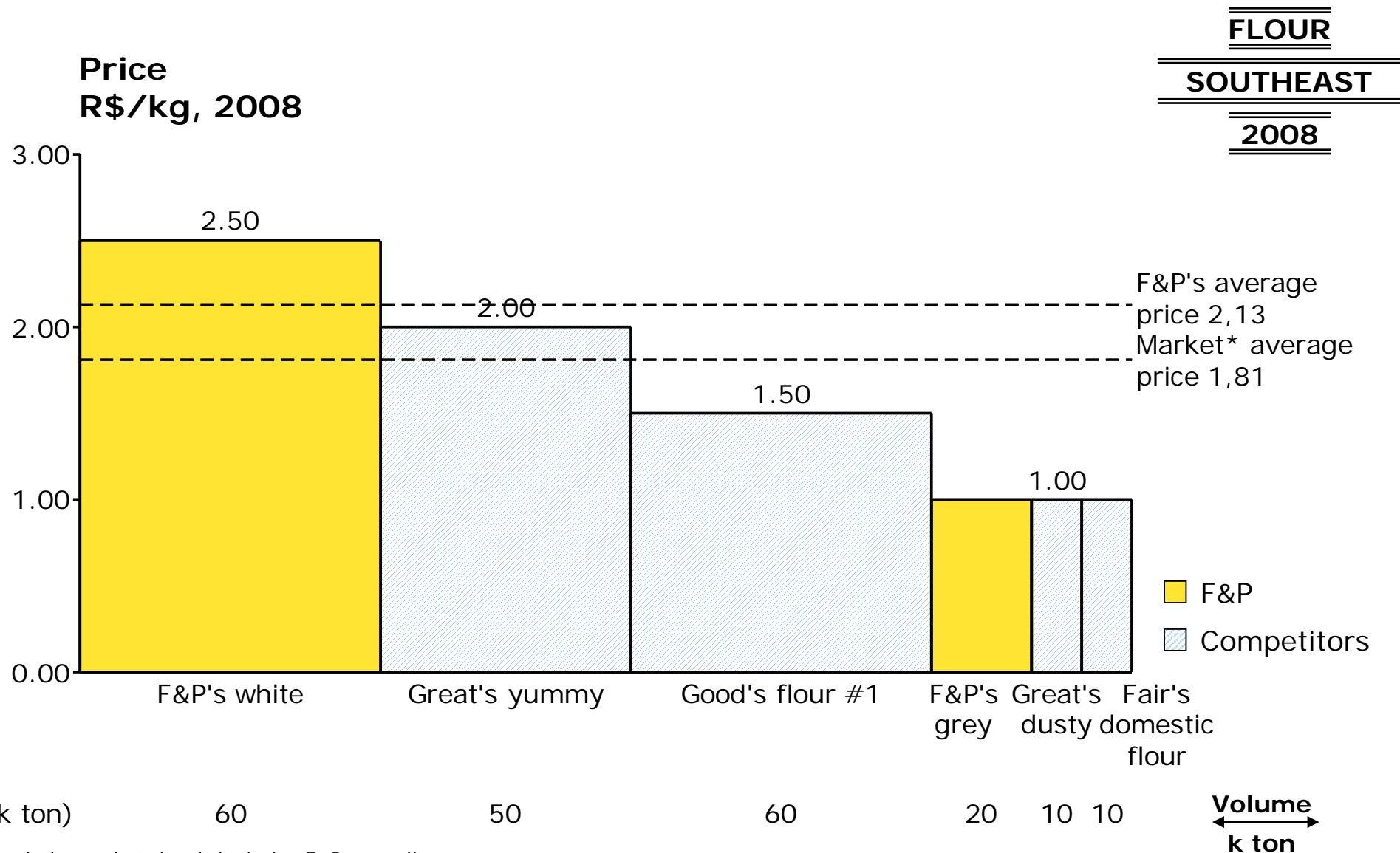


* Price index = Price of a certain brand or company (R\$/kg) / Average price of the whole market (R\$/kg)

