



Make Your Case

Master Consulting Interviews

2012 Edition



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GETTING STARTED

Introduction

This guide was written so that you as a prospective management consultant will succeed in the case interview by differentiating yourself as a star candidate. The guide seeks to relay knowledge to you that is *necessary* to succeed; in other words, there is no fluff or pointless extras. Many case interview guides fill pages with endless information, but the following pages, give you the *essentials* of what you need to know to succeed. As you prepare for the case interview, remember this fact: *Interviewers are real consultants that are extremely busy people with demanding schedules who interview up to eight people in a day. If you give them a chance to disengage, lose interest or check their Blackberry, they will.* This guide will prepare you to present a creative, structured and focused interview while engaging the person on the other side of the table.

What this guide is . . .

- . . . a way for you to differentiate yourself from other candidates. It will take some work on your part to prepare yourself to be a star performer. For instance, the industry and consulting firm worksheets provide the topics you should be familiar with. By filling in the rows and columns, you will have a fresh, new perspective so that you can keep your interviewer engaged and interested.
- . . . an efficient means to plan your preparation. Chances are that you are already busy with other responsibilities such as school, job, social life and other priorities. The “Plan of Action” gives you a tool to map out the timeline of your preparation. First, you will learn about the firms and the interview more broadly. Second you will build a math, framework and industry foundation. And lastly, you will practice real cases.
- . . . a learning tool for structuring your thinking around complex problems. There are multiple frameworks. This guide prioritizes and explains those which can be applied to almost all case situations.
- . . . an aggregation of the knowledge and real experiences from management consultants who succeeded in the case interview and are now working for some of the top firms. The author has surveyed consultants who have succeeded through the case interview process. They provided insights into all the topics in this guide. The practice cases are adapted from their real experiences.

What this guide is NOT . . .

- . . . an introduction to management consulting.
- . . . a document with formulas and frameworks for you to simply memorize.
- . . . a document that you can simply read through and achieve learning. The guide is written with the intent of the reader being an active learner, completing with the worksheets and practicing the math, frameworks and cases.
- . . . meant to be completed alone. When practicing cases, the most important component is a *quality practice interviewer*. The interview must review the “Interviewer Guide,” familiarize themselves with the case and provide you with actionable and insightful feedback.

Who wrote the guide . . .

The guide was written by WSO contributor, Bert O’Neal, Jr., who completed his MBA at The Wharton School of Business and is an Associate with McKinsey & Company.



The Firms

Differentiate yourself by talking to people who work with the firm with which you are interviewing. You want to gather specific examples about their experiences and why you would be a complementary fit. Everyone will have the standard website answers. If you tell the Bain interviewer that you want to join Bain because you have “a passion for results” (just as the Bain homepage explains) you will sound just like the candidate before and after you. You must do your research and speak with multiple people from the office you are interviewing with so that you have *specific, concrete and interesting reasons* for wanting to join that particular firm and that particular office. That being said, review each firms’ websites so that you have a good feel for what separates them from the competition. The interviewer will not want to answer questions that you could have researched online.

The tables below provide standard information on several of the top consulting firms. You must know the relative size and how the company refers to their respective positions. There are four empty boxes for you to fill in. First, your general notes about the firm; and second, three boxes to fill in notes about your conversations with professionals currently at the company. This guide recommends speaking with at least three people working for the firms where you are interviewing. The worksheets below will be a helpful tool for you to review your thoughts the night before the interview.

McKinsey		
Size of Firm: 92 Offices 8500 Consultants 52 Countries	Positions: Analyst, Associate, Engagement Manager, Associate Principal, Partner, Director	
Interview format: 1, 2 or 3 rounds (depending on region or office) Command and control cases	Notes:	
Conversation w/ _____	Conversation w/ _____	Conversation w/ _____



Bain

Size of Firm:
39 Offices
3100 Consultants
26 Countries

Positions:
Consultant
Case Team Leader
Manager
Partner

Interview format:
2 rounds (office-specific)

Notes:

Conversation w/ _____

Conversation w/ _____

Conversation w/ _____

Boston Consulting Group

Size of Firm:
66 Offices
4500 Consultants
40 Countries

Positions:
Consultant
Project Leader
Principal
Partner

Interview format:
2 rounds (1st round general and 2nd round
office-specific)

Notes:

Conversation w/ _____

Conversation w/ _____

Conversation w/ _____



Booz and Company

Size of Firm:
57 Offices
3300 Consultants
30 Countries

Positions:
Consultant
Manager
Partner

Interview format:
2 rounds

Notes:

Conversation w/ _____

Conversation w/ _____

Conversation w/ _____

AT Kearney

Size of Firm:
51 Offices
1700 Consultants
34 Countries

Positions:
Associate
Manager
Principal
Partner

Interview format:
2 rounds
2nd round has case presentation

Notes:

Conversation w/ _____

Conversation w/ _____

Conversation w/ _____



Deloitte

Size of Firm:
600 Office Locations
150 Countries
5 broad services areas

Position:
Senior Consultant
Manager
Senior Manager
Partner

Interview format:
2 rounds

Notes:

Conversation w/ _____

Conversation w/ _____

Conversation w/ _____

L.E.K.

Size of Firm:
20 Offices
900 Consultants
12 Countries

Position:
Associate Consultant
Consultant
Manager
Partner

Interview format:
2 rounds
Shorter cases

Notes:

Conversation w/ _____

Conversation w/ _____

Conversation w/ _____



Monitor

Size of Firm:
30 Offices
1500 Consultants
18 Countries

Position:
Case Team Member
Module Leader
Case Team Leader
Global Account Manager

Interview format:
2 rounds
2nd round with group case and role play

Notes:

Conversation w/ _____

Conversation w/ _____

Conversation w/ _____

Oliver Wyman

Size of Firm:
40 Offices
2900 Consultants
16 Countries

Position:
Junior, Senior Consultant
Junior, Senior Manager
Partner

Interview format:
2 or 3 rounds

Notes:

Conversation w/ _____

Conversation w/ _____

Conversation w/ _____



Size of Firm:		Position:
Interview format:		Notes:
Conversation w/ _____	Conversation w/ _____	Conversation w/ _____

Size of Firm:		Position:
Interview format:		Notes:
Conversation w/ _____	Conversation w/ _____	Conversation w/ _____

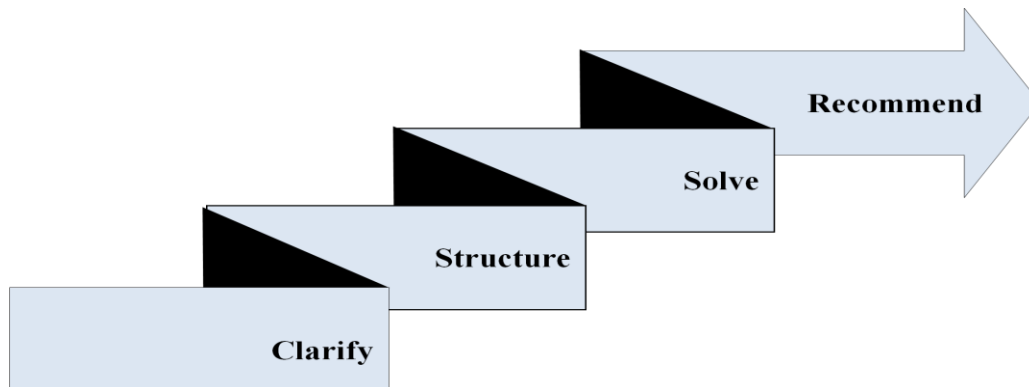


The Interview

So why a case? If the firms know about your GPA, standardized test scores, previous experiences and accomplishments, why is the case interview necessary? The firms are unanimous in believing that case interviews separate star candidates from others. If you're invited to interview, the firms know that you are smart and accomplished, but in addition to those qualities, there are several questions that the case must answer:

- 🦊 Does the candidate structure his or her ideas in an organized and efficient manner?
- 🦊 How proficient are the candidate's math skills?
- 🦊 How clearly does the candidate communicate ideas?
- 🦊 How does the candidate deal with uncertainty and ambiguity?
- 🦊 Can the candidate synthesize vast amounts of information and clearly summarize his/her ideas?
- 🦊 If we hire this candidate, how is he/she going to represent our firm (*when under pressure*)?

Most cases will follow a similar structure. You should practice cases until you have a good feel for the cadence of the interview.



Clarify

Know the question. Pay close attention and take good notes while the interviewer is presenting the case. Be certain that you know what the question is. Does the interviewer want a “go/no go” decision, a list of recommendations, or a final number (e.g., an NPV calculation)? Some interviewers will be clearer than others about the overall point of the case. All interviewers expect that you will ask questions to clarify any sort of vague information. Remember, you are applying to be a consultant and a large part of your job will be asking good, probing questions to the client to better understand their challenges.

If you find it helpful, paraphrase the question back to the interviewer. For example, “My understanding is that the client wants to decide whether or not to launch this new product, so at the end of this case, we’ll give them a go or no go decision. Is that correct?” The interviewer will confirm or provide more guidance.



Structure

After you have confirmed the question, you want to find an efficient way to organize and structure your analysis. Ask the interviewer some version of the question, “Do you mind if I take a moment to organize my thoughts?” They will expect you to take 45 to 90 seconds. This guide recommends using a framework so that your ideas are as exclusive and exhaustive as possible. The “Frameworks” section presents some helpful tools. Note that the framework is *not* the answer, it is simply *a road-map or guide to help find the answer*. We’ll discuss this more later . . .

When you set up your framework, you want to *write or draw as clearly as possible* so that the interviewer can see how you are structuring the problem. This guide recommends using framework diagrams or “trees” so that your different ideas are clear to the interviewer and it is easy for you to refer back to your diagram later in the case. Many examples of these are provided in the “Framework” section. Once you finish your 45 to 90 seconds of structuring the problem, walk the interviewer through the framework so that they know how you want to tackle the problem.

Solve

The majority of the interview will be spent in the “Solve” stage. Be hypothesis-driven and *drive towards the solution*. You want to utilize your framework and methodically work through the branches of the tree. At the same time, the interviewer will be providing clues. Be certain to follow these clues, both positive and negative. If the interviewer signals that some information is not important, drop it and move on. Do not get caught up. If the interviewer signals that something is important, dig deeper, ask clarifying questions and move forward towards a solution.

Always have a hunch as to the final answer of the case. Many interviewers will stop you in the middle of the case and say, “the CEO is on the phone, what does the company need to do?” Having a hunch about the solution makes answering this question much easier. You will also find that it makes the recommendation step more seamless because you are continually thinking or “hunching” towards the final solution.

Think out-loud. Remember that the interviewer will do multiple cases a day and if you give them an opportunity to drift off or check their Blackberry, they will do exactly that. This takes practice and may seem awkward, but you must describe your thought process so that the interviewer can follow you. In addition, if you get off-course, the interviewer has a chance to plant a clue to help you get back on track.

Lastly, *clearly mark your key findings* so that you can refer back to them later. Either reserve a blank sheet of paper for only key findings, circle or highlight them. You do not want to be shuffling through papers at the end of the interview trying to determine what you discovered in the last 30-45 minutes.

Recommend

Ultimately, *this is what management consultants are paid to do*. Be confident and strong in your recommendation and *answer the question*. Surprisingly, many candidates do a great job in the case, but fail to advance because they do not answer the original question in the “Clarify” step. Use the data, facts and key findings from the “Solve” step to justify your recommendation. In the recommendation, you



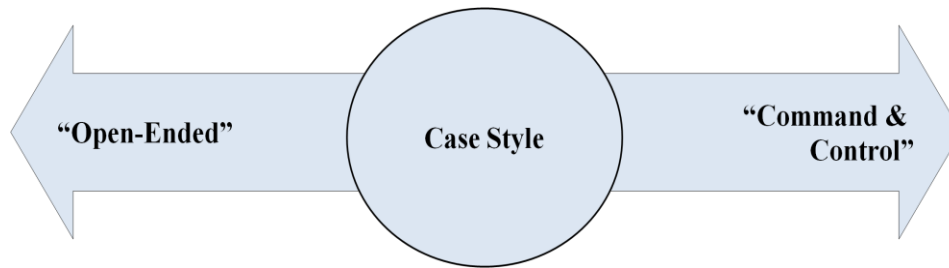
should be concise by stating the conclusion first and the justification next. Quality recommendations are *clear, confident and to-the-point- DO NOT RAMBLE*. For instance, “Company XYZ should launch the new product because they will capture significant market share, have high margins and break even in 2 years.” This will be the last impression you will leave so even a mediocre case performance can be saved with a great recommendation.

Some interviewers will provide an obvious cue for you to wrap up and present your findings. Many interviewers will ask, “The CEO just walked in the room, what is your recommendation?” If you need time, like in the “Structure” step, be sure to ask for a moment to synthesize your key findings. Other interviewers are more subtle so take the interviewer’s cues if it is time to wrap up. Lastly, star candidates include the “next steps” as though they are on the case team and going to go out and solve the problem.



Types of Cases

Case interviews range in style and type. Some firms have set parameters that they want to test across candidates and the interviewer will have a predetermined process and set of questions. This is typically called a “Command and Control” case where the interviewer will lead the interview. On the other hand, some firms want to see the candidate drive the case. These cases do not necessarily have a “correct answer”- the interviewer wants to observe how the candidate approaches ambiguity and drives towards a reasonable solution. While you are researching the different firms, investigate how they prefer to conduct the interview.



Note that the practice cases are set-up like “Command and Control” cases with a predetermined questions and answers. The practice interviewer is free to make the cases more open-ended with the information provided.

The types of cases given are fairly standard across all firms. They range in subject matters from finance to marketing or operations to strategy and run across a variety of industries. There are ultimately six types of cases you could expect to see. Note that the guide has surveyed consultants who have survived the process and these six case types were the most common. You will hear about all sorts of strange cases such as, “How many golf balls fit into an airplane?” It appears that firms are using more business cases, like the six types below, to evaluate candidate.

- ☛ **Profitability Analysis** - This is the most common type of case. The interviewer usually indicates that profits are suffering and the company must find a way to reverse this trend. Typically the company has experienced a decline in revenues or an increase in costs and the candidate must investigate which is the problem. The candidate should explore different revenue improvements such as increasing volume or prices, changing the product mix or implementing a new growth strategy. For costs, the candidate should consider the cost structure and find if cost reductions can be made to fixed or variable costs.
- ☛ **Market Sizing** - Some cases focus strictly on market sizing, but recently, firms have buried them within other, larger cases. These cases ask questions such as, “How many cabs are in New York City?” or “How many hamburgers are sold in the United States?” The solutions can be helpful for deciding whether to launch a new product or enter a new market.
- ☛ **Industry Analysis** - In these cases, the candidate is typically asked whether an industry is attractive or not. The client could be a private equity firm looking to acquire a company in an industry they are not familiar with or a CEO looking to divest a subsidiary. Most people utilize Porter’s Five Forces to structure these cases- this is described in the “Frameworks” section.



- 🐼 **Market Expansion / Entry** - Interviewers will frame a case where a company must decide whether to enter a new geography, customer segment or product offering. At the end of the interview, candidates should provide a “no / no go” decision and justify their reasoning. Note that the size of the market is important so a market sizing problem could be piece of the larger case.
- 🐼 **Investment** - These cases could include an acquisition or purchase of other assets. The candidate should consider any hurdles that the company may have such as a certain return on investment, payback period or NPV. For an acquisition, the candidate should look beyond the financials to examine strategic fit, integration feasibility and possible synergies, among other issues. Other investment cases could include the purchase of an asset like an IT system or PPE that will improve efficiencies.
- 🐼 **Operations** - Some firms with a heavy focus on operations prefer these cases. They could include a capacity expansion where the company is considering a new manufacturing plant, an outsourcing decision or other ways to improve operational efficiencies. Many firms are recently taking on operational work with the economic downturn so they want to test candidates on this subject.



FOUNDATION

Case Math

Math problems are an essential part of the case interview. Interviewers will find several ways to test your math skills. Calculators (and excel) are not allowed in 99% of case interviews so you must dust off some of your middle school pen and paper math skills. Most of the time, the math is fairly simple, but often candidates struggle organizing the data so that their answers are clear to themselves *and to the interviewer*. Interviewers will often watch you work through the math problems to see how you structure your thinking. Failure to be clear can have undesirable results. You need to talk through your calculations out-loud to keep the interviewer engaged and to give them an opportunity to correct you. If you slip up, typically they will alert you- it is much better to find errors earlier in the case rather than later. Below are the most common interview math problems. You must have a solid grasp of these concepts.

Market Sizing

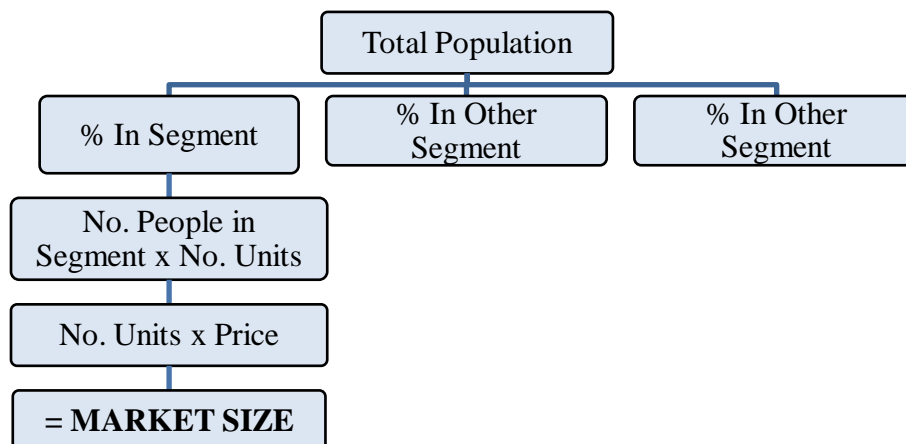
This may be the most frequently used calculation in case interviews. In fact, some cases are strictly a large market sizing problem. In other cases, such as a new product launch, market sizing is just one piece of the puzzle. Be sure to clarify the units that the interviewer wants- markets can be sized by total revenue, volume, etc. There are several ways to do the calculation. Two options are presented below; choose the one that you are most comfortable with and practice.