** Volume share = Volume of a certain brand or company (k ton) / Volume of the whole market (k ton)

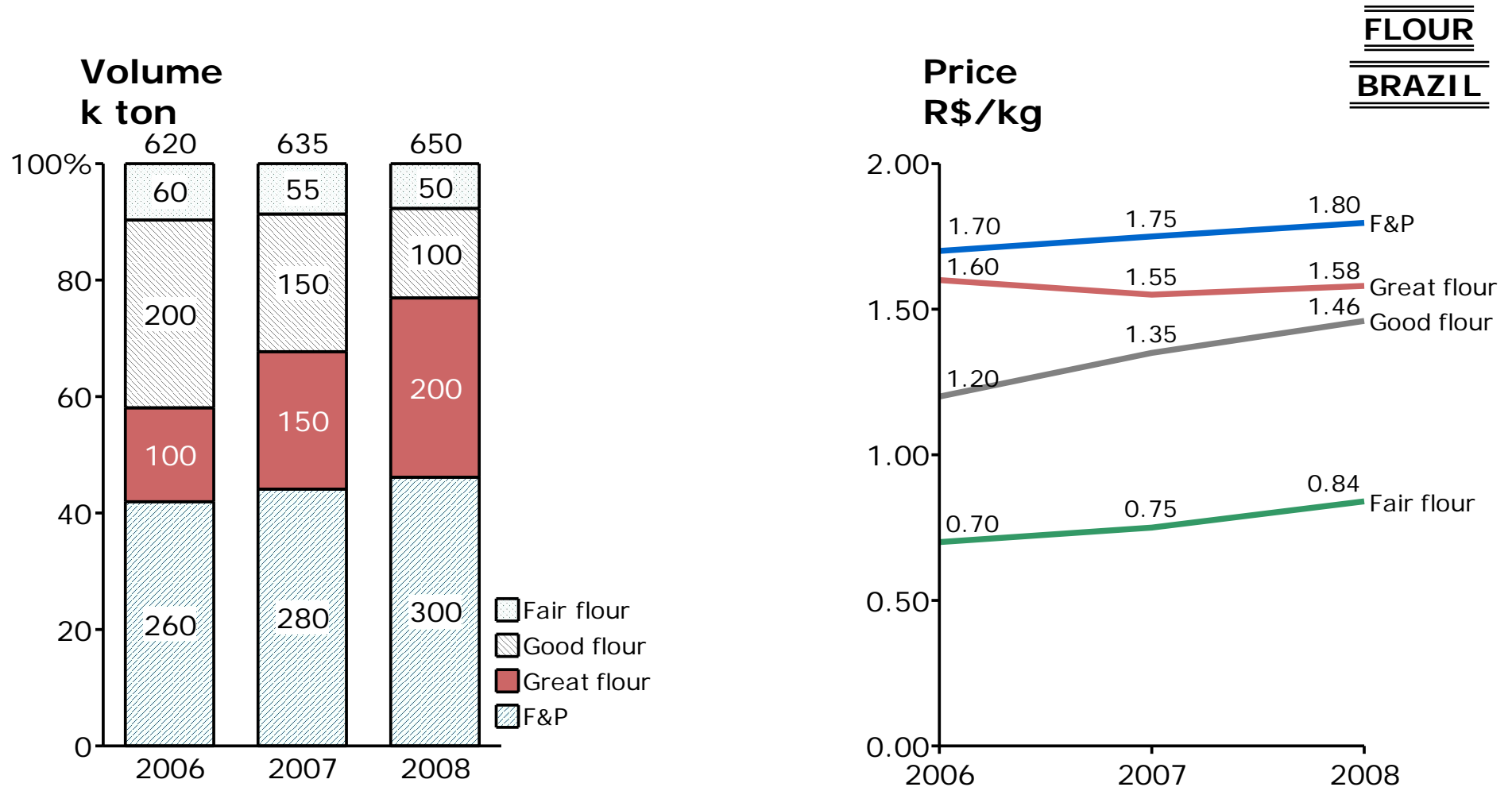
Source: Market research; Bain analysis

Graph 3 – Flour price premiumness, by each brand of each player, in the SE region



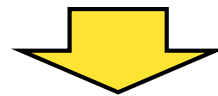
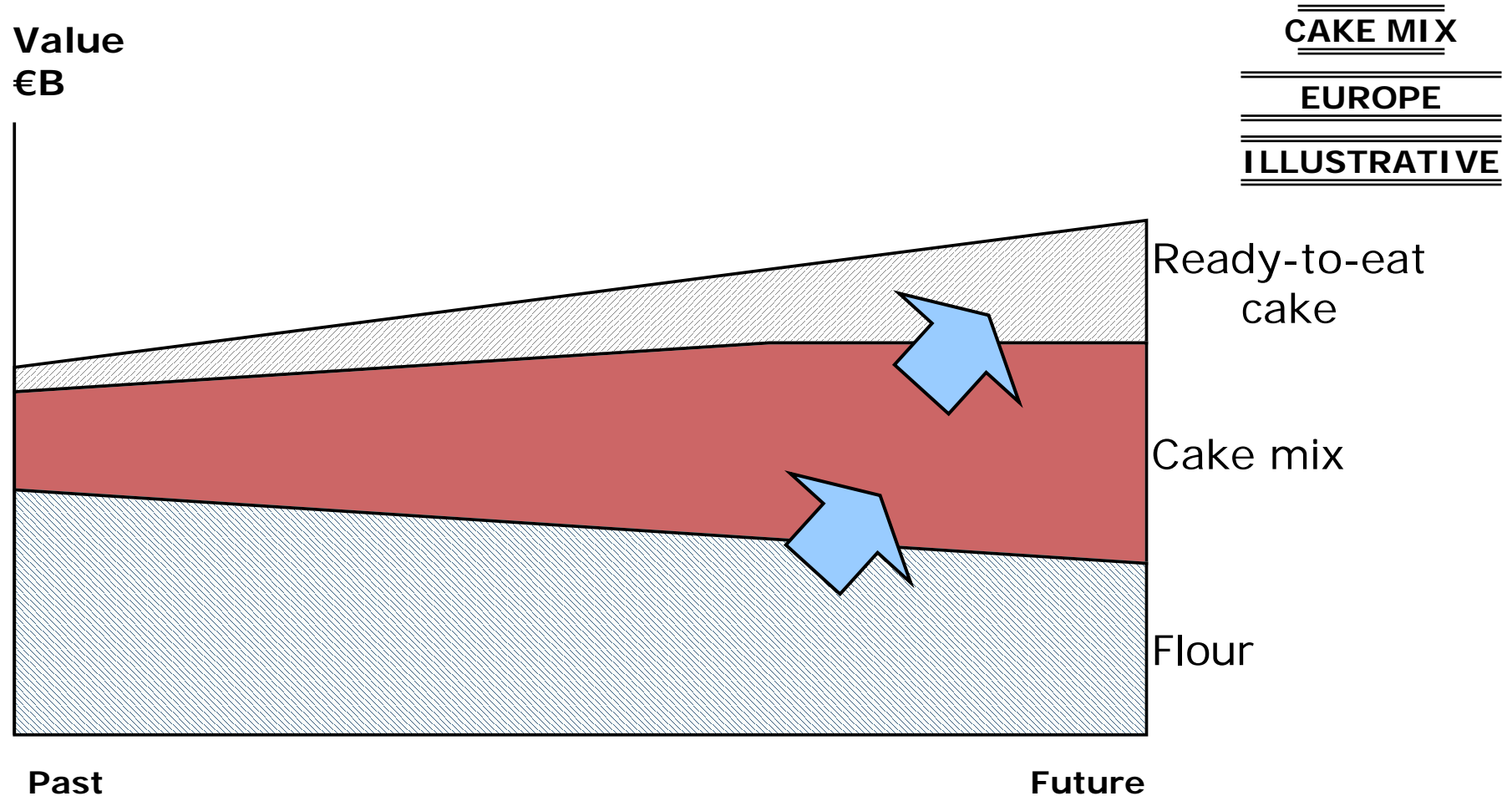
* Refers to the whole market, i.e. it includes F&P as well
Source: Market research; Bain analysis

Graph 4 – Flour volume and price breakdown by player over time



Source: Market research; Bain analysis

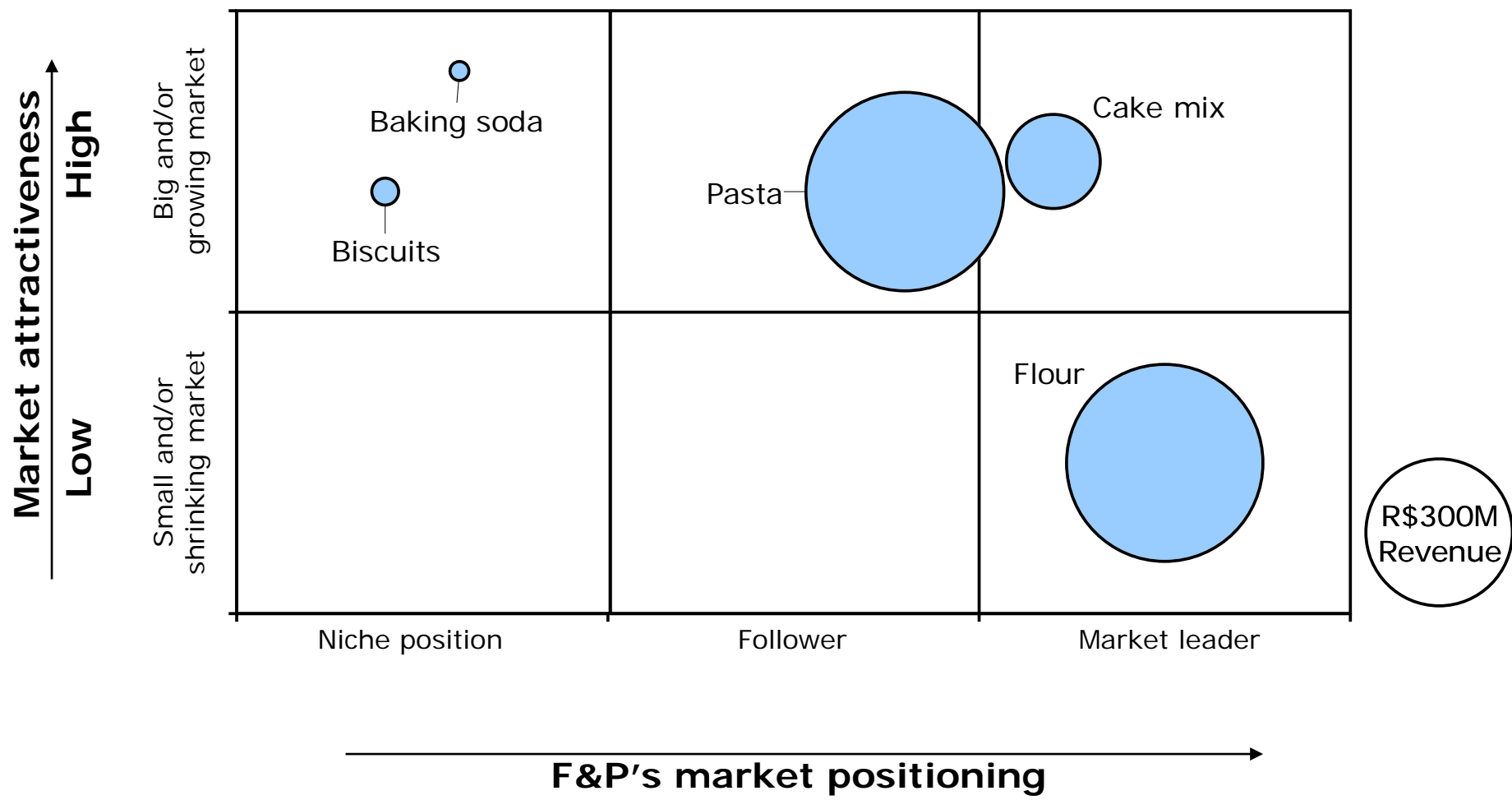
Graph 5 – Flour, cake mix and ready-to-eat cake markets expected behavior



People tend to buy food products that take less time to be prepared, as soon as they can afford them

Graph 6 – F&P's product portfolio in the market attractiveness vs ability to win matrix

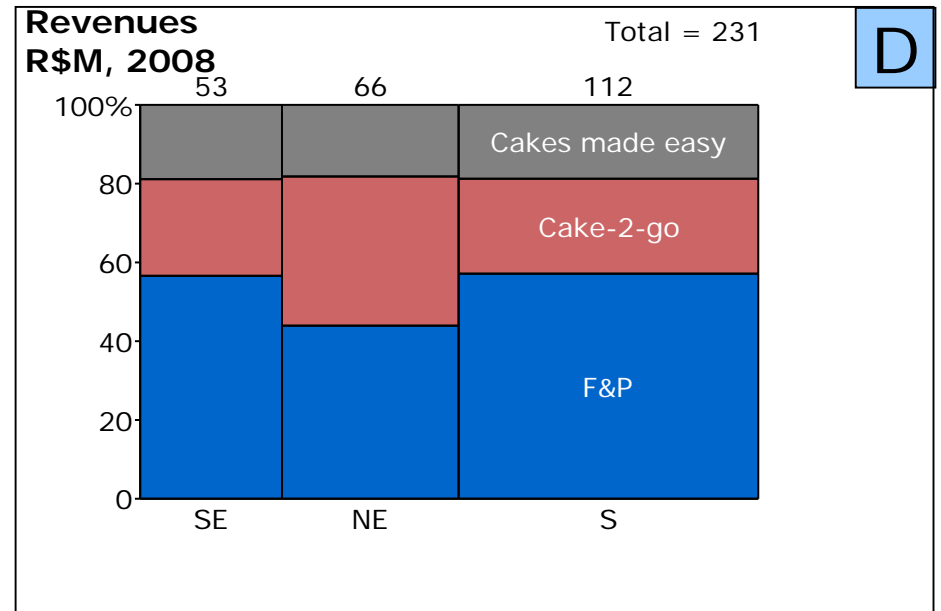
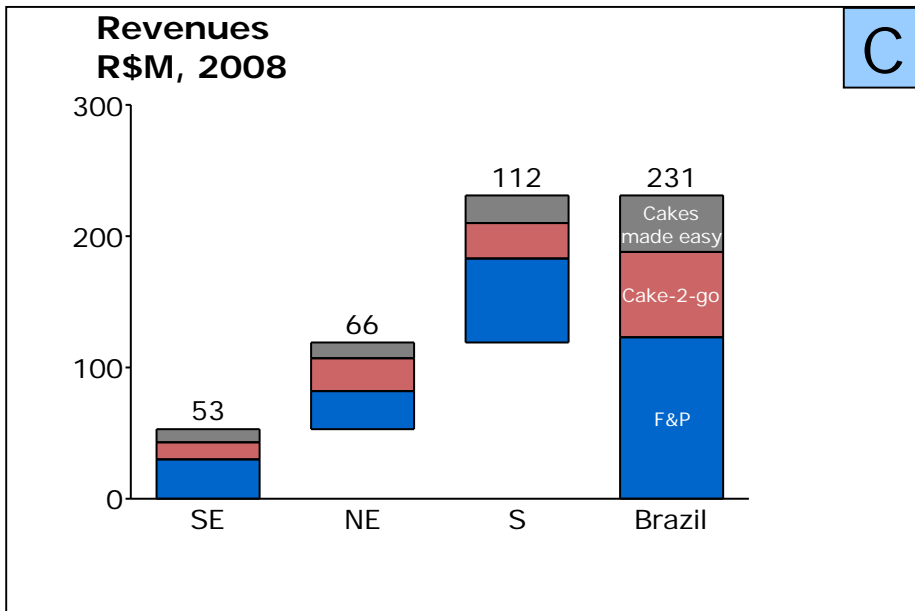
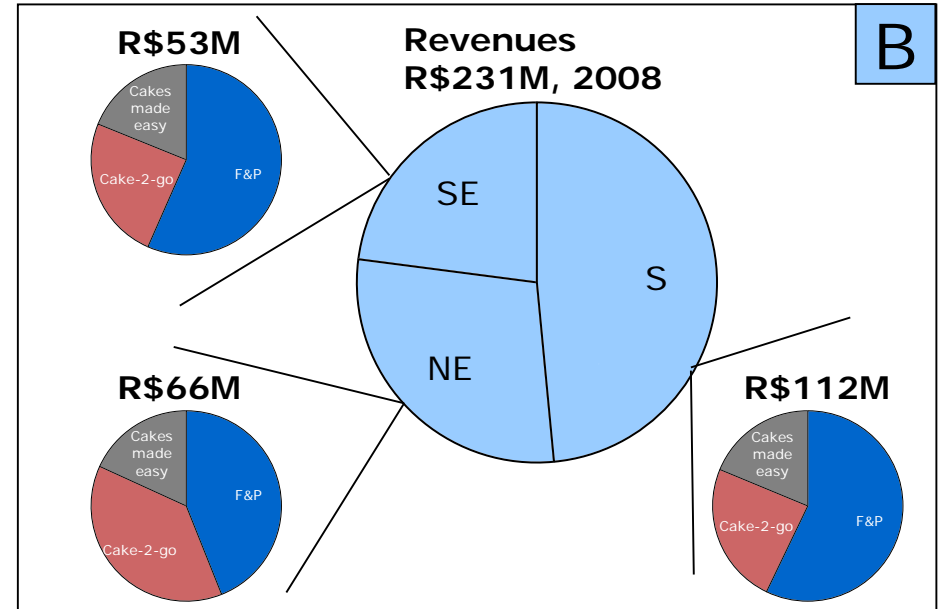
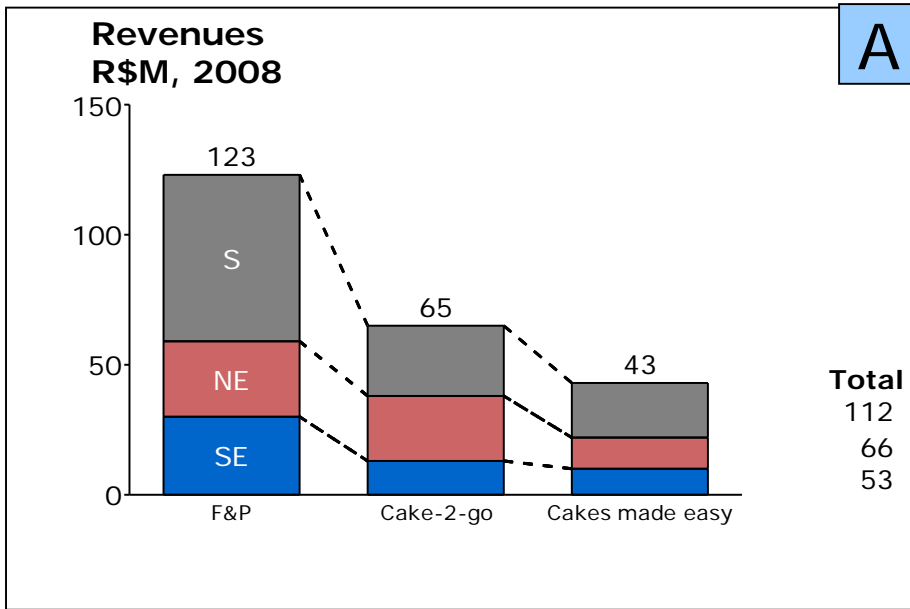
2008
BRAZIL