Option 1: Standard formula

$$\begin{aligned} \text{Total Population} \times \% \text{ Customers in Segment} &= \text{No. Customers Targeted} \\ \text{No. Customers Targeted} \times \text{No. Units Purchased per Year} &= \text{Total No. Units} \\ \text{Total No. Units} \times \text{Price per Unit} &= \textbf{Total Annual Market Size} \end{aligned}$$

Option 2: Build a tree

This will give you an advantage because it is easy for the interviewer to follow your math, it is more resourceful to segment the market and it allows you to double check your work.



Because market sizing cases are so common, you must know some basic market sizing facts. Be sure to use round numbers so that they are easy to use. In addition to the data below, know the basic demographics surrounding the office you are interviewing for.

Population Data	
World	6.6 B
U.S.	300 M
New York City	8 M
Los Angeles	4 M
Europe	740 M
Great Britain	60 M
London	7 M
China	1.3 B
India	1.2 B
Japan	125 M

In finding the market size, the population can be segmented in multiple ways. The segmentation should match the relevant wants and needs of the buyer. While you may want to introduce a more complicated segmentation strategy such as customer needs or behavior patterns, simple demographics are usually sufficient for a case interview.

Segmentation Examples
Age
Gender
Geography
Income
Married / Single

Profit Margin

Though simple, this can cause confusion for interviewers. Be sure to clarify whether the interviewer is referring to gross margins, net margins, or the contribution margins. In most cases, interviewers will provide all but the missing variable and you'll have to solve the equation.

$$\text{Gross Profit Margin \%} = \frac{\text{Gross Profit}}{\text{Revenue}}$$

OR

$$\text{Gross Profit Margin \%} = 1 - \frac{\text{COGS}}{\text{Revenue}}$$

$$\text{Net Profit Margin \%} = \frac{\text{Net Income}}{\text{Revenue}}$$

OR

$$\text{Net Profit Margin \%} = 1 - \frac{\text{COGS} + \text{All other expenses}}{\text{Revenue}}$$



$$\text{Contribution Margin} = \text{Revenue} - \text{Variable Costs}$$

THEREFORE

$$\text{Contribution Margin \%} = \frac{\text{Revenue} - \text{Variable Costs}}{\text{Revenue}}$$

Break Even Analysis

This formula can be helpful when trying to decide whether to launch a new product or to invest in some sort of heavy fixed cost asset. Note that the contribution margin is in the denominator.

$$\text{Break Even Volume} = \frac{\text{Fixed Costs}}{\text{Revenue} - \text{Variable Costs}}$$

You could be asked to find a break-even price. Just solve for price:

$$\text{Break Even Price} = \frac{\text{Fixed Costs}}{\text{Break Even Volume}} + \text{Variable Cost per Unit}$$

It can be helpful to turn this volume into a break even market share:

$$\text{Break Even Market Share \%} = \frac{\text{Break Even Volume}}{\text{Total Market Volume}}$$

Discount Cash Flows and Terminal Value

Most interviewers will not ask for a sophisticated NPV calculation. They will usually provide the cash flows, but if not, remember to take Net Income and:

- Add back Depreciation, Amortization and Interest Expense
- Take out changes in Net Working Capital and Capex

Note that:

$$\text{Net Present Value} = (-\text{Cost of investment}) + \frac{\text{CF}_1}{(1+r)^1} + \frac{\text{CF}_2}{(1+r)^2} + \frac{\text{CF}_3}{(1+r)^3} + \dots \text{Terminal Value}$$

(r = cost of capital; CF = yearly cash flows)

$$\text{Terminal Value} = \frac{\text{CF}_{\text{last year}} \times (1 + \text{growth rate})}{\text{cost of capital} - \text{growth rate}}$$

This terminal value should then be discounted back to the present in the NPV calculation.

Note that:

$$\text{NPV of Perpetuity} = \frac{\text{CF}_{\text{annual}}}{\text{cost of capital}}$$



Return on Investment

When undertaking a new project or acquisition, companies may have a certain target ROI. Use the formula below to determine whether the project exceeds the hurdle.

$$ROI = \frac{(\text{Revenue} - \text{Cost} - \text{Investment})}{\text{Capital Invested}}$$

Customer Lifetime Value

This formula is a useful tools when deciding on targeting different market segments or how much to spend on customer acquisition.

Customer Lifetime Value

$$= \text{Profits}_{\text{year } 1} + \text{Profits}_{\text{year } 2} \times \text{Probability}(\text{Retention})_{\text{year } 2} + \text{Profits}_{\text{year } 3} \\ \times \text{Probability}(\text{Retention})_{\text{year } 3} + \text{Profits}_{\text{year } 4} \times \text{Probability}(\text{Retention})_{\text{year } 4} \dots$$

Elasticity

These calculations frequently appear in pricing cases. Remember that elastic products are those where volume is sensitive to a change in price and inelastic products are those where volume is insensitive to a change in price.

$$\text{Elasticity} = \frac{\% \text{ Change Volume}}{\% \text{ Change Price}}$$

Product Life Cycle

When finding a market size, be sure to consider the useful lifetime of the product in order to calculate annual numbers.

$$\text{Annual Market Size} = \frac{\text{Product Revenue}}{\text{Useful Life (years)}}$$

Rule of 72

This simple formula can be helpful as it shows the time for an investment to double.

$$\text{Years to Double} = \frac{72}{r}$$

For instance, at 10% return, an investment will double every 7 years. Likewise, at 7% return, the investment will double every 10 years.



Half's, Ten's and Zero's

The last math category is not a business formula, but you will use this tactic more than any other. *You must find ways to break difficult numbers into parts* by using half's and ten's. For example, when you're asked, "Sales were \$550 million last year with a gross profit margin of 25%, what was gross profit?" Instead of trying to work out \$550 million x 25%, use half's and ten's to work it out.

$$\begin{aligned}550 M \times 10 \% &= 55 M \\55 M \times 2 &= 110 M \\5\% \text{ of } 550 &= 10 \% \div 2 \text{ or } 55 M \div 2 = 27.5 M \\110 M + 27.5 M &= 137.5 M\end{aligned}$$

In addition, you want to find the best way to keep track of zero's. It goes without saying, that you don't want to give your interviewer a number in the thousands when it is actually in the millions; however, this frequently trips up candidates. When the pressure is on, zero's can be difficult to track. There are three ways to track your zero's: (1) use K's, M's, B's abbreviations; (2) use exponents; or (3) write out the zero's (this guide does not recommend this method- it can become too complicated and messy). Find the way that you are most comfortable with and practice. Consider the question, "Company ABC sold 3,000,000 units at a price of \$4,000 and 900,000 units at a price of \$6,000. What were total sales?"

Abbreviations:

$$\begin{aligned}3 M \times 4 K &= 12 B \\900 K \times 6 K &= 5.4 B \\12 B + 5.4 B &= 17.4 B\end{aligned}$$

Exponents:

$$\begin{aligned}(3 \times 10^6) \times (4 \times 10^3) &= 12 \times 10^9 \\(9 \times 10^5) \times (6 \times 10^3) &= 54 \times 10^8 = 5.4 \times 10^9 \\(12 \times 10^9) + (5.4 \times 10^9) &= 17.4 \times 10^9\end{aligned}$$

Zero's:

$$\begin{aligned}3,000,000 \times 4,000 &= 12,000,000 \\900,000 \times 6,000 &= 5,400,000 \\12,000,000,000 + 5,400,000,000 &= 17,000,000,000\end{aligned}$$



Frameworks

Frameworks are a necessary part of the case interview. Some candidates find it to be the most difficult skill to acquire in preparing for the interview. Most interviewers will use your framework as a heavily weighed data point when deciding whether you advance or not. In fact, some interviewers will keep your framework after the interview so they can refer back to it later. Remember that clients do not hire consultants to solve easy problems; they can be large in scope and extremely complicated. Therefore, being able to build a structure for the problem is a key skill that candidates must display.

The interviewer will expect you to structure your thinking and decision making to arrive at a solution. After the interviewer has read the case problem and you have clarified any discrepancies, ask the interviewer some form of the question, "Can I have a moment to structure my thoughts?" Take 45-90 seconds to *neatly* lay out your framework.

Note that frameworks *provide a road-map or guide for your analysis- they are not the solution to the case.*

There are numerous frameworks that can be utilized. Some books written about case interview preparation include up to 20 to 30 different frameworks. This guide cuts out all of the fat to give you what you need to succeed. Below you will find only thirteen frameworks which have been carefully selected and prioritized into three different categories. "1st Tier: Must-Know" frameworks are those that most interviewers will expect you to know. They can be applied to most of the cases you will see. You should practice these frameworks frequently and know them well. "2nd Tier: Could be Useful" frameworks are not necessary, but could offer an additional tool to use to solve case problems. Lastly, "Generic: If You're Stuck" frameworks are a broad way of approaching almost any business problem. If you practice enough, you should not find yourself in a situation where you cannot think of a relevant framework. However, it is always good to have a back-up plan.

A word of warning: while structure is important, you do not want to sound like you are reading out of a business school textbook. *Do not state, "let's use XYZ framework to solve this problem."* Present the framework naturally and use words that fit the context of the case.

1st Tier: Must-Know	2nd Tier: Could Be Useful	Generic: If You're Stuck
<ul style="list-style-type: none">• Profit Equation• Porter's Five Forces• The "C's"• 4 "P's"• Value Chain	<ul style="list-style-type: none">• McKinsey's 7 "S's"• BCG Growth-Share 2x2• Star Diagram• Outsourcing 2x2• Return on Invested Capital• Ansoff's Product-Market 2x2	<ul style="list-style-type: none">• SWOT and Internal / External Analysis• Cost-Benefit Analysis



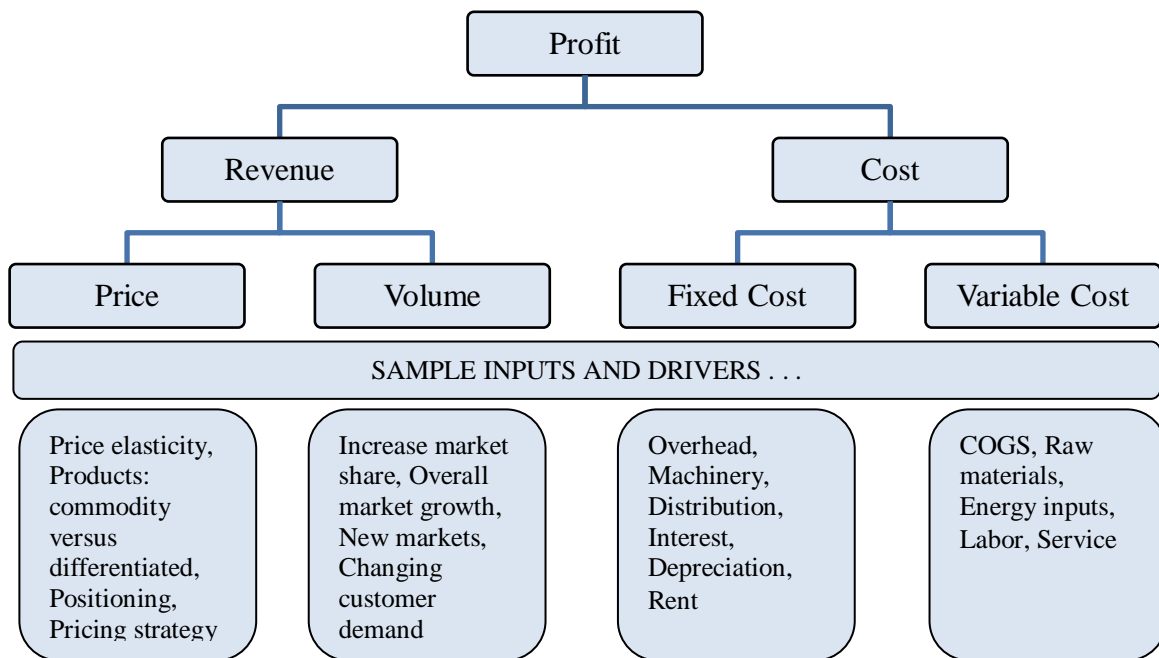
Note that the frameworks below vary in the style in which they are presented. Frameworks can be presented as diagrams, “trees,” 2x2 matrixes, a list of issues, a list of questions, etc. You must find the style that you are most comfortable with and practice neatly sketching the frameworks on your scratch paper so that the interviewer can follow.

So how do you differentiate your framework? The inputs and drivers to the frameworks will vary according to the industry. All interviewers will know, and most likely will present, many of the frameworks listed here. Star candidates will have a hypothesis about the relevant inputs and drivers depending on the industry and situation. Your industry overview should prepare you to have a framework that is set apart.

THE 1st TIER: The “Must-Know” Frameworks

Profit Equation: Profit = Revenue – Cost

Though this seems like the most obvious equation in any business situation, it is the most important framework for case problems. Ultimately, most clients want consultants to answer one question, “how do we add value and make more money?” The management consultant’s job is to find a way to answer that question. Using the profit equation and breaking it into the pieces below is a good starting point.

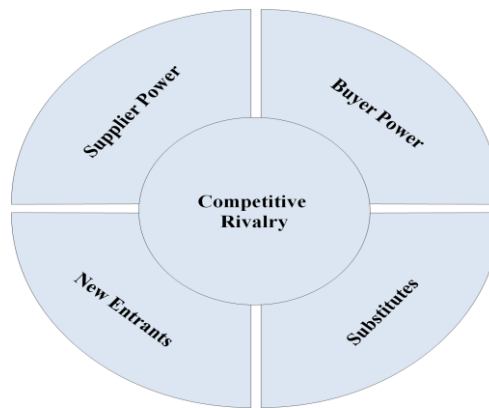


Porter’s 5 Forces¹

Porter’s 5 Forces typically serves as the first framework taught by MBA strategy professors. The framework is universally used because it provides a collectively exhaustive way to determine whether an industry is attractive or unattractive.

¹ Porter, Michael. “The Five Competitive Forces That Shape Strategy.” Harvard Business Review. January 2008. Web. June 2010. < <http://hbr.org/2008/01/the-five-competitive-forces-that-shape-strategy/ar/1>>





🦁 **New entrants** - Industry's have various factors that present "barriers to entry":

- Economies of scale
- Government and legal barriers (e.g., patents, copyrights, licenses, etc.)
- Economic: Capital requirements and advertising cost
- Absolute cost advantage (e.g., raw materials or experience curve effects)
- Product differentiation (e.g., brand or product offering features)
- Access to distribution channels (e.g., shelf space, forward integration or location)
- Access to raw materials

🦁 **Substitutes** - Substitutes are a major threat with products that can compete in price and in industries with high profits. Also, consider the customer's switching costs.

🦁 **Competitive rivalry** - Several factors positively affect the intensity of the rivalry:

- Fragmented industry with numerous players
- Slow growth in industry
- Low amount of differentiation and switching cost
- Motives to cut price such as excess capacity, high fixed cost and exit barriers

🦁 **Supplier power** - A supplier has bargaining power over the inputs if one of the following is true:

- No obligation to compete with other substitute products
- The industry is not important as a customer of the supplier
- The supplier is important to the buyer's decision
- The supplier's products are differentiated or have high switching costs
- The supplier can easily forward integrate
- The supplier's products make up a significant portion of the cost structure

🦁 **Buyer power** - A buyer has bargaining power over the outputs if one of the following is true:

- There is high concentration or they are a relatively large customer
- The product is a commodity, has little differentiation or quality is unimportant
- The buyer faces low switching costs
- The buyer can easily backward integrate
- The buyer has plenty of information

Porter's 5 Forces present a framework to determine whether an industry is attractive or not. Though it is possible, rarely will you cover all five in an interview. The significance of the different forces will vary by industry and a star candidate will focus on the most important factors.



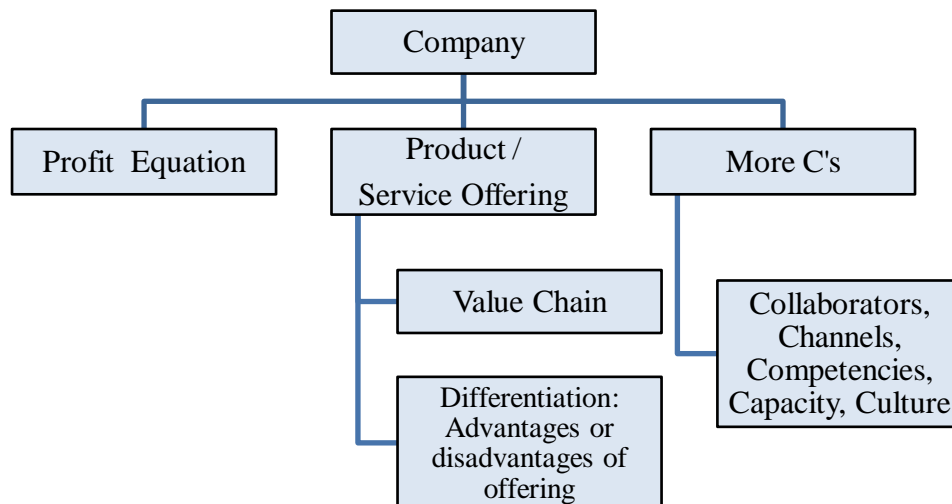
The “C’s”

Most popularly called the “3 C’s” (referring to the Company, Customers and Competitors), the “3 C’s” offer the most comprehensive way to approach almost any case. There are several other “C’s” however, that could be helpful in structuring the case problems.