Source: Market research; Bain analysis

Annex 1 – Cake mix's regional market breakdown, per company

CAKE MIX



Case 2

TravelCo

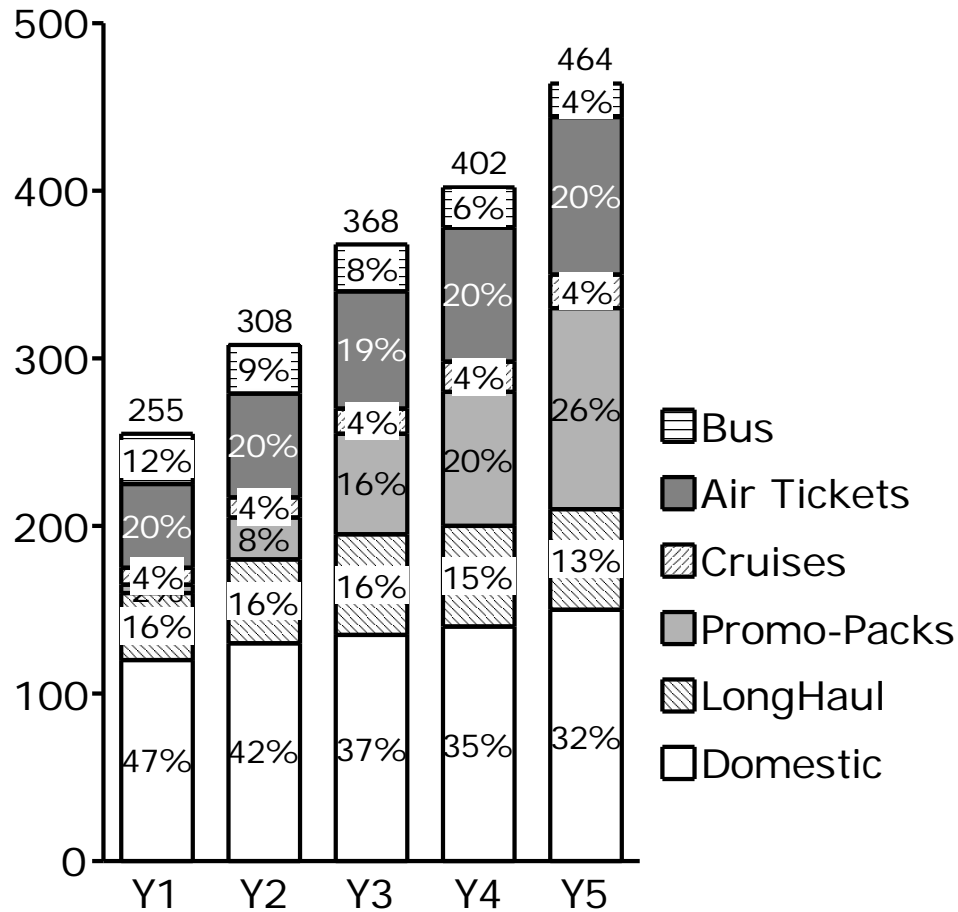
TravelCo case overview

Situation overview

- TravelCo is the #2 player in the travel packages market in USA, offering Domestic and International travel packages, Cruises, Bus packages and Airline Tickets to its customers
- TravelCo is a subsidiary of AirCo, a major airline in the US
- Its main competitors are Nice Travel and Flamingo Tours. Nice Travel is focused specially in domestic and bus packages, and its customers tend to be more “low-end” than TravelCo’s
- Nice Travel is a major customer for AirCo, being responsible for about 5% of AirCo’s revenues
- TravelCo offers a smaller portfolio of products than Nice Travel, but due its ties with AirCo it can offer more flexible products in terms of dates and flights availability