3 C's	More C's
<ul style="list-style-type: none">• Company• Customers• Competitors	<ul style="list-style-type: none">• Collaborators / Complementors• Costs• Channels• Competencies• Capacity• Culture

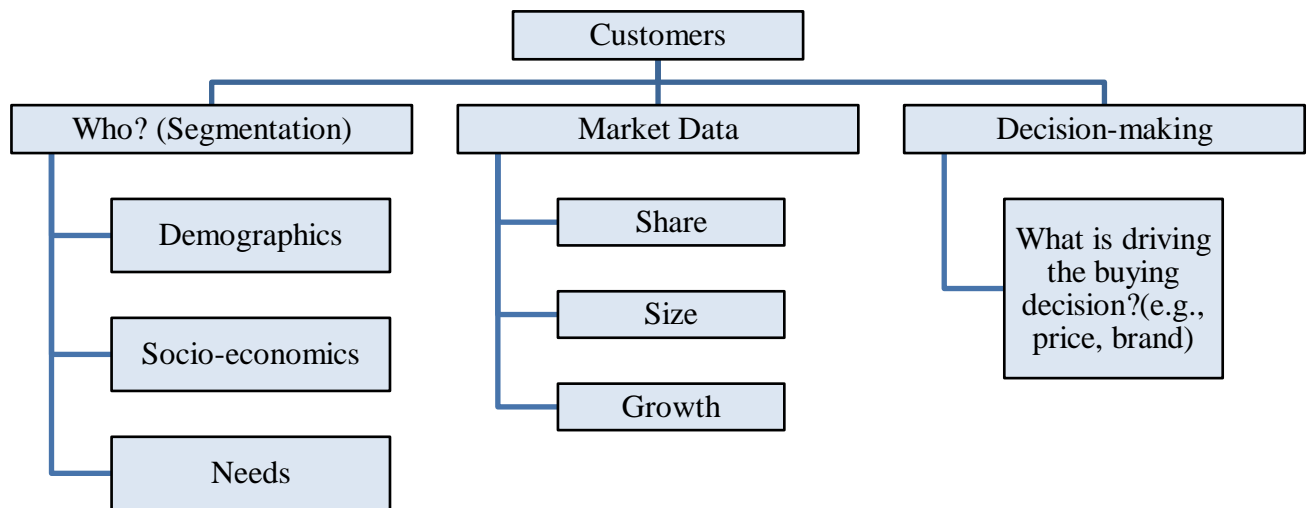
Note that because the “3 C’s” are a high-level view, other, more granular, frameworks can be used inside the different C categories (e.g., the Profit Equation and Value Chain be used under the Company heading)

🐼 **Company** - This piece of the framework should answer the question, “How does the company create and capture value?” The framework below is useful in answering this question.

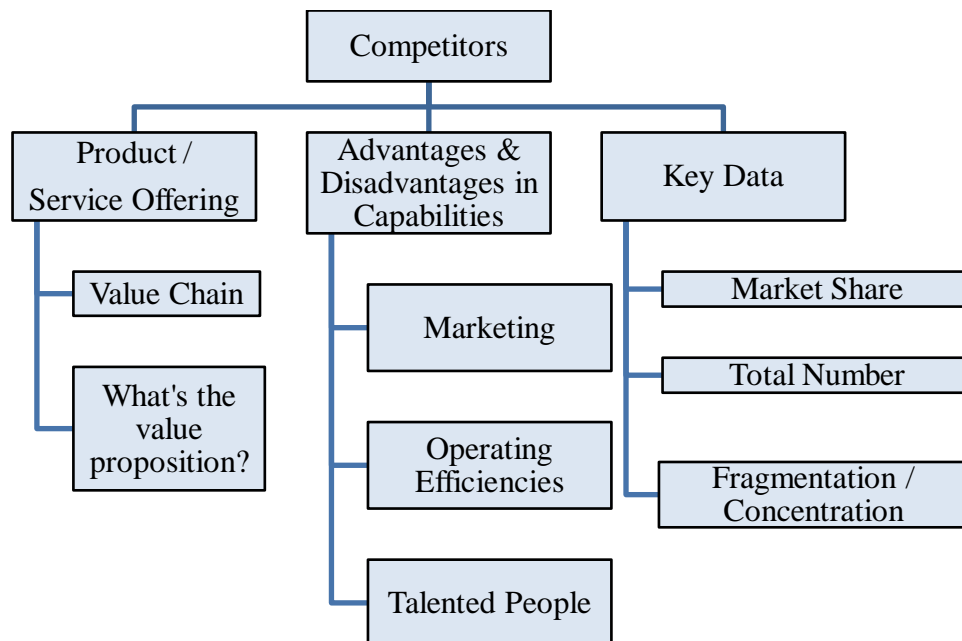


🐼 **Customers** - Understanding the customers is a critical piece in solving any business problem. You will want to collect a few key pieces of data in order to understand the customer. It is critical to understand *who* the customers are and how the company and the competition are meeting their specific *needs*.



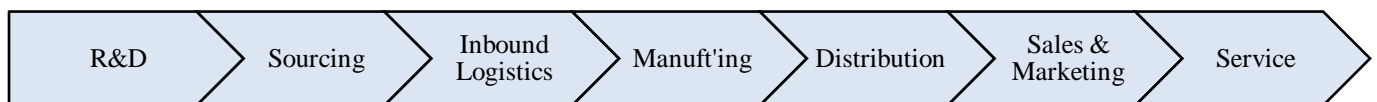
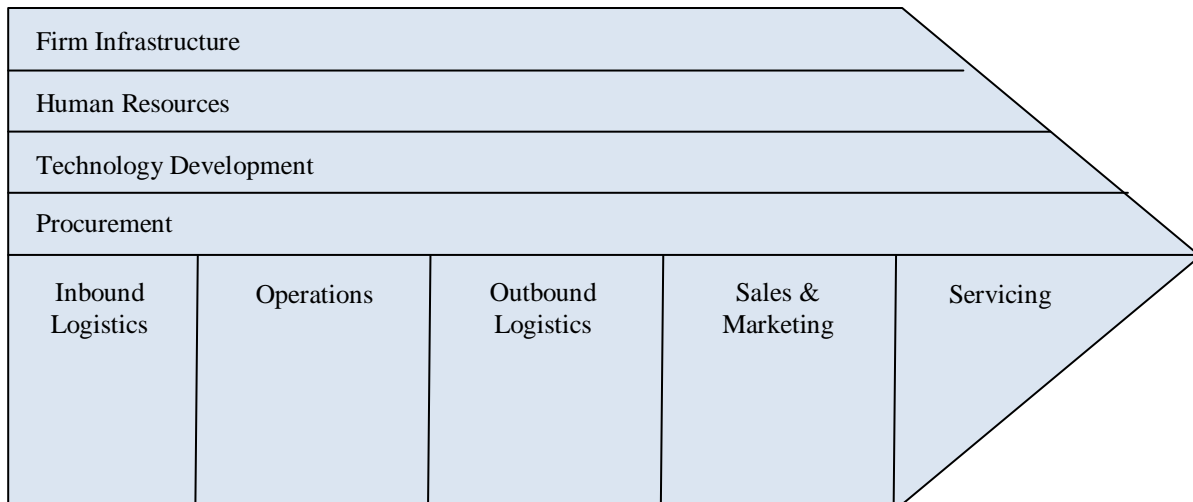


🐭 **Competitors** - Your analysis of the competition should center on how the competitor affects the current and future situation of your client. In other words, you want to find points of differentiation between the company and its competitors. Value is created or lost in these differences and how they relate to the profit equation.



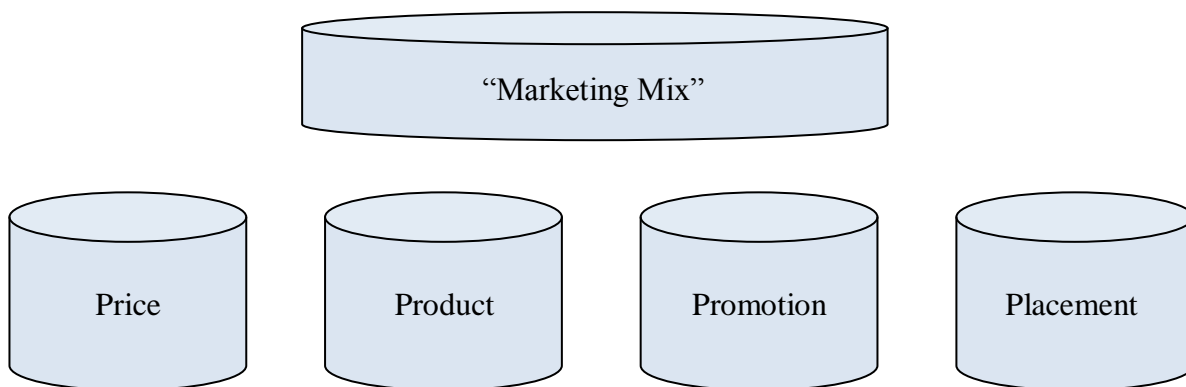
The Value Chain

Analysis of the value chain is a useful tool for a few reasons. First, it allows you to show how the company creates value through its internal operations and processes. It also shows you where certain company and competitor strengths and weaknesses lie. Lastly, it highlights any synergies (or lack thereof) across processes. Value chains will vary across industries, but the two diagrams below are the most commonly used.



The 4 P's

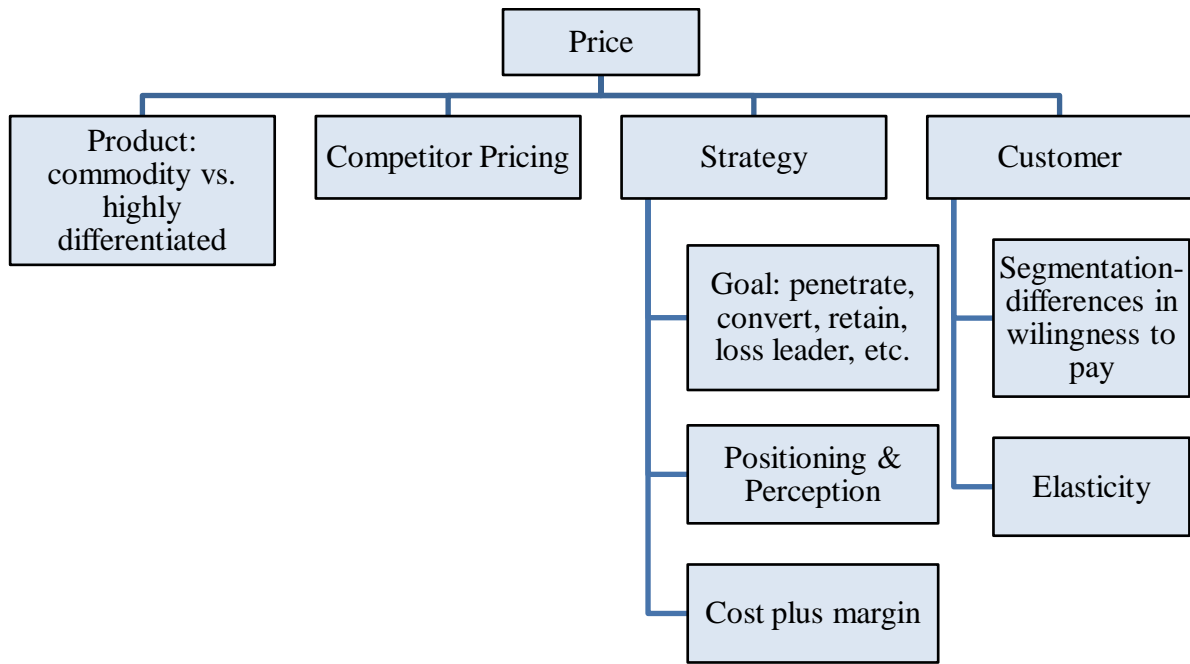
Commonly referred to as the “marketing mix,” the 4 P’s (price, product, promotion, and placement) offer a comprehensive way to consider the sales and marketing decisions made within an organization.²




🐼 **Price** - Several factors will affect how certain products and services are priced. Note that this is a powerful lever in the profit equation framework. Effective pricing strategy can capture loads of value that would otherwise be left on the table. The framework below gives several items to consider, but is not exhaustive.


² “Marketing Mix.” MMC Learning. n.d. Web. June 2010. < <http://www.multimediamarketing.com/mkc/marketingmix/> >

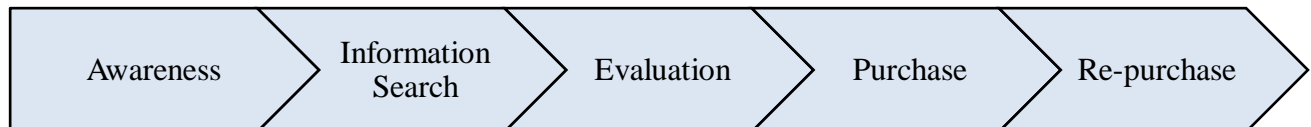





 **Product** - Several questions should be answered when understanding the client's product:

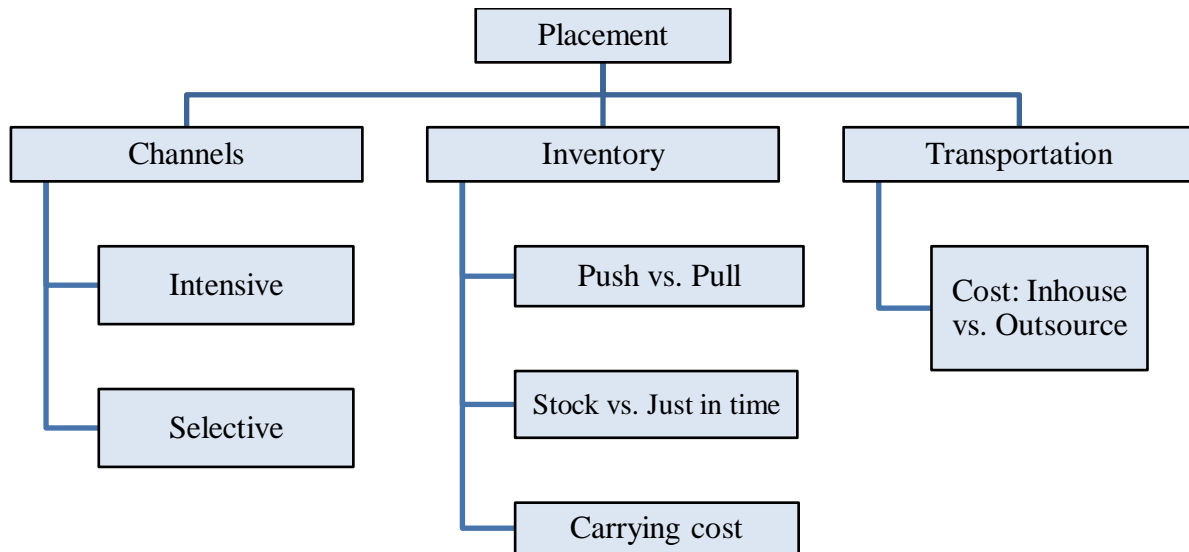
- Attributes: Is the product a commodity and undifferentiated or is it very different from other offerings? What sort of features does the product have?
- Buyer decision: Why are customers buying the product? Is it price, quality, service, reliability, availability, status, comfort, speed? Are customers loyal and being retained?
- Competition: What are the competitors offering and how are their products different?
- Substitutes: Are there viable substitutes? If so, do customers have high or low switching costs?

 **Promotion** - Efforts to promote fall into five categories: advertising, personal selling, trade promotions, public relations and direct sales. It is critical to think about the target customer and what the right medium, reach and frequency are. Understanding the buying process is also a helpful tool to see where you can impact the customer's decision-making process.



 **Placement** - The final P deals with how you are going to distribute the product to the customers. The tree below summarizes the key issues.

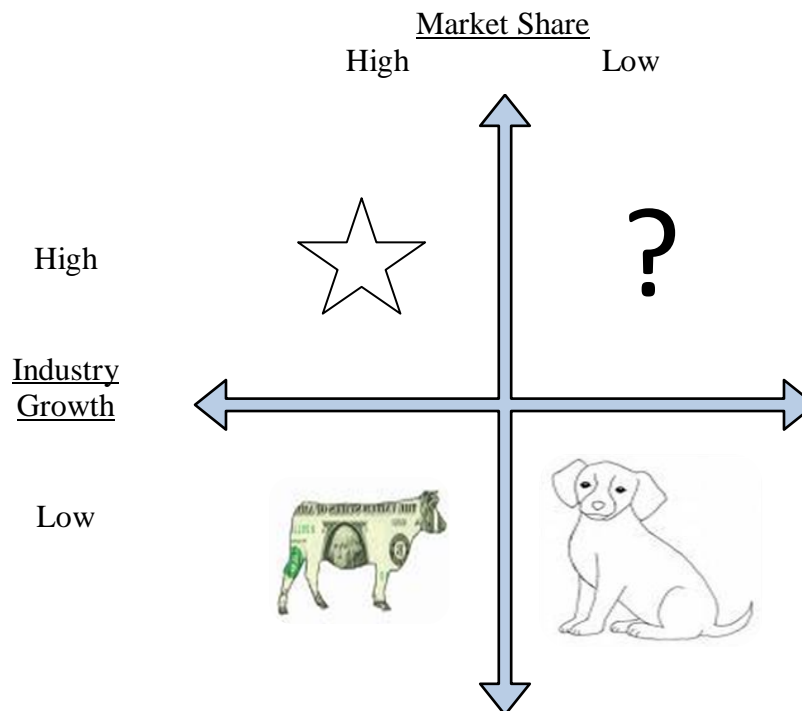




THE 2nd TIER: The “Could Be Useful” Frameworks

BCG Growth-Share 2x2³

Originated by the Boston Consulting Group, the growth-share 2x2 matrix is commonly used when considering the strategy of different business units. The defining characteristics are market share and industry growth. Business units are characterized as stars, question marks, cash cows or dogs. After placing the business unit in the appropriate quadrant, management can set the strategy accordingly.



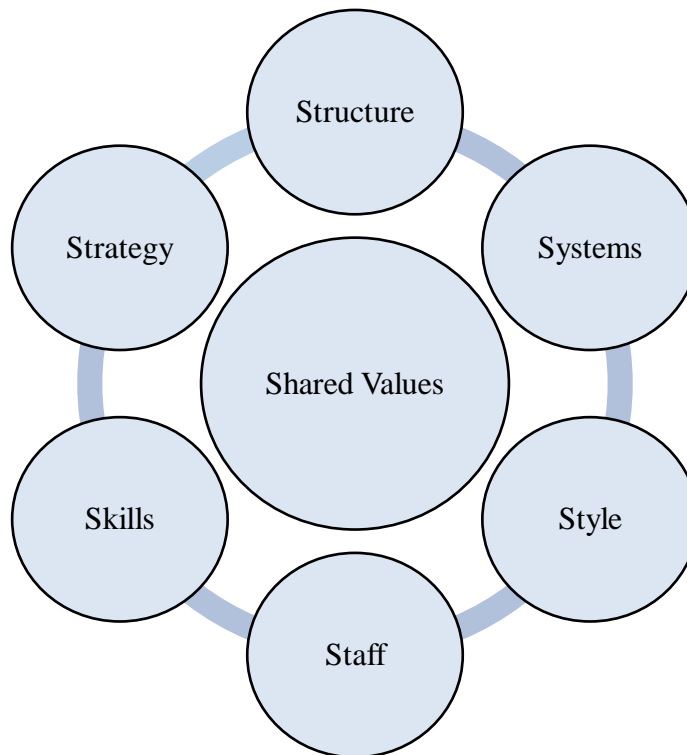
³ “The BCG Growth Share Matrix.” Net MBA Business Knowledge Center. n.d. Web. May 2010.
<<http://www.netmba.com/strategy/matrix/bcg/>>



The strategies set for the business units should correspond to their respective market share and growth. Management should build question marks, harvest cash cows, hold stars and divest dogs. For example, if a company held all four types, it should use the cash flow from the cash cow and cash from divesting the dog in order to fund growth in the question mark and sustain share in the star.

McKinsey's 7 S's⁴

Developed by McKinsey in the early 1980's, the framework seeks to answer the question, "How well aligned are the internal components of the organization to operate efficiently?" This framework is helpful when evaluating operational cohesiveness or when predicting how the organization will respond to change.



Each one of the "S's" is described below⁵:

- 🐼 **Shared Values** - This is the center of the model because it defines the central beliefs and attitude of the company.
- 🐼 **Strategy** - The plan for allocating the company's resources in order to gain a competitive advantage over the competition.
- 🐼 **Skills** - Also known as core competencies, this is what the company or its people do well to make it distinct from the competition.
- 🐼 **Staff** - The people working for the company.
- 🐼 **Style** - The way management conducts itself in achieving company goals.
- 🐼 **Systems** - The routine day-to-day or year-to-year processes in place that aim to achieve the goals.

⁴ "McKinsey 7-S Model." Value Based Management. n.d. Web. April 2010.
<http://www.valuebasedmanagement.net/methods_7S.html>

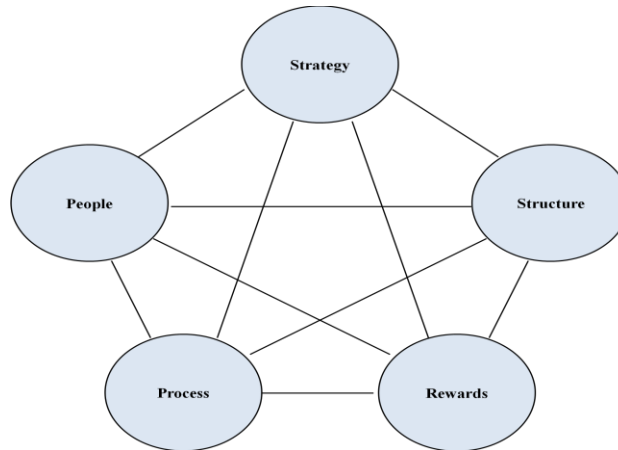
⁵ Ibid.



🐼 **Structure** - The way the company is organized (e.g., hierarchy or decentralized) to show how tasks are assigned and accomplished.

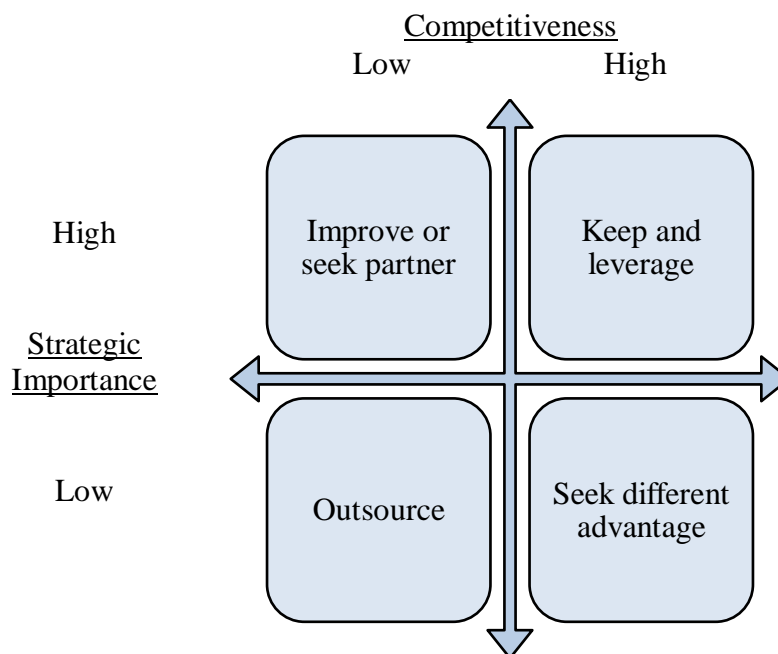
Star Diagram⁶

Much like the McKinsey 7 S's, the Star diagram offers a framework for analyzing organizational change. You should choose which framework you are more comfortable with. The five different aspects of the Star Diagram are interdependent and must have organizational “fit”.



Outsourcing 2x2

Many companies hire consulting firms to help them decide whether certain processes should be done in-house or outsourced. The most obvious piece of analysis is to examine the cost of doing it both ways. However, the strategic implications are perhaps more important in certain situations. The 2x2 matrix combines both criteria for decision-making. Competitiveness on the x-axis could be cost-effectiveness, market share or some other performance metric.

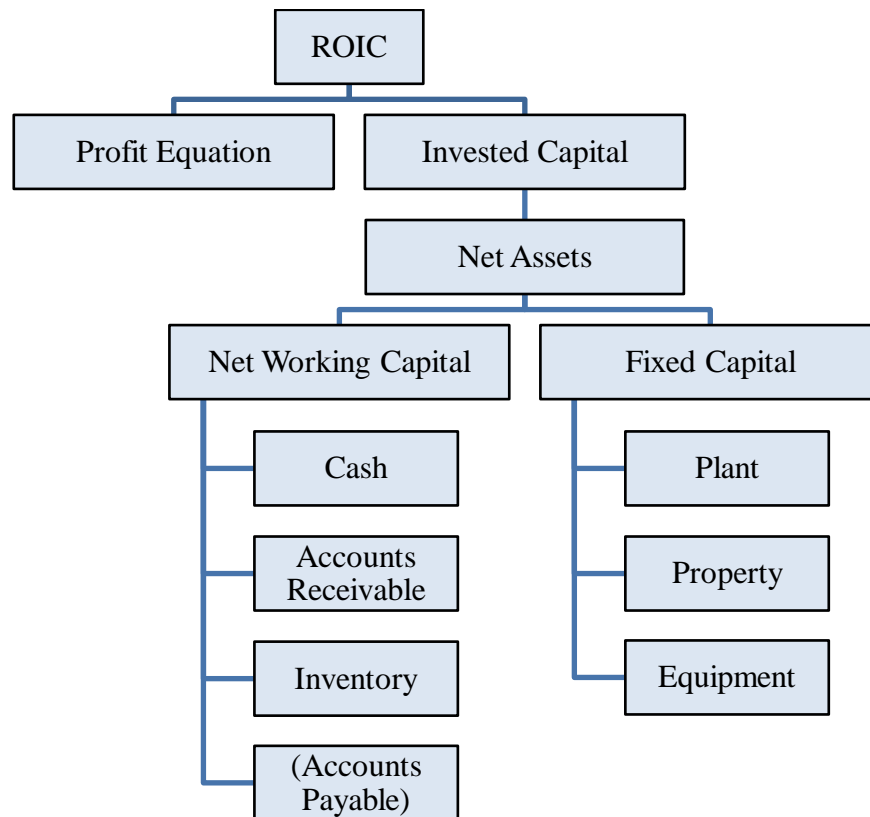


⁶ “Five Star Model.” Proven Models. n.d. Web. June 2010.
< <http://www.provenmodels.com/43/five-star-model/jay-r.-galbraith> >



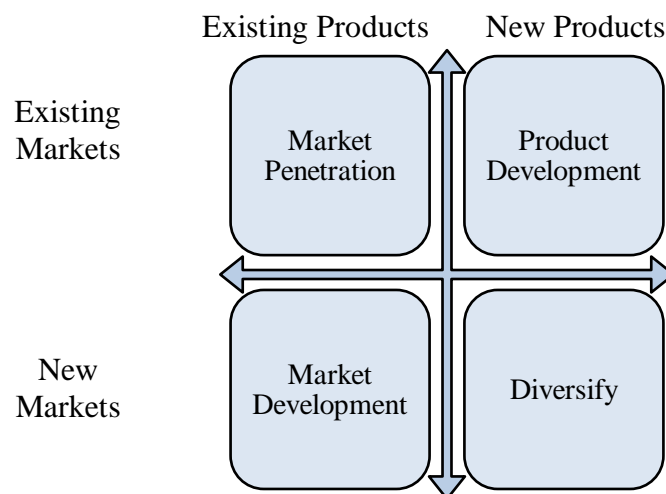
ROIC

The return on invested capital framework builds upon the Profit Equation framework. It breaks down the decision-making process into several parts. Most companies don't just use profit or revenue to measure success; they relate the profit or revenue to the size of their asset base.



Product-Market 2x2

One of the most popular case problems deals with a growth through launching a new product or pushing an existing one. The interviewer must decide on the strategy at the end of the interview. Also known as the Ansoff Matrix, the 2x2 framework is a simple way structure the problem.⁷



⁷ "Product/market Grid." Value Based Management. n.d. Web. April 2010.
< http://www.valuebasedmanagement.net/methods_productmarketgrid.html >



Each of the four strategies is described below:

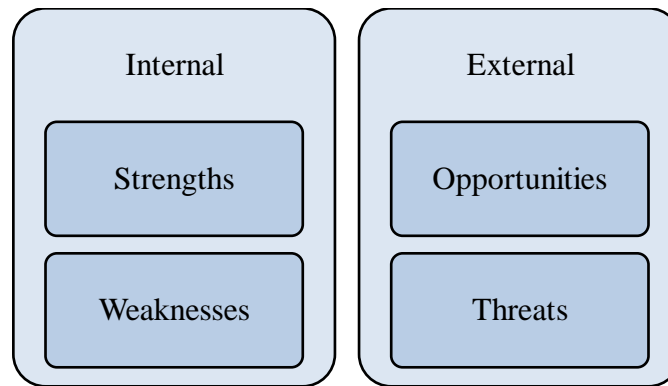
- 🦁 **Market Penetration** - This is the growth strategy where the company seeks to maintain or gain market share by shifting the appropriate resources. To retain current customers, companies can set up loyalty schemes or incorporate pricing strategies. To gain share, the companies can invest in advertisements, use trade promotions and utilize other selling techniques.
- 🦁 **Market Development** - This is also a growth strategy, but one where the company is selling into a new market. This could be a new market based on geography, customer demographics, distribution channels or other.
- 🦁 **Product Development** - Companies can introduce new products to current customers and attempt to grow their share-of-wallet. This may require adopting and developing new capabilities, but converting customers to the new products can be more seamless if the customer is satisfied with the existing product offering.
- 🦁 **Diversification** - This strategy is the most risky because of the unknown variables, but can achieve substantial growth in the long term. It is critical to find an attractive market where the probability of penetration is high.



GENERIC: The “If You’re Stuck” Frameworks

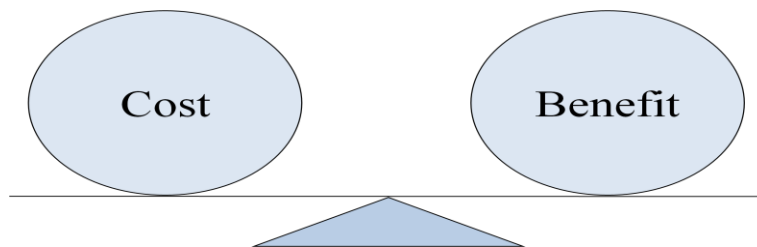
SWOT

The strength-weakness-opportunity-threat framework can be used in almost any situation. The downside of SWOT is that it can be too generic. However, if you become stuck in a case interview, it can be a useful tool to begin the conversation. By matching some of the internal characteristics of the company to external forces, you can begin to generate ideas and use one of the other more specific frameworks.



Cost-Benefit

Like SWOT, the cost-benefit framework is a generic way to begin the conversation if you find yourself stuck. The premise is fairly simple, if the benefits outweigh the costs, proceed; if not, do not. This could help in a variety of cases for idea generation- it could lead you to one of the more detailed frameworks.



Industry Overview

Many new consultants work as generalists across a variety of areas. For most of the firms, the first few years are an experience in different function areas and industries. The case interviewer will test your ability to adapt to new, sometimes uncomfortable situations. It is impossible to prepare for specific questions on an industry you might confront in a case. However, you must brush up on your knowledge of different industries so that you have a basic understanding and general knowledge of all industries.

The factors below are those that you should consider:

- 🦒 Size
- 🦒 Growth
- 🦒 Cost Drivers
- 🦒 Revenue Drivers
- 🦒 Customers
- 🦒 Barriers
- 🦒 Substitutes
- 🦒 Competitors
- 🦒 Lifecycle (e.g., growing, mature, declining)
- 🦒 Trends
- 🦒 Third party effects (e.g., government, regulators, public opinion)

Periodically reading the Wall Street Journal, The Economist or the Financial Times in order to be aware of current industry trends is a prerequisite for the case interview. *This guide strongly recommends the Economist, "The World in 20XX"*. Published once a year, it depicts the profiles and latest trends in each industry. The table below gives a brief industry overview worksheet. The columns are meant for you to aggregate your ideas as you read. Star candidates are able to provide a new, creative perspective in the interview. The first row on CPG gives an example.