Graph 7 – TravelCo's revenues breakdown & gross margins by product

Revenue breakdown -
TravelCo (U\$M)

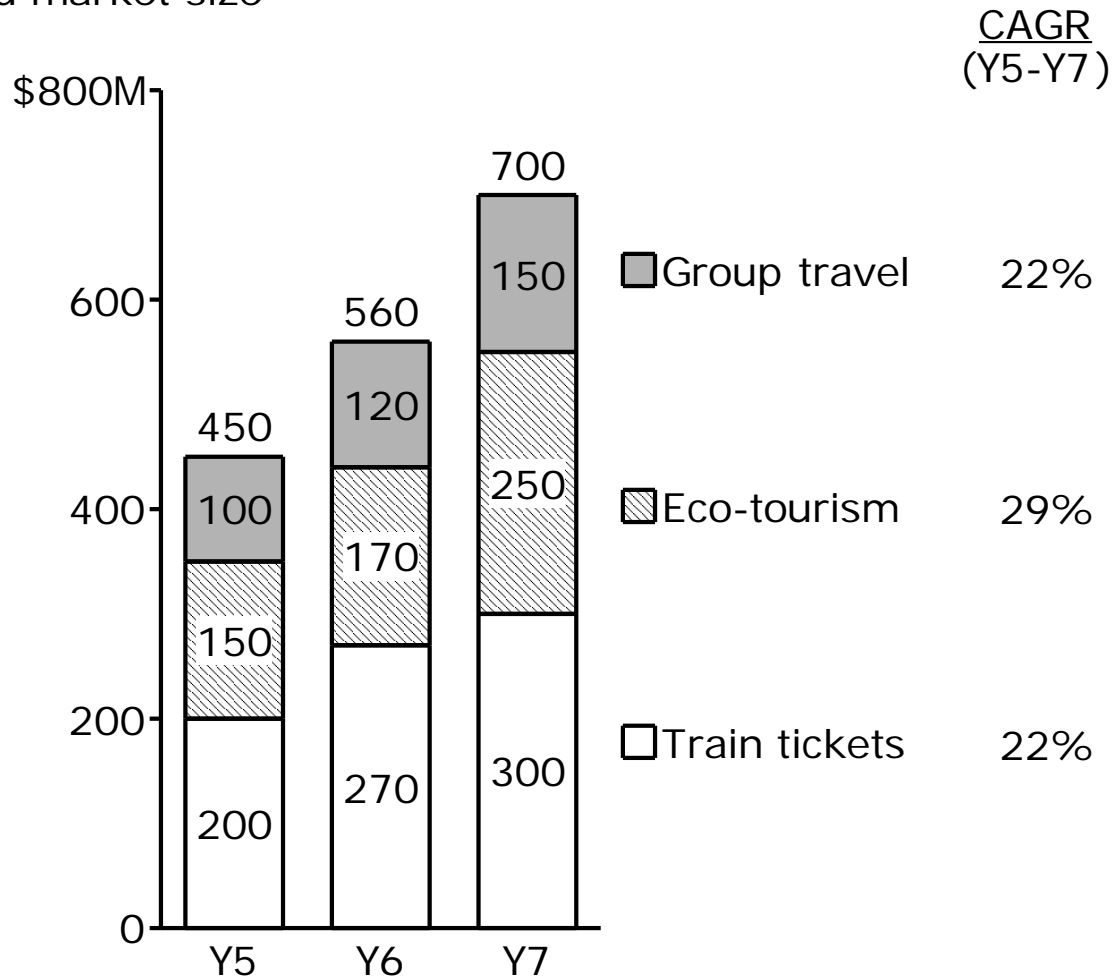


| Product | Gross Margin Y1 – Y5 |
|-------------|----------------------|
| Bus | 15% |
| Air Tickets | 30% |
| Cruises | 40% |
| Promo-Packs | 8% |
| Long Haul* | 70% |
| Domestic | 50% |

Note: Long Haul = Any destination other than USA, Canada and Mexico; Air Ticket = Tickets sold without hotels and other tour package products