Industry	Revenue Drivers	Cost Drivers	Players	Customers	Current Trends
CPG (Consumer Packaged Goods)	Pricing, brand differentiation, access to distribution, retail outlets, and shelf space to boost volume	Volume discounts, supplier relations, backward integration, advertising and promotions	Proctor and Gamble, Unilever, Colgate Palmolive, L'Oreal	Consumers or retail buyers	In the midst of the recession, private labels and more cost-conscious products are experiencing higher demand
Agriculture					
Automotive					
Defense					
Construction					



Industry	Revenue Drivers	Cost Drivers	Players	Customers	Current Trends
E-Commerce					
Energy- Oil & Gas					
Energy- Clean & Renewables					
Financial Services					
Food Distribution					



Industry	Revenue Drivers	Cost Drivers	Players	Customers	Current Trends
Healthcare-Pharma					
Healthcare-Hospitals & Insurance					
Industrials / Materials					
Information Technology					
Media & Entertainment					



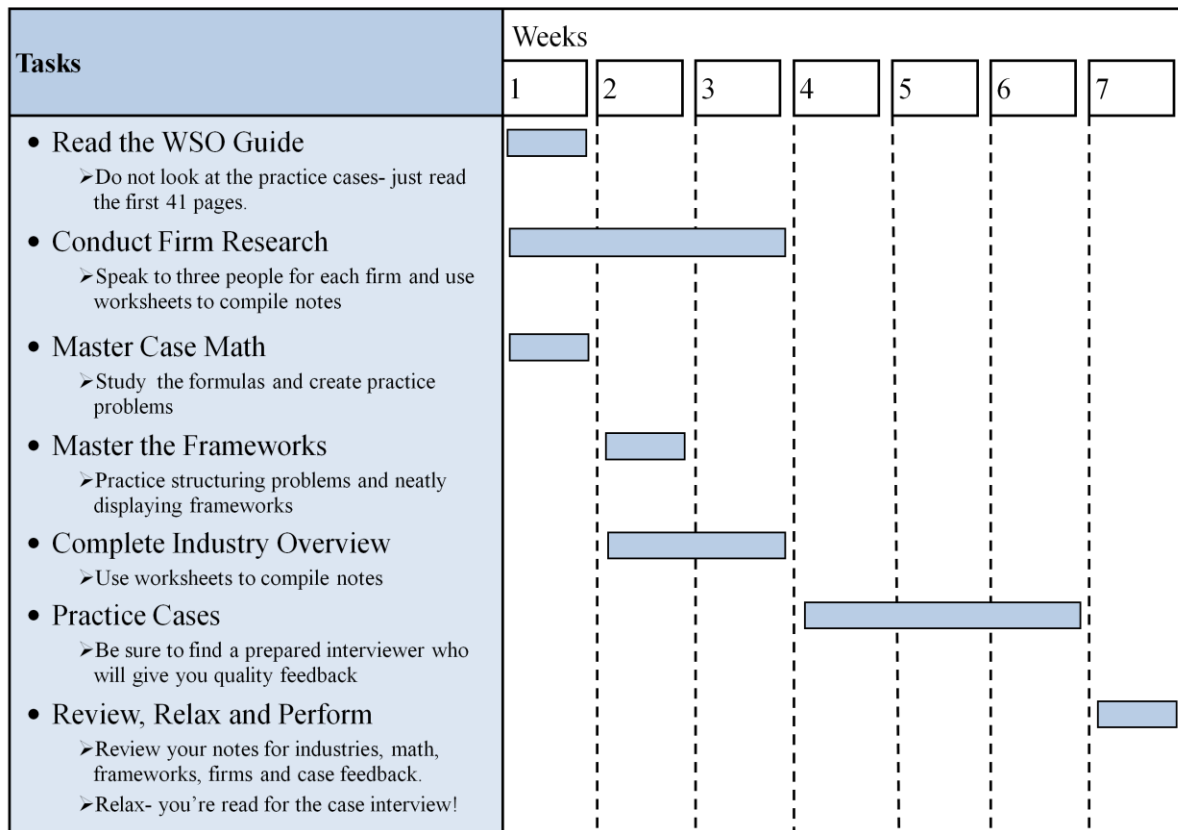
Industry	Revenue Drivers	Cost Drivers	Players	Customers	Current Trends
Real Estate					
Retail					
Telecom					
Travel & Tourism					



PREPARATION

Plan of Action

To make the most out of your time, lay out a “Plan of Action” that fits your schedule. This guide advocates that quality preparation, along with your normal day-to-day life, will take five to ten weeks. Below is a proposed plan for seven weeks of case preparation. Work at a pace where you are comfortable. Overlapping assignments works well for some people, but not others (e.g., the chart below shows firm research, frameworks and industry overview all in week 2). Keep in mind two items: (1) if you have extra time, use it to do more practice cases- cases are available online, from business school clubs, on the firms’ websites and even directly from the people you have contacted at the firms, and (2) spend some time reviewing and relaxing. There is no use in cramming cases the night before the interview.



Interviewer Guide

A MUST READ FOR INTERVIEWERS!

The quality of case interview practice directly matches the quality of the interviewer's preparation. Thus, *interviewer preparation is absolutely necessary* for good case practice. A poorly prepared interview is a waste of time. The practice cases have been set up to be as interviewer friendly as possible in order to optimize practice time. Interviewers must be familiar with these four items:

1. WSO Case Templates

To be an effective interviewer, you must understand how the template was set up. Though all the cases are different, the templates are the same. The most important part of the template is that the left side of the page (in white background) is for the candidate. **The right side of the page (in light blue background) is for your reference (not to be seen by the candidate).** If you want to show data or displays to the candidate, *simply cover up or fold over the right side of the page.* Most pages are situated in this fashion. The only exception is a “Data Display” slide that is intended to be handed to the candidate. Note that the candidate should not write on this page. Most real interviewers bring only one copy of the case to the interview- candidates do not want to be the first person to destroy their only copy. You can find specific information on the templates on the next page.

2. Feedback

To give an effective interview, you must know what you are looking for. The “Feedback Sheet” grades the candidate on seven categories: demeanor, notes, structure, communication, math, creativity, and recommendations. You will provide feedback for candidates quantitatively on a 1 thru 10 Likert scale and qualitatively using certain questions pertaining to the criteria. Valuable feedback is *candid and actionable* so that the candidate can see where she can be confident in her abilities and where she has room for improvement. Two example feedback sheets follow the sample WSO case templates.

3. Case Cadence

This guide advocates that cases should follow the standard cadence below. Each page has a ribbon in the bottom right corner alerting to the stage of the case. If you need clarification, see “The Interview” section.



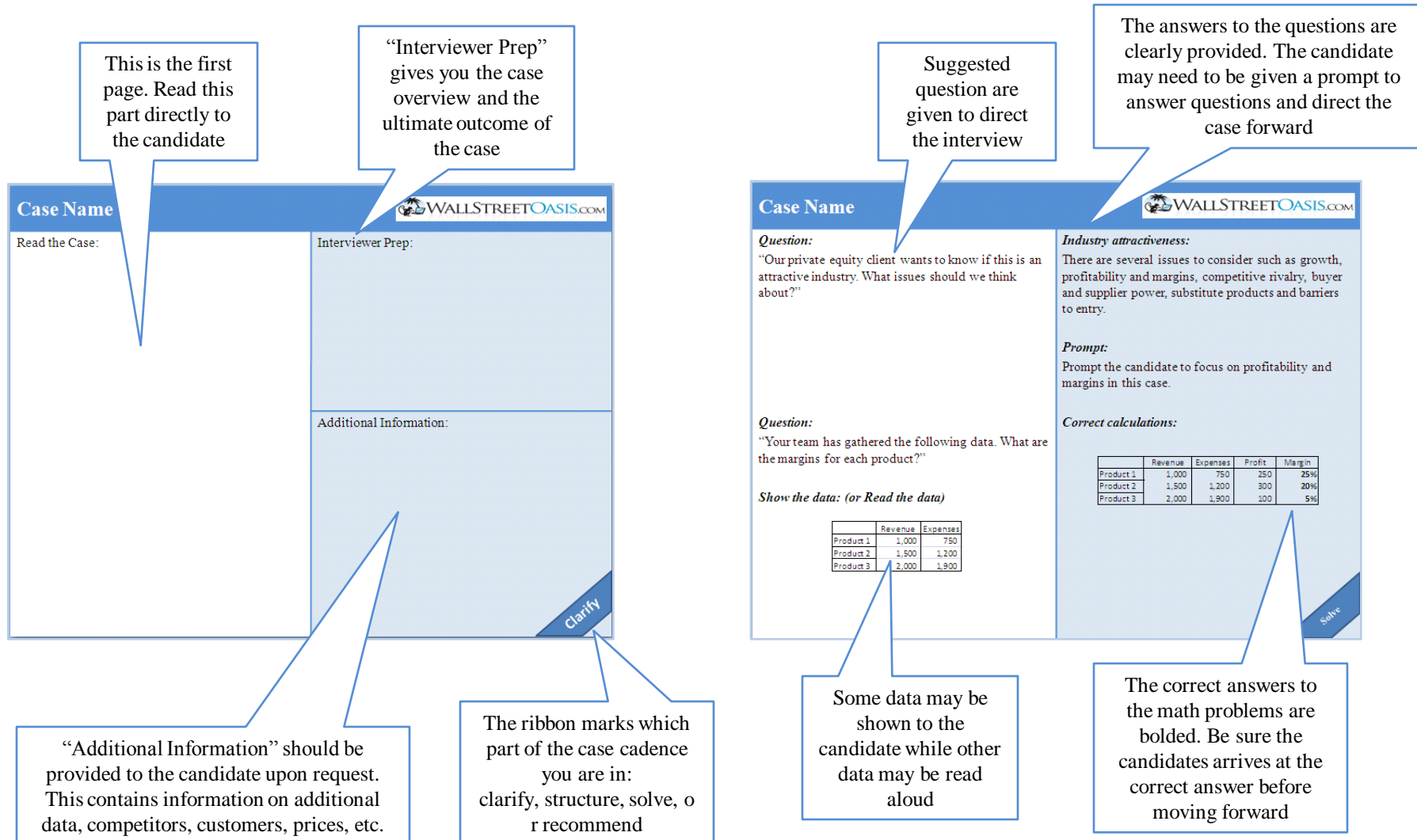
4. The Case

Before giving the interview, be sure to read through all of the case. You want to know what the interview is testing for. *Knowing the answers first will aid your questioning and prompting.* The first page of every interview provides an “Interviewer Prep” section to familiarize you with the case. Below that is an “Additional Information” section. If the candidate inquires about something not in the case, let them know that it is not relevant. Candidates must learn to take cues to find what issues are important and what are not. In addition, follow the candidate on any calculations. On the right side of the template (shaded in light blue), you have all of the correct answers. Do not give the candidate the correct answer, but inform her if it is right or wrong. Candidates should arrive at the correct calculations on their own.



Interviewer Guide: WSO Case Template

Two sample templates are found below. Familiarize yourself with the template design. Note that the left side of the template (with white background) is information for the candidate. The right side (with light blue background) is information for the interviewer- ***it is NOT to be seen by the candidate***. The page on the left is the first page of every case. The page on the right is a typical page in the body of the case.



Template 1 (Left):

- Case Name:** Read the Case:
- Interviewer Prep:** "Interviewer Prep" gives you the case overview and the ultimate outcome of the case.
- Additional Information:** "Additional Information" should be provided to the candidate upon request. This contains information on additional data, competitors, customers, prices, etc.
- Clarify:** The ribbon marks which part of the case cadence you are in: clarify, structure, solve, or recommend.

Template 2 (Right):

- Case Name:** Question: "Our private equity client wants to know if this is an attractive industry. What issues should we think about?"
- Industry attractiveness:** There are several issues to consider such as growth, profitability and margins, competitive rivalry, buyer and supplier power, substitute products and barriers to entry.
- Prompt:** Prompt the candidate to focus on profitability and margins in this case.
- Correct calculations:** Prompt the candidate to focus on profitability and margins in this case.
- Question:** "Your team has gathered the following data. What are the margins for each product?"
- Show the data: (or Read the data)**
- Some data may be shown to the candidate while other data may be read aloud**
- Solve:** The correct answers to the math problems are bolded. Be sure the candidates arrives at the correct answer before moving forward.

	Revenue	Expenses
Product 1	1,000	750
Product 2	1,500	1,200
Product 3	2,000	1,900

	Revenue	Expenses	Profit	Margin
Product 1	1,000	750	250	25%
Product 2	1,500	1,200	300	20%
Product 3	2,000	1,900	100	5%

Interviewer Guide: Feedback Sheet (1 of 2)



Note: During and after the case, interviewers should complete this form. Circle the number 1 thru 10 and then provide written feedback using the questions as a guide. The best feedback is actionable so that the candidate can continue to practice and refine their skills.

DEMEANOR	<u>Poor</u>	1	2	3	4	5	6	7	8	9	10	<u>Star</u>
Did she maintain eye contact?												
Did she fidget during the interview?												
Did she appear nervous?												
Did she smile and appear relaxed?												

NOTES	<u>Poor</u>	1	2	3	4	5	6	7	8	9	10	<u>Star</u>
Was the framework clearly presented on the page?												
Was the math organized and easy to follow on the page?												
Did she keep track of key findings?												

STRUCTURE	<u>Poor</u>	1	2	3	4	5	6	7	8	9	10	<u>Star</u>
Did the framework provide a road-map to solve the case?												
Did she “bucket” or categorize any lists or ideas?												
Did she follow the cadence of clarify, structure, solve, recommend?												

COMMUNICATION	<u>Poor</u>	1	2	3	4	5	6	7	8	9	10	<u>Star</u>
Did she speak clearly throughout the interview?												
Was it easy or difficult to follow her ideas?												
Did she try to work with you as a partner in solving the case?												
MATH PROFICIENCY	<u>Poor</u>	1	2	3	4	5	6	7	8	9	10	<u>Star</u>
Did she correctly complete all math problems?												
Did she use appropriate assumptions or clarify any ambiguity?												
Did she think out loud so that you could follow the calculations?												
CREATIVITY	<u>Poor</u>	1	2	3	4	5	6	7	8	9	10	<u>Star</u>
Did she think outside the box?												
Did she mention any current events or recent trends affecting the industry?												
RECOMMENDATION	<u>Poor</u>	1	2	3	4	5	6	7	8	9	10	<u>Star</u>
Did she answer the question?												
Was the conclusion clear, confident and to-the-point?												
Did she justify the conclusion with the key findings?												
Did she include “next steps” as though she will finish the case?												

OTHER COMMENTS / SUGGESTIONS:

Case 1: Buffalo Beef

Read the Case:

Buffalo Beef, located in Buffalo, New York, is a meat processing business that supplies all of the hamburger meat for the local school systems. Buffalo Bill, the owner and operator, negotiated a five year contract two years ago that would grow \$2,500 per year. At the end of year 5, he has the option to roll it over for another 5 years. After two years of supplying the school system, Bill has fulfilled all orders, but profitability is suffering. Bill has hired us to determine how to salvage his once very profitable business. Specifically, if he uses your recommendation, he wants to know what his margins will be in year 5.

Buffalo Beef's process is fairly simple. Bill buys two different cuts of beef, chuck and roast, from a local supplier. He grinds the cuts and then combines them into hamburger meat. A third party distributes the product to the schools.

Interviewer Prep:

This case addresses profitability and seeks to find cost reduction alternatives. The candidate should recognize this because the school contracts are in place and you're dealing with a commodity product. Push the candidate to think about different cost reduction measures. The key to the case is finding that the COGS can be reduced substantially by finding an alternative supplier and changing the mix of chuck and roast in the hamburger meat.

Additional Information:

Contract terms:

Contract length: 5 years

First year of contract: \$350,000

Contract annual price growth: \$2,500 per year

Contract annual volume growth: 0%

Costs:

- Overhead (electricity, water)
- Rent
- Depreciation
- Labor
- COGS
- Packaging

Competition: Not important

Customers: Solely school systems

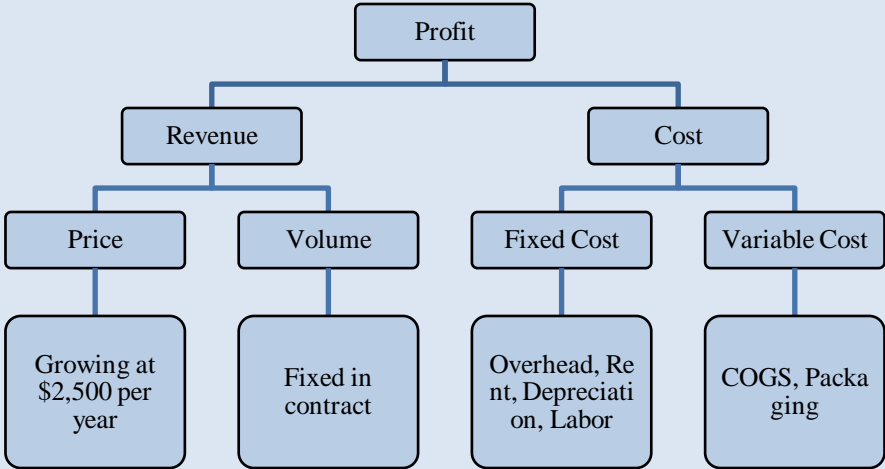
Case 1: Buffalo Beef

Question:

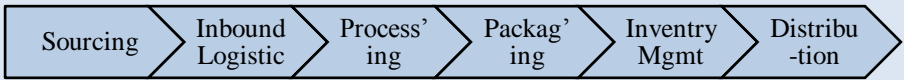
“How should Buffalo Bill address the decline in profitability?”

Framework:

The Profit equation is the most useful framework in this case.



The value chain could be useful as well to see how Bill is creating value as a meat processor. It will also help identify the relevant costs.

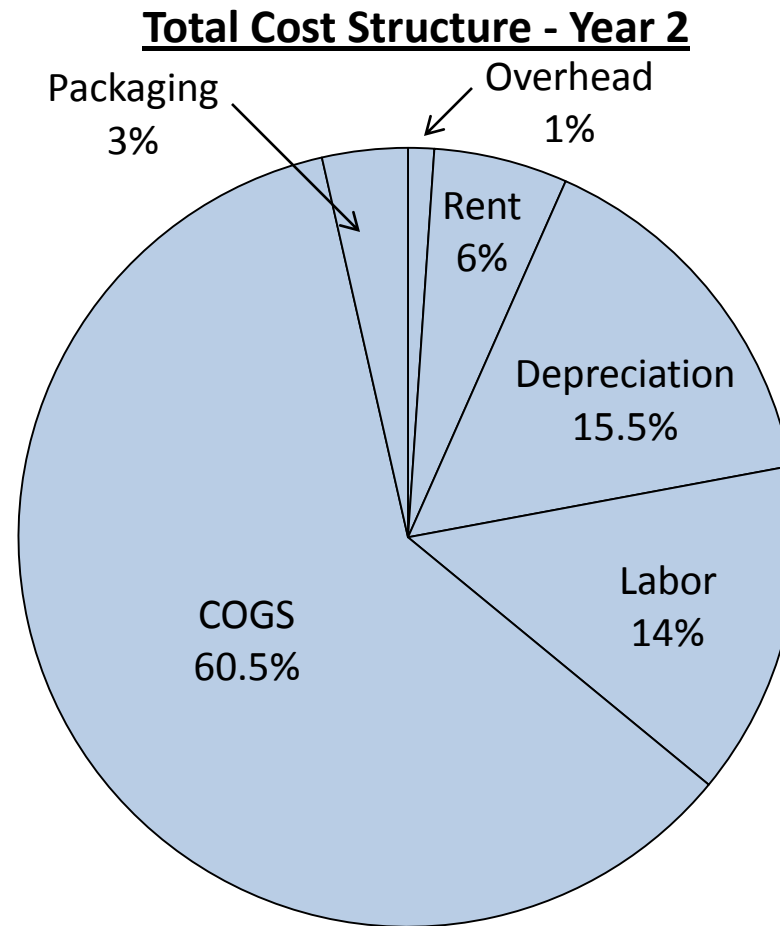


Prompt:

The candidate should hypothesize about the different fixed and variable costs. The revenues have been explained by the contract terms..

Once the candidate names all the costs, provide the following data display . . .

Data Display for Candidate



Total Costs = \$324,000

Case 1: Buffalo Beef

Question:

“How do you interpret the pie chart?”

Question:

“In the past two years, COGS have grown due to a rising commodity market. What were COGS in the previous two years?”

Show the data:

COGS		
Year	1	2
Chuck		
pounds purchased	80,000	80,000
price / pound	1.80	2.00
Roast		
pounds purchased	20,000	20,000
price / pound	1.60	1.80

Data Display:

The candidate should want to know more about COGS because it represents the majority of the cost.

Cost Reduction:

The candidate should calculate the total costs to see the impact to the bottom line.

Correct calculations:

	Year 1	Year 2
Chuck Costs	144,000	160,000
Roast Costs	32,000	36,000
TOTAL COGS	176,000	194,400

Once the candidate recognizes the rising COGS, she should present options. If not . . .

Prompt:

“What should Bill do about the rising COGS?” Push her to come up with at least four ways. A few suggestions:

- Renegotiate with suppliers
- Find a volume discount
- Find an alternative supplier
- Backward integrate
- Change the mix of chuck and roast

Case 1: Buffalo Beef

Question:

“We have obtained some information on a Canadian supplier. They can supply the same chuck and roast at a lower price. The chuck will cost \$1.75 per pound and the roast \$1.25 per pound. The Canadian supplier will lock in these prices for the next 3 years. Will this help Bill reduce costs?”

Question:

“Are there any other costs that Bill may incur with the Canadian supplier?”

Alternative Supplier:

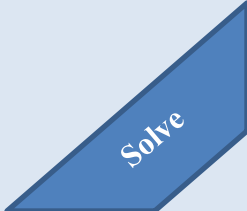
Correct calculations:

Canadian Supplier	
Chuck	
pounds	80,000
price / pound	1.75
Chuck Costs	140,000
Roast	
pounds	20,000
price / pound	1.25
Roast Costs	25,000
TOTAL COGS	165,000

The candidate should recognize that the Canadian supplier could have saved Bill \$31,000 in year 2 (\$196,000 less \$165,000). And if commodities continue to rise in year 3, more savings could be realized.

Allow the candidate to brainstorm and to find a variety of answers, but inform the candidate that Bill will incur two main costs:

Regulatory fee = \$5,000
Additional shipping cost = \$15,400.



Case 1: Buffalo Beef

Question:

“Along with the Canadian supplier, what else should Bill consider to reduce his costs?”

Prompt:

Push the candidate to think about the mix of chuck and roast. Chuck is significantly more expensive and consists of 80% of the COGS. Eventually ask: “The school is willing to accept hamburger meat with no less than 50% chuck. What will be the additional cost savings?”

Correct calculations:

Canadian Supplier	
Chuck	
pounds	50,000
price / pound	1.75
Chuck Costs	87,500
Roast	
pounds	50,000
price / pound	1.25
Roast Costs	62,500
TOTAL COGS	150,000

This will save an additional \$15,000 per year (\$165,000 less \$150,000).

Case 1: Buffalo Beef

Question:

“Buffalo Bill has just walked in the room and wants an answer to his original question. He wants to know how to proceed. Take some time to do the calculations and organize your answer.”

Recommendation:

Remember the question: Buffalo Bill wanted to know what his margins would be in year 5. The candidate should clarify that Bill wants to know net margins.

Correct calculations:

Year	1	2	3	4	5
Revenue	350,000	352,500	355,000	357,500	360,000
COGS					150,000
Other Costs					129,600
Regulatory Fee					5,000
Additional Shipping					15,400
Total Costs					300,000
Profit					60,000
Net Margin					16.67%

This is from the pie chart (40% times \$324,000 of total costs)

A good recommendation would state:

“Buffalo Bill will realize 16.67% margins in year 5 if he changes to the new Canadian supplier and changes the mix of chuck and roast to equal parts. Assuming that the quality of burger will not be compromised and the school contracts stay in place with these changes, he should proceed. I would also recommend that he bring the Canadian prices to the attention of his current supplier to see if they can compete with the Canadian prices so Bill will not have to incur the additional regulatory and shipping fees.”

Recommend

Case 1: Buffalo Beef

Case Type: Profitability- Cost Reduction

DEMEANOR

- Did she maintain eye contact?
- Did she fidget during the interview?
- Did she appear nervous?
- Did she smile and appear relaxed?

Poor12345678910Star

NOTES

- Was the framework clearly presented on the page?
- Was the math organized and easy to follow on the page?
- Did she keep track of key findings?

Poor12345678910Star

STRUCTURE

- Did the framework provide a road-map to solve the case?
- Did she “bucket” or categorize any lists or ideas?
- Did she follow the cadence of clarify, structure, solve, recommend?

Poor12345678910Star

COMMUNICATION	<u>Poor</u>	1	2	3	4	5	6	7	8	9	10	<u>Star</u>
Did she speak clearly throughout the interview?												
Was it easy or difficult to follow her ideas?												
Did she try to work with you as a partner in solving the case?												
MATH PROFICIENCY	<u>Poor</u>	1	2	3	4	5	6	7	8	9	10	<u>Star</u>
Did she correctly complete all math problems?												
Did she use appropriate assumptions or clarify any ambiguity?												
Did she think out loud so that you could follow the calculations?												
CREATIVITY	<u>Poor</u>	1	2	3	4	5	6	7	8	9	10	<u>Star</u>
Did she think outside the box?												
Did she mention any current events or recent trends affecting the industry?												
RECOMMENDATION	<u>Poor</u>	1	2	3	4	5	6	7	8	9	10	<u>Star</u>
Did she answer the question?												
Was the conclusion clear, confident and to-the-point?												
Did she justify the conclusion with the key findings?												
Did she include “next steps” as though she will finish the case?												

OTHER COMMENTS / SUGGESTIONS:

Case 2: Campers R US

The Case:

Campers R Us is a chain of retail stores located in the Southwestern part of the United States. It currently has 12 different locations and each store has a wide variety of products that meet the needs of the beginning camper to the expert adventurer. The CEO is pleased with the performance over the past few years, but wants to pursue a new growth strategy. First, the CEO wants you to brainstorm on different ways to grow the business. She then wants you to analyze an option that she is considering. Explain what impact this option will have on the Campers R Us bottom line.

Interviewer Prep:

This case is opened ended at first and then becomes very directed in the second half. At first, you want to allow the candidate to brainstorm ideas and come up with at least 6 different growth strategies. After that, prompt the candidate to consider the CEO's option- a new credit card. She should find that the credit card option presents a viable growth opportunity when targeting the right segment and mitigating against certain risks.

Additional Information:

Number of Stores: 12

Store locations: Southwest U.S.: Arizona, Oklahoma, New Mexico, Texas

Annual Revenue: \$500 million

Competitors: Wal-Mart, Dick's Sporting Goods, Academy Sports, Specialty stores, etc.

Customers: the large stores allow Campers R US to cater to all customers from the beginner to the expert

Products: wide variety- range in value from a few dollars for accessories to \$50,000 for a recreational vehicles

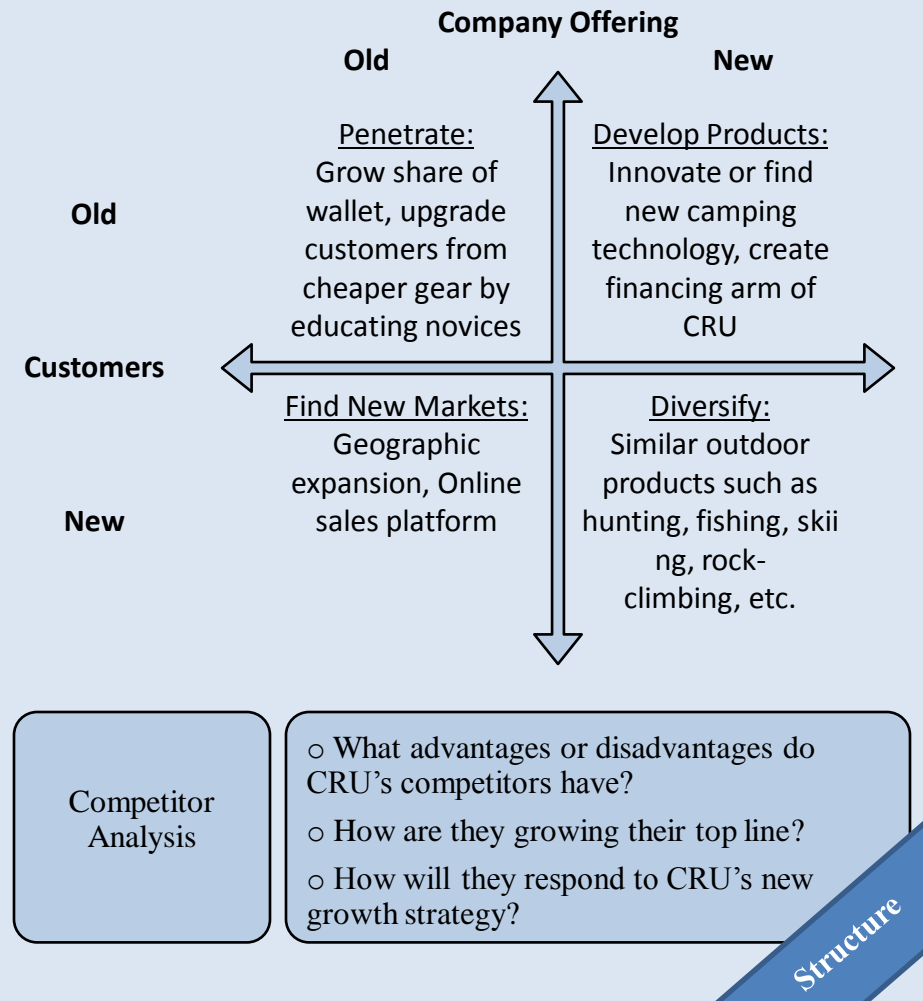
Case 2: Campers R US

Question:

Q: What are some of the strategic steps Campers R US (CRU) could take to grow the business?

Framework:

A star candidate will combine creativity and structure to this problem. A list of ideas is not enough- the ideas should be structured. A good framework could use the “3 C’s” (company, customers, competitors) to analyze growth opportunities. Push the candidate to come up with at least five ways for CRU to grow.



Case 2: Campers R US

Question:

Q: “The CEO says that she likes the idea of launching new products. What ideas do you have for product development in CRU?”

Question:

“The CEO likes the idea of a new CRU credit card to create a new revenue stream. Before proceeding to the calculations, we need to segment the market and find what segments should be targeted. How would you segment this market considering the different risks involved with this product?”

Question:

“How many people are in each segment for CRU?”

Prompt:

Again, a star candidate will combine creativity and structure. This question is open-ended, but prompt the candidate to consider how customers pay for their purchases at CRU so that they come up with idea of CRU having its own credit card.

New Credit Card:

Prompt:

Lead the candidate to segment the market by income. The greatest risk to launching a credit card is not getting paid. Segmentation by low, middle and high income allows you to access the riskiness of each segment by applying a different interest rate. A more granular and relevant segmentation would be by credit rating, but we'll use three levels of income going forward- high, middle and low.

Upon request, reveal that CRU stores are only present in the Southwest, which has a population of 40 million people and 5% shop at CRU. Assume 25% are high income, 50% are middle income and 25% are low income.

Correct Calculation:

This leads to **500K low income, 1 M middle income and 500 K high income shoppers.**

Question:

“If CRU launches a new credit card, what sorts of revenue streams will it create?”

Question:

“How would you calculate the total revenue generated from a CRU credit card?”

New Credit Card:

Prompt:

Depending on the candidate’s experience, they may or may not have the correct answer, but push them to list three ways of generating revenue. Eventually, tell the candidate that we will assume three different income sources from the new CRU credit card:

1. Income from interest
2. Income from transaction fees (% of purchase amount)
3. Income from annual membership fees (a flat fee)

Take the sum of the three calculations:

1. Interest income = Average Outstanding Balance x Interest rate
2. Transaction fees = Transaction fee x Annual purchase amount
3. Annual fee = Membership fee x No. of credit cards

Case 2: Campers R US

Question:

“Your team has gone out and collected some information on how you would set the interest rates, transaction fees and annual fees by each segment. What is the most attractive customer segment for CRU credit cards?”

Show the data:

Interest Income		
	Rate	Average Balance
Low	15%	\$1,000
Middle	10%	\$750
High	5%	\$600

Transaction Fee Income		
	Fee	Average Purchase Amount
Low	1.5%	\$2,000
Middle	1.5%	\$5,000
High	1.5%	\$10,000

Annual Fee Income	
Low	\$100
Middle	\$100
High	\$100

Guide:

The candidate has a lot of data to organize so it is critical that they present it in an organized manner.

Correct calculations:

	Interest Income	Trans. Fee Income	Annual Fee Income	TOTAL	No. Shoppers (millions)	Total Income
Low	\$150	\$30	\$100	\$280	0.5	\$140,000,000
Middle	\$75	\$75	\$100	\$250	1.0	\$250,000,000
High	\$30	\$150	\$100	\$280	0.5	\$140,000,000

Question:

“Should we use these numbers to proceed, or is there any other information you would like to have?”

Question:

“Considering the data given, which segment is most attractive and what other factors should we consider?”

Segmentation Calculations:

The candidate should recognize that the middle income segment presents the largest opportunity. However, the calculations assume a 100% penetration rate.

Prompt:

“Will all customers want a new credit card?” Inform the candidate that the expected penetration is:

- 15% for low income
- 20% for middle income
- 1% for high income

Correct calculations:

	Penetration rate	Total Income	Expected Income
Low	15%	\$140,000,000	\$21,000,000
Middle	20%	\$250,000,000	\$50,000,000
High	1%	\$140,000,000	\$1,400,000

Other Factors:

Prompt:

Push the candidate for four factors. The Middle income segment appears to be the most attractive, but other factors may include:

- Different risks of default (especially for the low income segment). Though this segment presents a large opportunity and interest rates reflect the risk- uncollected bills and admin can decrease margins.
- Different acquisition and marketing costs for the different segments.
- Administration costs for the cards.
- Segment loyalty- will the customers continue to use the card?
- Experience gap- Does CRU management know how to execute a financing arm?

Question:

“You just ran into the CEO by the water-cooler. He wants to know about your progress on the growth strategy.”

Recommendation:

The recommendation must answer the CEO’s original question and include: (1) the findings on the credit card and (2) the growth strategy ideas. A suggested recommendation:

“Launching a new Campers R Us credit card appears to an attractive option if we target the lower and middle income segments. With one and a half million shoppers already at our stores, our projections show that these two segments could increase overall revenues over 14% by generating \$71 million. We considered strictly revenue data so I would like to consider the cost and margins and take a closer look at the risk associated with the product. In addition, we would like to look at some other options including:

- Expanding to new geographies
- An online platform for sales
- New product development
- Upgrading customers to higher margin products
- Diversifying into other outdoor products

We are going to research these options to see what would fit into the Campers R Us overall corporate strategy while being certain that management can execute.”

Case Type: Market Entry- New Product

Star

Did she smile and appear relaxed?

Star

Did she keep track of key findings?

Star

Did she follow the cadence of clarify, structure, solve, recommend?