Graph 8 – Estimated market size of new products and channels costs

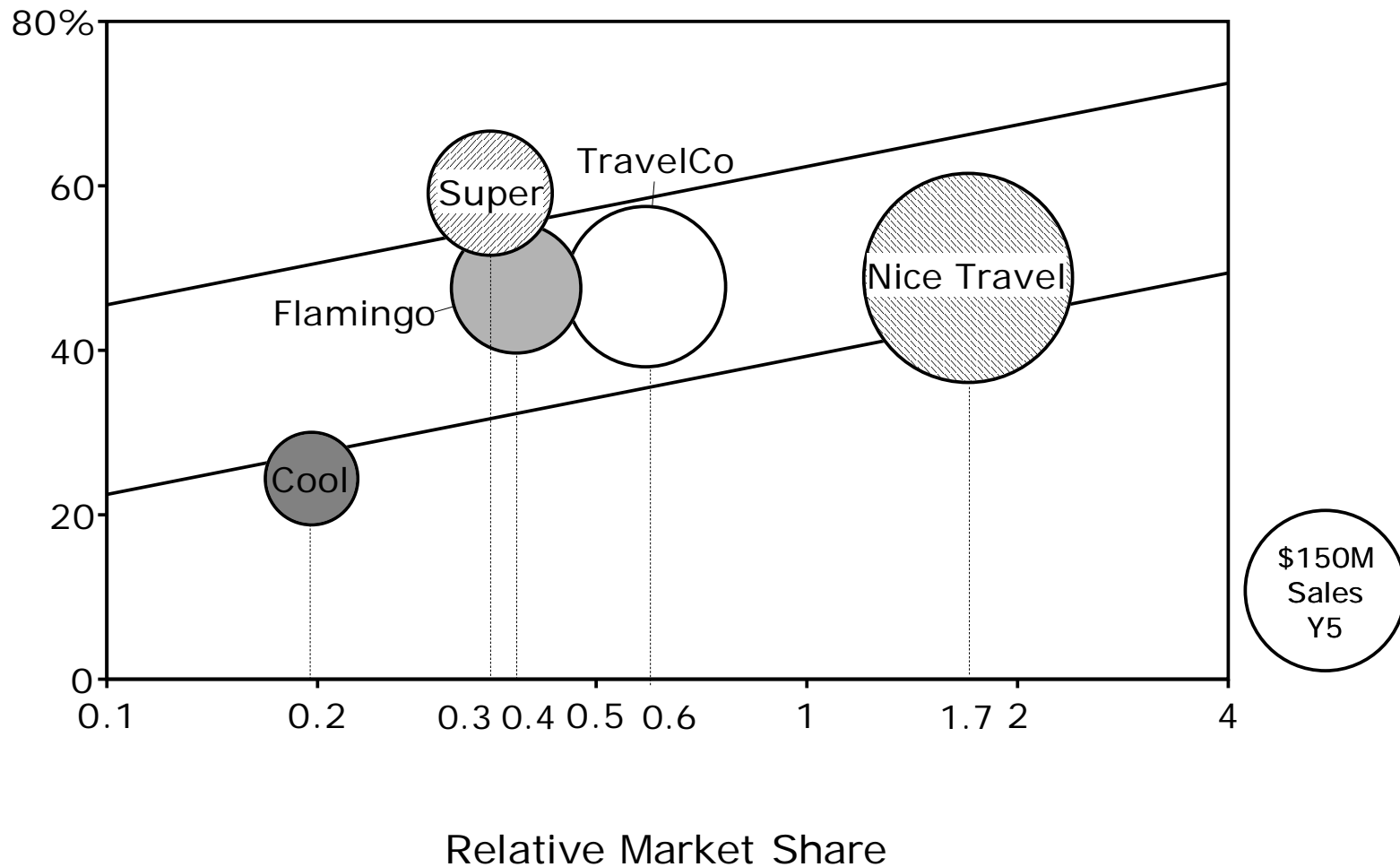
Expected market size



| Channel | Sales commission | Other direct costs |
|-------------|------------------|--------------------|
| Internet | 0% | 10% |
| Stores | 12% | 15% |
| Call Center | 5% | 10% |

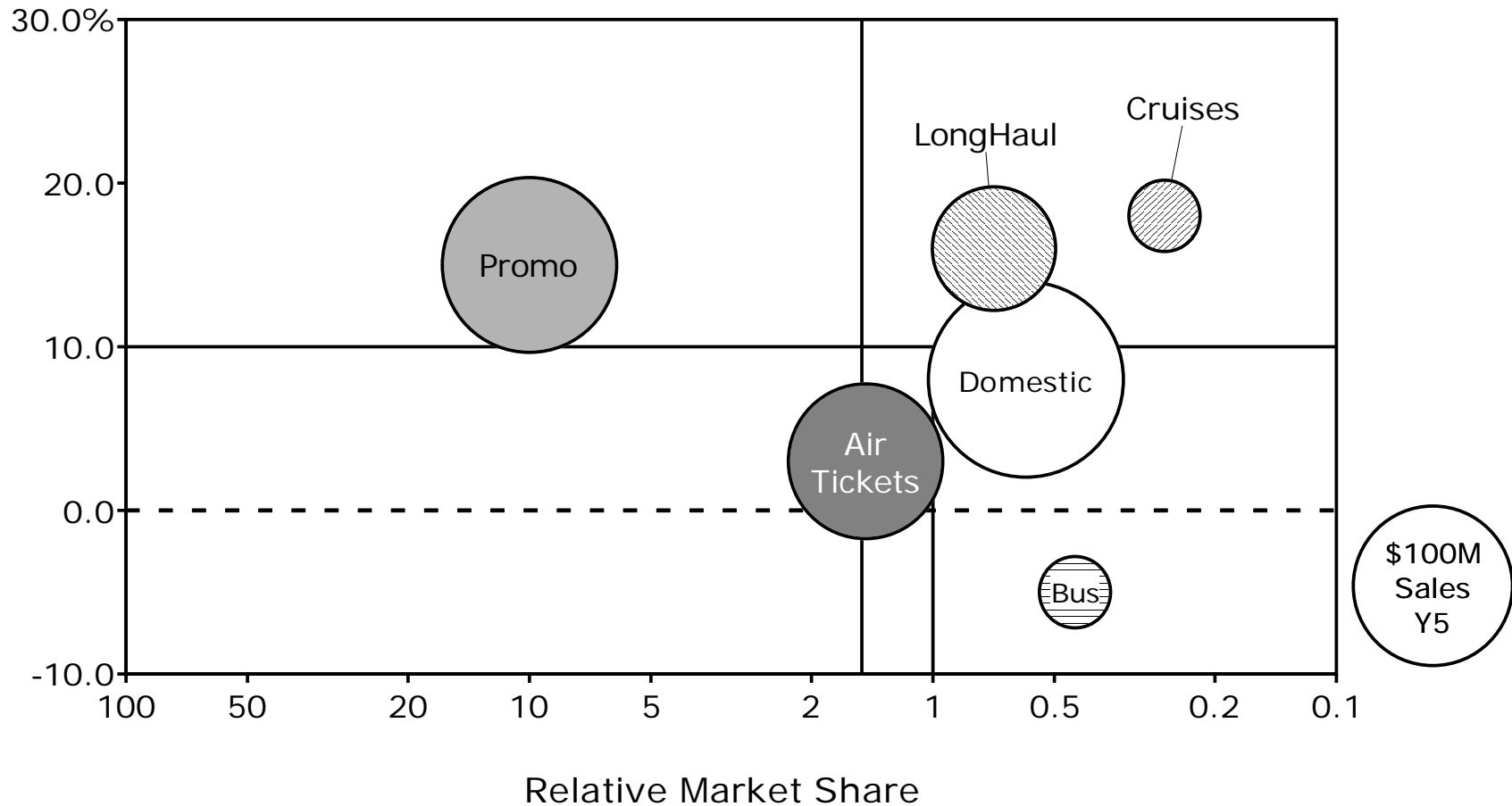
Graph 9 – Domestic Packages ROS / RMS (Y5)