Interviewer Guide: Feedback Sheet (2 of 2)



COMMUNICATION	<u>Poor</u>	1	2	3	4	5	6	7	8	9	10	<u>Star</u>
Did she speak clearly throughout the interview?												
Was it easy or difficult to follow her ideas?												
Did she try to work with you as a partner in solving the case?												
MATH PROFICIENCY	<u>Poor</u>	1	2	3	4	5	6	7	8	9	10	<u>Star</u>
Did she correctly complete all math problems?												
Did she use appropriate assumptions or clarify any ambiguity?												
Did she think out loud so that you could follow the calculations?												
CREATIVITY	<u>Poor</u>	1	2	3	4	5	6	7	8	9	10	<u>Star</u>
Did she think outside the box?												
Did she mention any current events or recent trends affecting the industry?												
RECOMMENDATION	<u>Poor</u>	1	2	3	4	5	6	7	8	9	10	<u>Star</u>
Did she answer the question?												
Was the conclusion clear, confident and to-the-point?												
Did she justify the conclusion with the key findings?												
Did she include “next steps” as though she will finish the case?												

OTHER COMMENTS / SUGGESTIONS:

Case 3: Raider Radio

The Case:

Raider's Radio broadcasts classic rock music in the Chicago metro area. The station is known as the premier classic rock dial and has a loyal following. The radio has good listenership during the week, but people are not tuning in on the weekends. The CEO is thinking about bidding for the rights to broadcast the Saturday football "Game of the Week." The game broadcast would take place from 12:00 noon to 5:00 PM for twelve consecutive Saturdays during the fall. There would be one hour for a pre-game show, three hours for the game and one hour for the post-game show. Raider's Radio CEO wants to place a bid that will be profitable. Bids are placed one year ahead of the season so the CEO must submit the bid today in order to get the rights for all twelve games one year from now. What should he bid? What other issues should he consider?

Interviewer Prep:

The candidate needs to find how much the CEO would be willing to bid for the broadcast rights. Therefore, she must find the annual profits to know the CEO's highest willingness to pay. Information on revenue and costs will be provided so that the candidate can calculate the projected profits. Revenue is strictly drawn from advertising dollars. The costs part can be tricky because in addition to transmission costs, the candidate should include (1) opportunity costs of what is not being broadcasted during this time and (2) a cost of capital because profits will not be realized for a year. In addition, there are intangible benefits to the "Game of the Week" broadcast (such as brand association). These will not be quantified, but should be discussed in the framework and recommendation. Ultimately, the candidate should find that an argument can be made either way on bidding for the rights.

Additional Information:

Provided as needed.

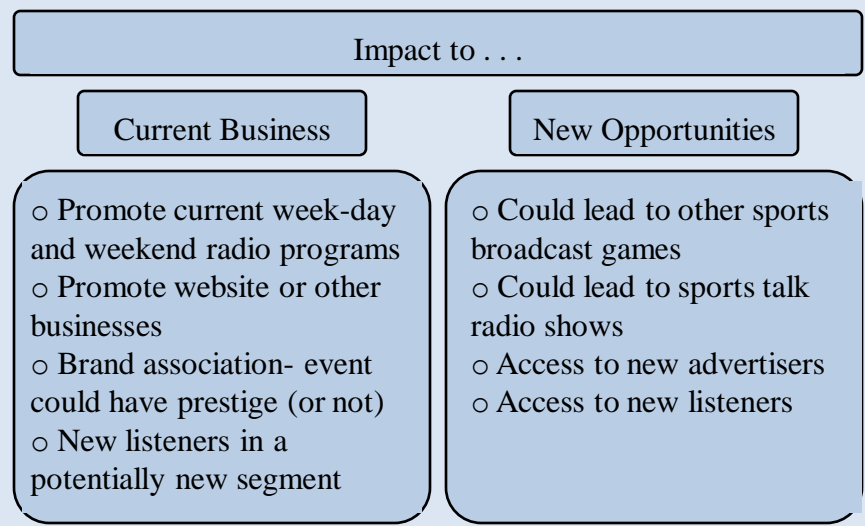
Case 3: Raider Radio

Question:

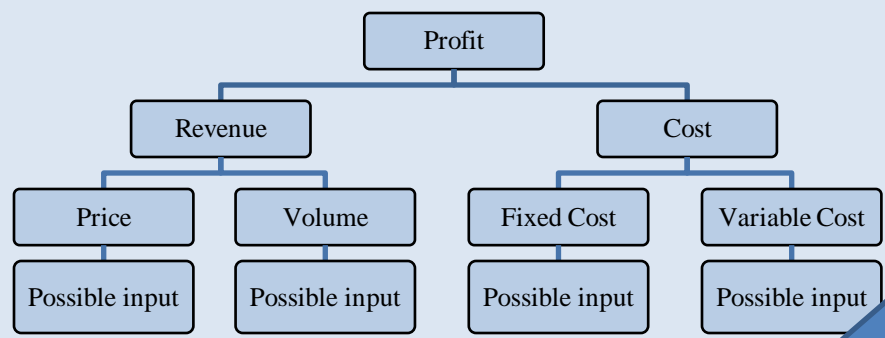
“Before we get into the numbers, let’s think about some of the other advantages that would impact the CEO’s decision. Give at least five reasons why this would be a smart investment.”

Framework:

The candidate wants to show the combination of creativity and structure. A simple framework below would provide both:



To think about Raiders’s highest willingness to pay, the profit equation could be helpful. (Inputs are not included below because they will be addressed later in the case- the candidate should include these.)



Structure

Case 3: Raider Radio

Question:

“How will Raider Radio turn a profit on the “Game of the Week?”

Question:

“Advertising rates during the pre-game show will be \$5,000 for a 20 second ad, \$8,000 for a 20 second ad during the game, and \$4,000 for a 20 second ad during the post-game show. Listeners do not want the game interrupted more than 5 minutes. And they do not want the pre and post games shows interrupted more than 10 minutes . . . How much will Raider Radio earn from the five hour broadcast?”

Revenue and Costs:

Encourage the candidate to hypothesize on the revenue and costs.
Asks, “What else . . . What else?”

Prompt:

- Revenues are strictly drawn from advertising dollars.
Costs are divided into three categories:
1. Transmission Costs – the cost to broadcast the game including overhead, labor and leasing the equipment
 2. Opportunity Costs – what Raider Radio is not putting on the air during this time
 3. Time Value of Money Costs – profits will be realized one year after the bid is submitted

Correct calculations:

	Hours	Minutes of Ads	20 Second Spots	\$ / Spot	Ad Revenue
Pre-Game	1	10	30	5,000	150,000
Game	3	5	45	8,000	360,000
Post-Game	1	10	30	4,000	120,000
				TOTAL =	\$630,000

Case 3: Raider Radio

Question:

“The transmission costs for the pre-game, game and post-game have a fixed cost of \$200,000 for the overhead and equipment lease. The broadcasters, producer and other radio workers work on an hourly rate. The pre-game rate is \$5,000 per hour, the game rate is \$7,000 an hour and the post-game rate is \$4,000 an hour. Raider Radio typically makes \$60,000 per hour on the weekends . . .

What are the total costs for the broadcast?”

Question:

“Raider Radio has a cost of capital of 20% . . . What is the most that the CEO should bid for the games?”

Revenue and Costs:

Correct Calculations:

Total Costs			
	Hours	\$ / Hour	TOTAL
Fixed Costs			200,000
Pre-Game Labor	1	5,000	5,000
Game Labor	3	7,000	21,000
Post-Game Labor	1	4,000	4,000
Opportunity Costs	5	60,000	300,000
		TOTAL =	\$530,000

Correct Calculations:

Maximum Bid Amount	
Total Revenue per game	630,000
Total Costs per game	530,000
Profit per game	100,000
TOTAL Profit for 12 games	1,200,000
Discounted 1 year at 20%	1,000,000

Case 3: Raider Radio

Question:

“The CEO just called and wants to know if he should bid and how much. He must submit the bid in five minutes.”

Recommendation:

During the case, the candidate only calculated the maximum willingness to pay for the rights, not necessarily what the bid should be. However, she must answer the CEO’s questions and *give a number*. Push the candidate to give an exact amount and to justify it. Note that the information is somewhat vague so there is not a “right” answer, but the candidate needs to be confident with her recommendation. Below are two possible recommendations:

“You should bid \$990,000 on the broadcasts. This will only yield profits of \$10,000. However, the real benefit will be in reaching new listeners and promoting Raider Radio’s current weekly programming. This will drive up advertising revenues across the board.”

OR

“You should bid \$700,000 on the broadcasts. This will yield profits of \$300,000- equal to what you make during this. A large profit like this is necessary to justify the bid because a sports broadcast has the potential to damage the Raider Radio brand as a leading classic rock station.”

Recommend

COMMUNICATION	<u>Poor</u>	1	2	3	4	5	6	7	8	9	10	<u>Star</u>
Did she speak clearly throughout the interview?												
Was it easy or difficult to follow her ideas?												
Did she try to work with you as a partner in solving the case?												
MATH PROFICIENCY	<u>Poor</u>	1	2	3	4	5	6	7	8	9	10	<u>Star</u>
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Did she think outside the box?												
Did she mention any current events or recent trends affecting the industry?												
RECOMMENDATION	<u>Poor</u>	1	2	3	4	5	6	7	8	9	10	<u>Star</u>
Did she answer the question?												
Was the conclusion clear, confident and to-the-point?												
Did she justify the conclusion with the key findings?												
Did she include “next steps” as though she will finish the case?												

OTHER COMMENTS / SUGGESTIONS:

Case 4: Greg's Greenblocs

The Case:

Your uncle, Greg, has invented a new sustainable, green building material. He calls it a “greenbloc” and it is roughly the size of a brick. The greenbloc is made of a special type of plant that Greg has genetically modified and grows on his farm in Texas. Once the plant is harvested, it goes through a transformative process to become a greenbloc. Greg has not built a plant for this process, but is considering three options- building a plant in Texas, building a plant in Mexico and using the excess capacity of a nearby brick processing plant. Uncle Greg has a wealth of experience with farming, but lacks business acumen. Advise Greg on how to proceed with his venture.

Interviewer Prep:

Allow the candidate to steer in whichever direction she likes within the confines of what information you have:

1. General issues to consider for a new product
2. Farm capacity
3. Market Size
4. Cost structure for the 3 different plants

The candidate should hit on all of these issues, but in no particular order. Provide the information as needed and prompt when necessary. Ultimately, the candidate should find that this is *NOT* a profitable venture because the greenbloc cannot compete with the price of a brick. At the end, she should consider other creative ideas that Greg could pursue with his plant.

Additional Information:

Farm Facts:

- 10,000 acres
- 500 plants per acres
- 5 greenblocs per plant
- 1 harvest per season (4 per year)

Cost of a brick- \$5.00

People will not pay more than this for a substitute product.

Plant Facts:

on data page

Market Size:

on third page

Case 4: Greg’s Greenblocs

Question:

“How would you initially advise Greg? What are some of the issues Greg needs to consider?”

Framework:

The 3 C’s framework captures most of the issues:

Company	Customers	Competition
<ul style="list-style-type: none">○ Acquiring knowledge, skills and ability to execute○ Processes: manufacturing, distribution, inventory management, sales/marketing○ Financing options○ Legal issues: patent, subsidies for green products, regulation	<ul style="list-style-type: none">○ Market size, growth, and potential share○ Segmentation○ Willingness to pay (no more than a brick)○ Touch-points and channels- how will he access market?○ Buying process- how are customer becoming aware of and buying new building products?	<ul style="list-style-type: none">○ Price of bricks○ Comparative advantage / disadvantage of the value proposition of a greenbloc versus a brick (e.g., quality, durability, aesthetics, etc.)

The value chain is also a good resource to use:



Case 4: Greg's Greenblocs

Question:

“Greg wants to target the Texas residential housing market for new homes. What do you think is the market size in volume for greenblocs in Texas?”

Read the data:

- Population in Texas: 27 million
- Average home size: 2 stories high (20 feet), 50 feet wide and 50 feet deep
- Housing market growth in Texas = 2.0%
- Percent of new houses that are “green” = 10%
- Greenbloc size: 6 inches long, 4 inches high and 2 inches deep

Market Sizing:

This is a market sizing question that will require some creativity. Ultimately, the candidate needs to multiple the number of newly constructed green houses times the number of greenblocs in a house. Here’s one approach: (there’s no “right” answer- just justify the #'s)

New "Green" Houses	
Texas Population	27,000,000
Average number of people in a house	3
Total houses	9,000,000
Housing growth	2.0%
New houses per year	180,000
% new houses that are "Green"	10%
New "Green" houses per year	18,000

No. Greenblocs per House	
House height (feet)	20
House height (inches)	240
Greenbloc height (inches)	4
Number of greenblocs high	60
House width (feet)	50
House width (inches)	600
Greenbloc width (inches)	6
Number of greenblocs wide	100
Number of greenblocs on 1 side	6,000
Number of sides to house	4
TOTAL greenblocs per house	24,000

New "Green" houses per year	18,000
TOTAL greenblocs per house	24,000
Number of greenblocs per year	432,000,000

Solve

Case 4: Greg's Greenblocs

Question:

“How many greenblocs will Greg be able to produce per year on his farm?”

Question:

“You have gathered the following data on the three processing plants.”

Show the data:

	Fixed Cost	Variable Cost
Texas Plant	200,000,000	4.00
Mexico Plant	300,000,000	3.50
Brick Plant	-	7.00

“What price would Greg have to charge in order to break even if he were to sell all of his greenblocs produced on his farm?”

Capacity:

Data is included in the additional information on page 1.

Greg's Capacity	
Acres	10,000
Number of plants per acre	500
Number of greenblocs per plant	5
Number of harvest per year	4
TOTAL Greenblocs	100,000,000

Break Even Price:

To find the price, the candidate should use the break-even formula.

$$Break\ Even\ Volume = \frac{Fixed\ Costs}{Price - Variable\ Costs\ per\ Unit}$$

Solve for Break Even Price and rearrange . . .

$$Break\ Even\ Price = \frac{Fixed\ Costs}{Break\ Even\ Volume} + Variable\ Cost\ per\ Unit$$

	Fixed Cost	Variable Cost	Volume	Price
Texas Plant	200,000,000	4.00	100,000,000	\$6.00
Mexico Plant	300,000,000	3.50	100,000,000	\$6.50
Brick Plant	-	7.00	100,000,000	\$7.00

The candidate should remember that customers will not pay more than \$5.00 (the price of a brick). All three plants are **not cost effective**.

Solve

Case 4: Greg's Greenblocs

Question:

“Greg discovers that the Texas plant would have much more capacity than for his 100 million greenblocs. In fact, it can produce five times as many. How many greenblocs would Greg have to harvest and process at the Texas plant to compete with the \$5.00 brick?”

Question:

“Greg doesn't understand why more bricks cost less. Explain to him what is happening and what he should do about it.”

Break Even:

Again, use the break even formula to determine the volume.

Correct Calculation:

$$\text{Break Even Volume} = \frac{\text{Fixed Costs}}{\text{Price} - \text{Variable Cost}} = \$200 \text{ MM} / \$1 = 200 \text{ MM}$$

The 200 million in break even volume is less than half of the demand in Texas (432 million) so this could be a possibility.

Economies of Scales

Prompt:

Because of the large fixed cost, the plant must produce larger volumes to enjoy the economies of scale. Push the candidate to think about how Greg can increase the production beyond 200 million in order to reap the economies of scale. He could:

- Lease other farm land
- Increase harvest yield per plant
- Increase harvest yield per acre
- Allow other farmers to harvest the plant

Case 4: Greg's Greenblocs

Question:

“What other ideas should Greg consider?”

Other Options:

Prompt:

Star candidates will have a creative and structured answer. Push her to suggest three alternatives. The answer could be put into three buckets:

- Decrease the cost of processing: find alternative plants, seek government subsidies for a green product.
- Find customers with a higher willingness to pay than \$5: outside Texas, internationally, in commercial real estate, build a brand-advertise heavily that it is a premium product and deserves a premium price.
- Alternatives uses: use greenblocs for building other structures, change the size of the blocs for other uses, or patent the plant and license the technology.

Case 4: Greg's Greenblocs

Question:

“What should Greg do?”

Recommendation:

The original question was open-ended: advise Greg. Push the candidate to give Greg some straightforward advice on his next steps. A possible recommendation:

“Greg, the first thing we need to do is file a patent for your new plant. We want to be sure to protect your intellectual property. We have further work to do to find a way to make greenblocs profitable. I would like to conduct some market research to see if we could promote greenblocs as a superior product and thus drive people’s willingness to pay. In addition, we could look at certain ways to decrease the marginal costs of processing the greenblocs by (1) increasing the harvest size thereby creating economies of scale or (2) continuing to search for alternative processing plants. If these options don’t work, I’d like to look into licensing your technology to a company with more manufacturing experience.”

Recommend

Case Type: Market Entry / Investment

Star

Did she smile and appear relaxed?

Star

Did she keep track of key findings?

Star

Did she follow the cadence of clarify, structure, solve, recommend?

Interviewer Guide: Feedback Sheet (2 of 2)



COMMUNICATION

Poor12345678910Star

- Did she speak clearly throughout the interview?
- Was it easy or difficult to follow her ideas?
- Did she try to work with you as a partner in solving the case?

MATH PROFICIENCY

Poor12345678910Star

- Did she correctly complete all math problems?
- Did she use appropriate assumptions or clarify any ambiguity?
- Did she think out loud so that you could follow the calculations?

CREATIVITY

Poor12345678910Star

- Did she think outside the box?
- Did she mention any current events or recent trends affecting the industry?

RECOMMENDATION

Poor12345678910Star

- Did she answer the question?
- Was the conclusion clear, confident and to-the-point?
- Did she justify the conclusion with the key findings?
- Did she include “next steps” as though she will finish the case?