Return on Sales



Graph 10 – TravelCo growth/share matrix

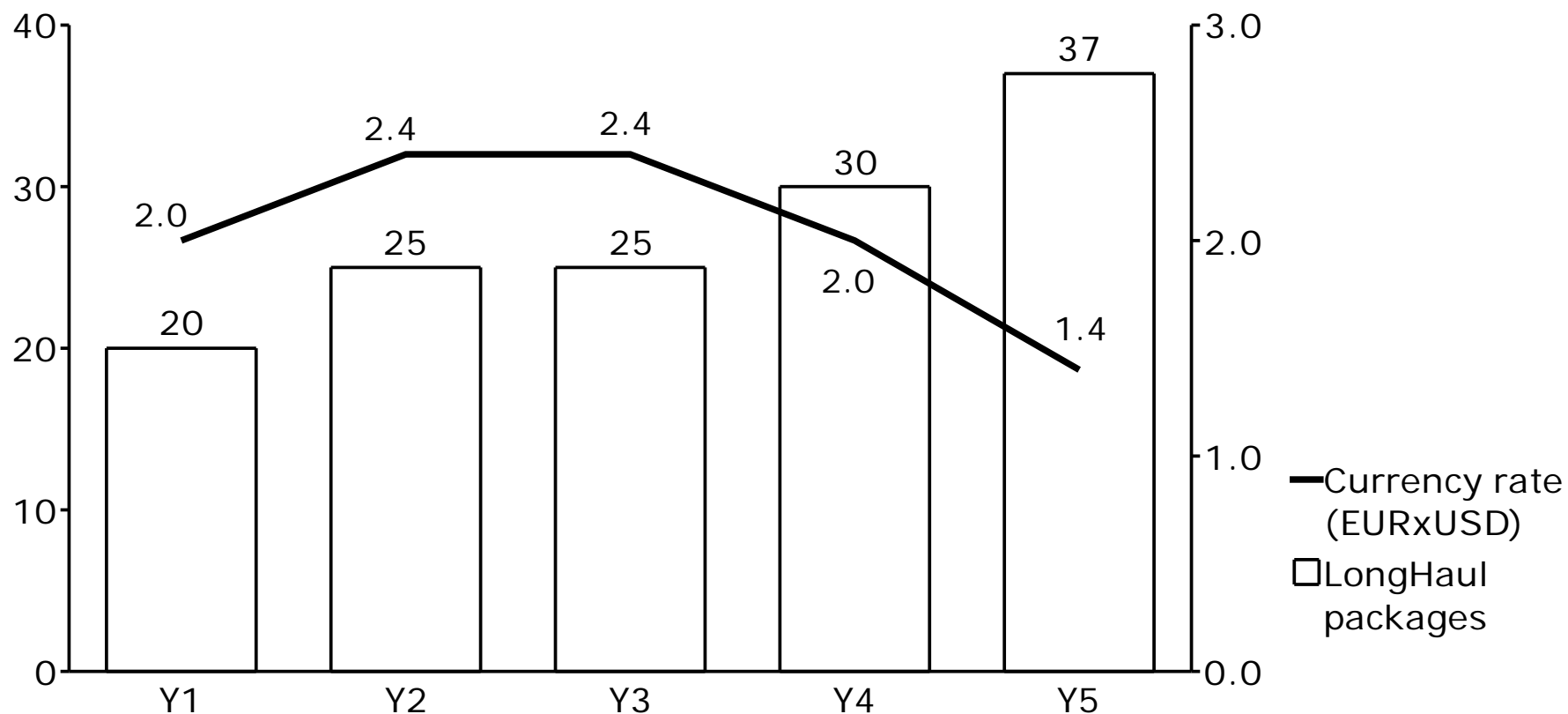
Future Market Growth Rate
(Expected)



Graph 11 – Long Haul packs evolution

Number of LongHaul packages sold ('000)

Currency rate



Number of stores

30

40

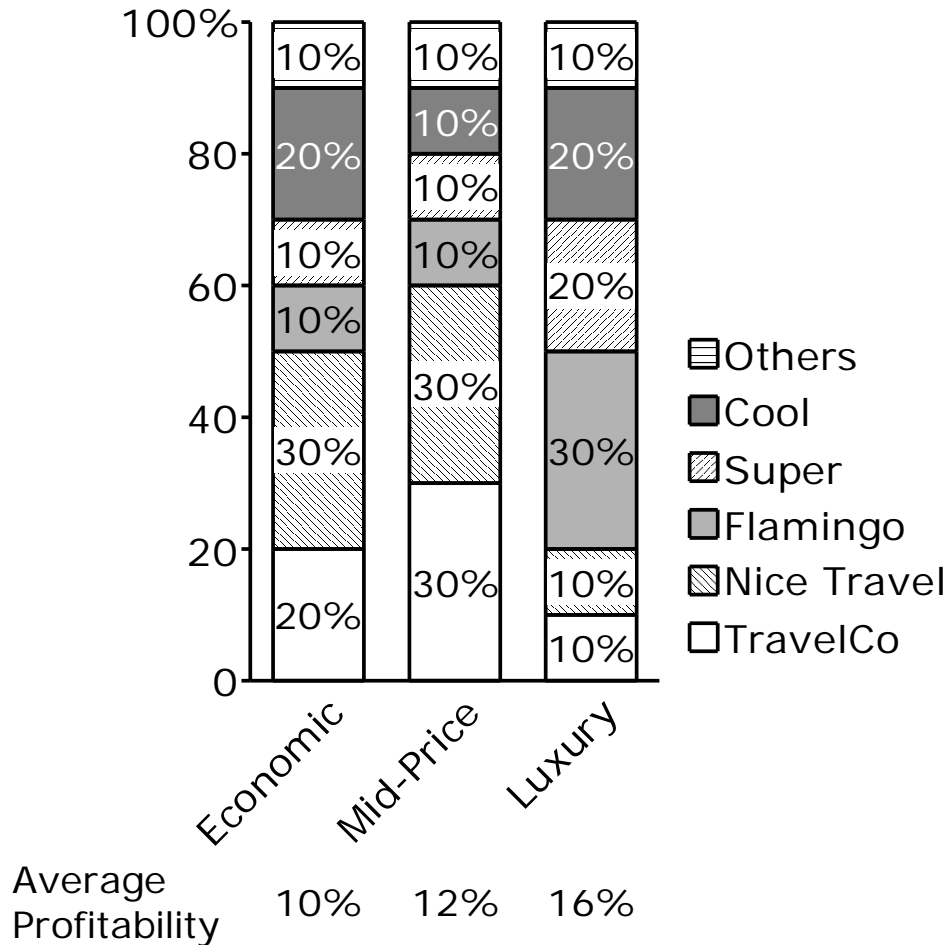
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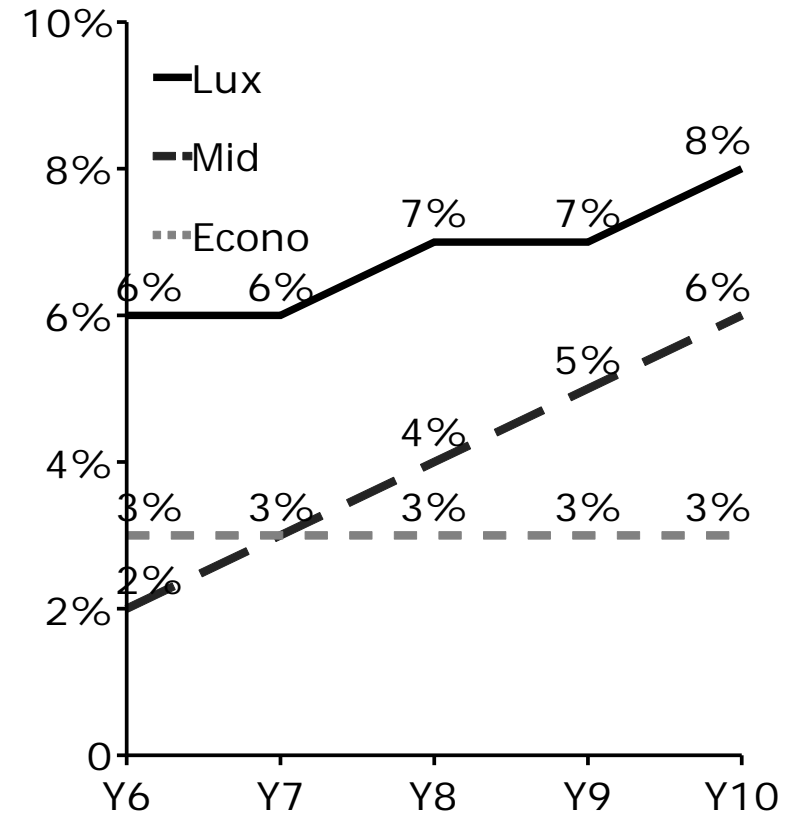
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Graph 12 – Customer segmentation & market growth per customer group

Market Segmentation per Customer Group

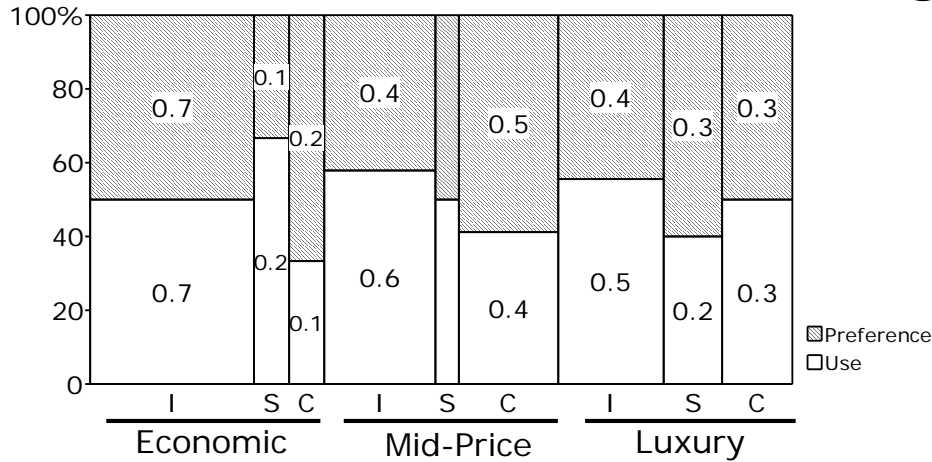


Expected Market Growth per Customer Segment



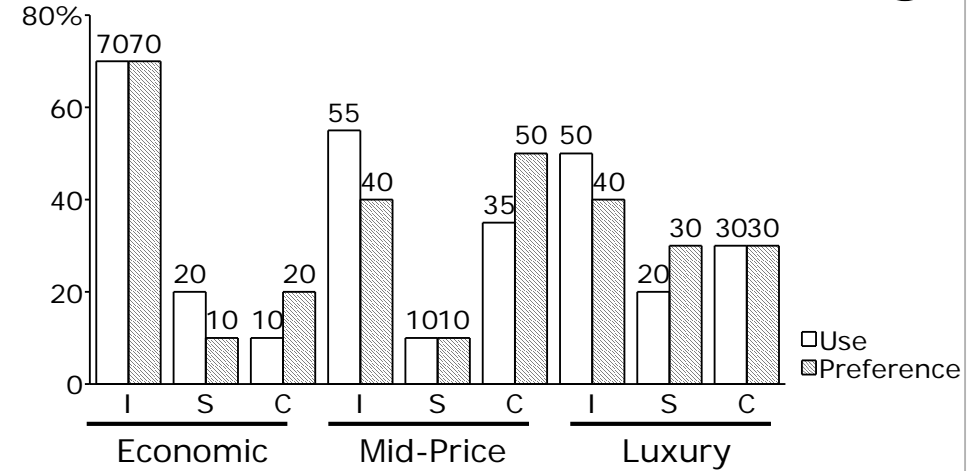
Annex 2 – Use and preference of sales channels per market segment

Use and preference of channels per segment



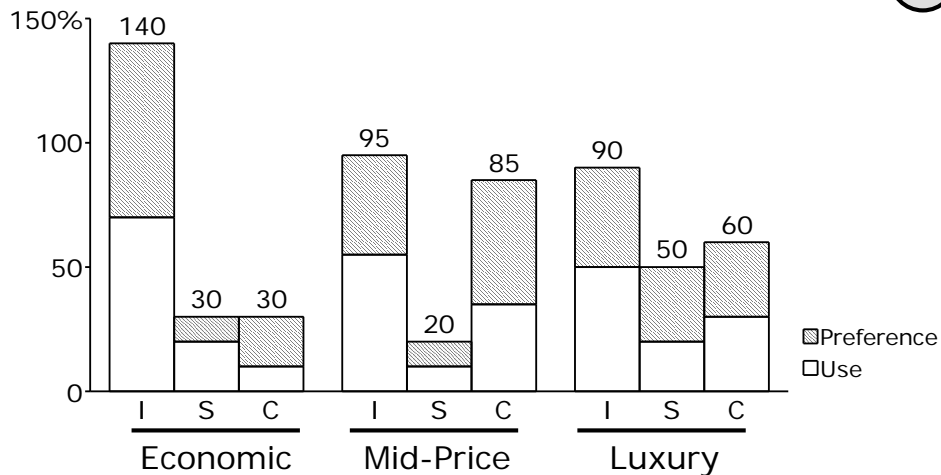
(A)

Use and preference of channels per segment



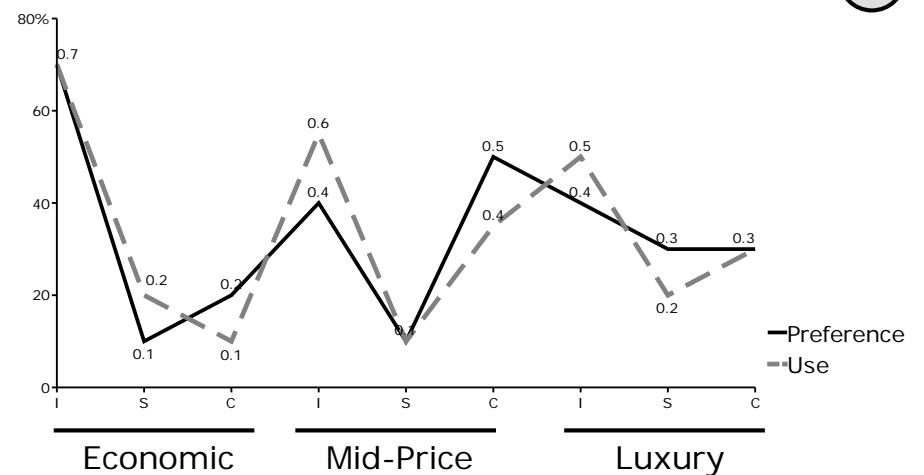
(B)

Use and preference of channels per segment



(C)

Use and preference of channels per segment



(D)

I= Internet; S=Stores; C=Call Center