OTHER COMMENTS / SUGGESTIONS:

Case 5: Tommy's Tennis

Read the Case:

Your friend, Tommy, owns and operates a tennis facility with 15 tennis courts. It is a family operation and Tommy has just taken the reins so he wants to improve the profitability of the business. Tommy is somewhat adept at data collection, but he doesn't know how to interpret the results. Advise Tommy on how to make Tommy's Tennis more profitability in the short term (days) and long term (weeks to months).

Interviewer Prep:

This case has a heavy amount of math in the first half and requires creativity and little math in the second part. The candidate is told that a short term and long term plan needs to be presented. For the short term plan, the candidate should be demand focused- specifically on pricing. The candidate will make numerous complicated calculations around price elasticity so it is important that she organize the data and use plenty of paper. Feel free to alert the candidate to this. For the long term approach, it is open-ended and the candidate should be creative but structured in her thinking. The candidate can be more supply-side focused in the long term.

Additional Information:

Tommy's Tennis Details:

Courts: 15

Operating Hours: 8am to 8 pm

Price for renting courts: \$20 per hour

Competition: a free public facility 30 minutes away by car

Open only on 5 week days and some weekends for 300 days per year

Cost are fixed- Tommy's time to maintain the courts

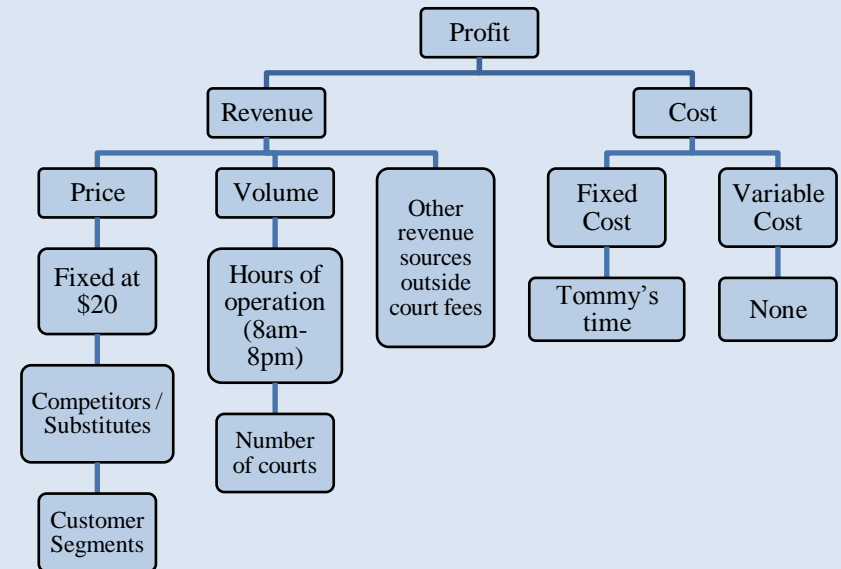
Case 5: Tommy's Tennis

Question:

“How should Tommy approach the short term and long term?”

Framework:

The Profit equation is the a useful framework in this case.

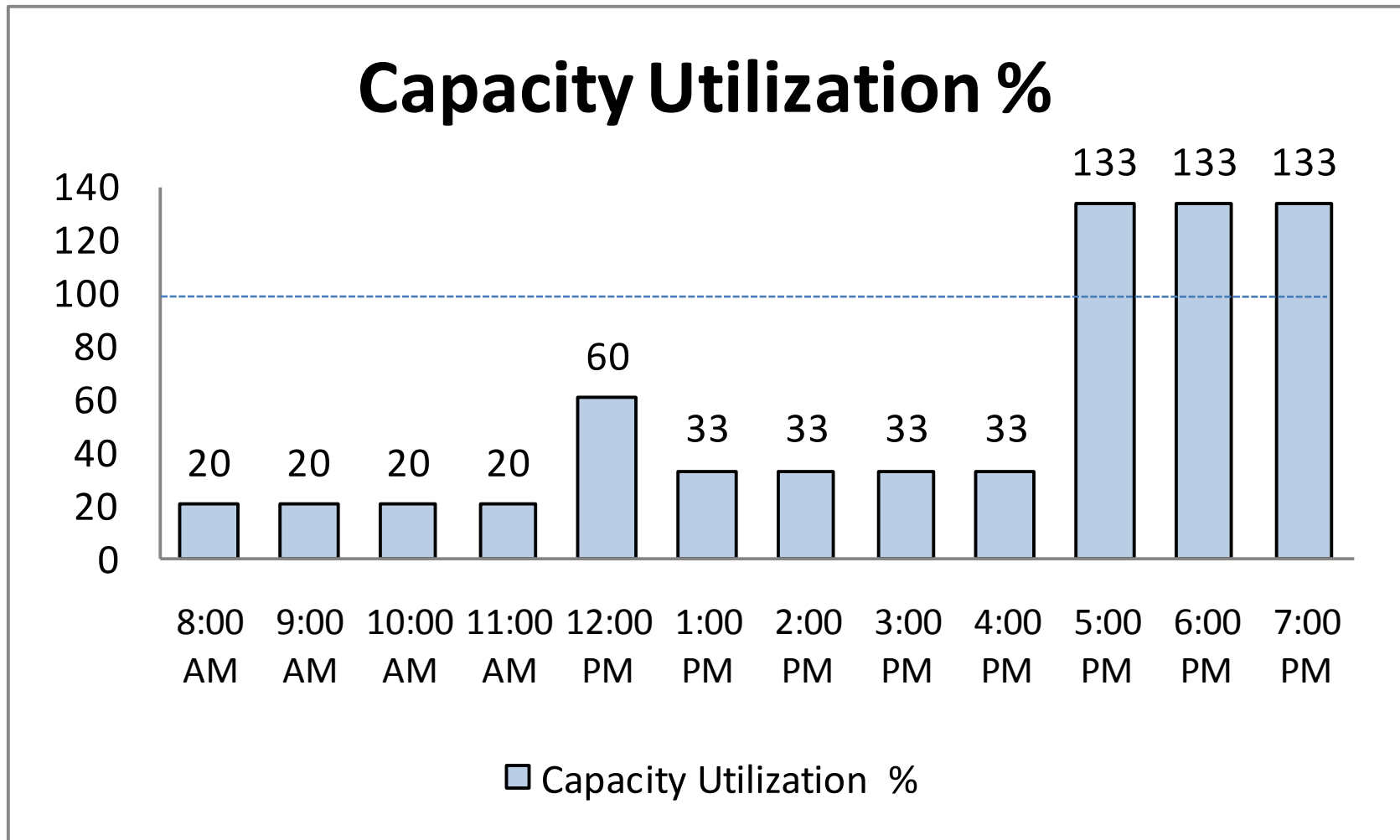


Prompt:

The candidate should focus on revenue (specifically price) in the short term. In the long term, she should consider new products and any capacity constraints. The 4 P's (price, promotion, product, placement) could also be a useful framework.

Once the candidate presents the framework, provide the Following data display . . .

Data Display for Candidate



Case 5: Tommy's Tennis

Question:

“Form a hypothesis on the different customer segments based on the data. What would you name each of these segments?”

Segmentation:

A good response will segment the customers based on people's schedules. There are three customer segments:

- Morning non-workers
- Lunch-time players
- Afternoon non-workers
- Post-work players

Prompt:

If she doesn't recognize the 133% capacity utilization, ask the candidate . . .

“How is it possible to have a capacity utilization greater than the number of courts available? Did Tommy make a mistake here?”

Answer: there are actually people waiting in line on five of the courts (i.e., 33%) so Tommy wanted to show this in the data.

Case 5: Tommy's Tennis

Question:

“Looking at the bar graph, how much can Tommy expect to earn in a year on his tennis courts?”

Current Revenues:

Using the data from the bar graph, the candidate should be able to make the calculations. It is important to clearly organize the data.

Correct calculations:

Hours	Utilization	No. Courts	Courts Utilized	Price	Revenue
8:00 AM	20%	15	3	\$20	\$60
9:00 AM	20%	15	3	\$20	\$60
10:00 AM	20%	15	3	\$20	\$60
11:00 AM	20%	15	3	\$20	\$60
12:00 PM	60%	15	9	\$20	\$180
1:00 PM	33%	15	5	\$20	\$100
2:00 PM	33%	15	5	\$20	\$100
3:00 PM	33%	15	5	\$20	\$100
4:00 PM	33%	15	5	\$20	\$100
5:00 PM	133%	15	15	\$20	\$300
6:00 PM	133%	15	15	\$20	\$300
7:00 PM	133%	15	15	\$20	\$300
TOTAL (per day)					\$1,720
No. Days per year					300
TOTAL ANNUAL REVENUE					\$516,000

The number courts utilized is 100% of capacity (15 courts). Tommy can't make money off of the excess 33%.

Case 5: Tommy's Tennis

Question:

“Tommy did some research and wanted to see how sensitive the number of tennis players would be to a change in price. He randomly increased and decreased the \$20 price by plus and minus10%. He came up with the following information . . .”

Show the data:

Segment	Prices	Average Volume
8am - Noon	18	4.5
	20	3
	22	1.5
Noon - 1pm	18	12
	20	10
	22	8
1pm - 5pm	18	7
	20	5
	22	3
5pm - 8pm	18	22
	20	20
	22	18

“What is the price elasticity for each segment?”

Short Term Plan- Court Pricing:

The candidate should calculate the elasticity for each time segment and interpret the results. If she does not know the formula for price elasticity, remind her:

$$Elasticity = \frac{\% \text{ Change Volume}}{\% \text{ Change Price}}$$

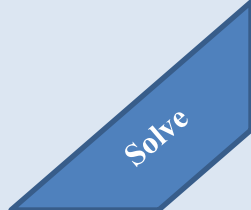
Correct calculations:

Segment	Elasticity
8am - Noon	-5.0
Noon - 1pm	-2.0
1pm - 5pm	-4.0
5pm - 8pm	-1.0

Prompt:

Ask the candidate why there are differences in the segments’ elasticity measures. That is, why are some customers more sensitive to price changes? Push her to hypothesize on several reasons.

A possible answer: It could be because of proximity and convenience- non-workers in the 8am – Noon and 1pm – 5pm segments have the time to travel to the public tennis facility. The lunch-time and after 5pm players are working, do not have time to drive. Plus, they have more money for their tennis hobby. Thus, they are less sensitive to price and have a higher willingness to pay.



Case 5: Tommy's Tennis

Question:
“What should Tommy do considering the different price elasticity measures?”

Question:
“How much should Tommy charge the worker’s segment in order to utilize all 15 courts between 5 PM and 8 PM? How much additional revenue per year would Tommy expect from this segment?”

Pricing:
Prompt:
Tommy is charging a flat \$20 price to all customers. He should capture more value by charging more to the post-work players segment.

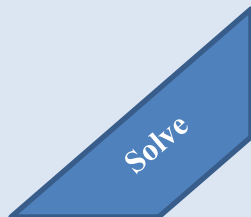
Correct Calculation:
The candidate should rearrange the elasticity equation and solve for the new price. Note that the percent change in volume is -25% (5 divided by 20).

$$Elasticity = \frac{\% \text{ Change Volume}}{\% \text{ Change Price}} = \frac{\frac{\text{New Volume}}{\text{Old Volume}} - 1}{\frac{\text{New Price}}{\text{Old Price}} - 1}$$

Solve for New Price and rearrange . . .

$$New\ Price = \frac{\% \text{ Change Volume}}{Elasticity} + 1 \times Old\ Price$$
$$New\ Price = \left(\frac{-25\%}{-1.0} + 1 \right) \times \$20 = \$25.00$$

Marginal Benefit of Price Increase	
Courts	15
Hours	3
Days	300
Marginal Price Increase	\$5.00
TOTAL	\$67,500.00



Case 5: Tommy's Tennis

Question:

“What other ideas do you have for Tommy?”

Other Alternatives:

A good answer combines creativity with structure. A good response could be set up by placing the ideas in three categories:

Open an on-site tennis shop and sell products:

- Tennis balls
- Apparel
- Rackets
- Lessons
- Service equipment

Increase supply:

- Increase number of courts
- Increase hours of operation
- Increase days of operation
- Promote doubles tennis and charge a higher price

Increase the Non-Workers segment court utilization:

- Explore price cuts
- Advertise to other non-workers
- Start a kids program

Case 5: Tommy's Tennis

Question:

“Tommy is on the phone . . . what do you recommend that he do?”

Recommendation:

Remember that Tommy wanted a short term plan and a long term plan. A good recommendation could read:

“In the short term, Tommy should raise his prices for the post-work players segment by \$5.00 to \$25.00. This is a low cost way of generating an additional \$67,500 a year in revenue. In the long term, Tommy has many options:

- Open a tennis shop on site and sell products and services.
- Increase the supply of tennis available to consumers through the number of courts, operating hours and number of players on the court at a time.
- Increase the court utilization for the non-workers hours by cutting prices, advertising or starting a kids program.

I would like to further investigate these options by conducting some market research and analyzing whether they are cost effective.”

Recommend

COMMUNICATION	<u>Poor</u>	1	2	3	4	5	6	7	8	9	10	<u>Star</u>
Did she speak clearly throughout the interview?												
Was it easy or difficult to follow her ideas?												
Did she try to work with you as a partner in solving the case?												
MATH PROFICIENCY	<u>Poor</u>	1	2	3	4	5	6	7	8	9	10	<u>Star</u>
Did she correctly complete all math problems?												
Did she use appropriate assumptions or clarify any ambiguity?												
Did she think out loud so that you could follow the calculations?												
CREATIVITY	<u>Poor</u>	1	2	3	4	5	6	7	8	9	10	<u>Star</u>
Did she think outside the box?												
Did she mention any current events or recent trends affecting the industry?												
RECOMMENDATION	<u>Poor</u>	1	2	3	4	5	6	7	8	9	10	<u>Star</u>
Did she answer the question?												
Was the conclusion clear, confident and to-the-point?												
Did she justify the conclusion with the key findings?												
Did she include “next steps” as though she will finish the case?												

OTHER COMMENTS / SUGGESTIONS:

Case 6: Tropical Towels

Read the Case:

Tropical Towels makes beach towels at a plant on the east coast. It is summertime and the business has been going well lately- so well that the company is having problems keeping up with demand. Tropical manufactures the towels and then they are purchased by a variety of beach specialty stores that are located in the area close to a number of beach communities. Consumers like the towels because they are moisture absorbing. The CEO has asked you help Tropical keep up with demand. Funds for capital expenditures are limited, but the CEO will consider making an investment if you can prove that it will solve his problem.

Interviewer Prep:

This interview focuses on operations. The candidate should introduce a variety of options in her framework, but the majority of the case will focus on process improvements in Tropical's manufacturing plant. The candidate will be shown a process flow diagram. The key to the case is identifying the bottleneck in the process and understanding that only bottleneck improvements will increase overall production. Ultimately, Tropical Towels needs to develop alternatives to increase capacity.

Additional Information:

Provided as needed.

Case 6: Tropical Towels

Question:

“How should the CEO tackle this problem?”

Framework:

Tropical can make adjustments to supply and demand. A marketing framework such as the 4 P's could be useful, but direct the candidate to be more operationally focused and think about how Tropical manufactures towels. Specifically drawing out the value chain would be useful. Below is a simple framework considering supply and demand.



Case 6: Tropical Towels

Question:

“What do you think the manufacturing process looks like for towels?”

Question:

“The CEO takes you on a tour of the plant. You initially notice several things about the process:

- The crew in charge of preparing the cotton has a lot of idle time and is taking plenty of coffee breaks.
- There is a pile of work-in-progress inventory in front of the weaving machine.
- The coating machine appears to be “starved” for more work.

What is going on in the plant? What are some initial improvements?”

Process:

The candidate should hypothesize and draw out the value chain for manufacturing towels. Inform her of the five stages to the process:

1. Preparing the cotton threads- workers have to unpack and clean the raw materials. Then, they need to set the different color combinations for the weaving machine.
 2. Weaving- this stage weaves the cotton threads together to make a towel with a distinct color design.
 3. Coating- Tropical Towels puts a moisture-absorbing coat on the towels that helps people dry off quicker. This distinguishes their towels from the competition.
 4. Packaging- Towels are wrapped in clear plastic and the Tropical Towel logo sticker is placed on the plastic.
 5. Storing- The plant has an adjoining warehouse to store all towels.
- Also mention that workers only know how to perform their own tasks. For instance, a weaver does not know how to package towels.

Prompt:

The key insight to this case is that the weaving process is the bottleneck. If the candidate doesn’t recognize this now, she should on the next page. Push her to think of some initial improvements:

- Train the idle workers to do another job. This flexibility could possibly save labor costs.
- Cut the hours of the idle workers. Be certain that this doesn’t infer with any sort of union policies.
- Address the bottleneck- find ways to increase the productivity of the weaving machine: buy a new machine, fix the current machine.
- Look into the coating process. Does this have to go after weaving? Could raw materials be coated before weaving?

Case 6: Tropical Towels

Data Display for Candidate



Capacity
(units / day):

500	100	300	400	800
------------	------------	------------	------------	------------

**Actual
Production**
(units / day):

480	100	100	100	100
------------	------------	------------	------------	------------

Solve

Case 6: Tropical Towels

Question:

“What is the throughput in units per hour? What is the utilization for each stage in the process? What do you observe about this process?”

Question:

“How could you improve the process?”

Process:

Correct Calculations:

	Prep	Weave	Coat	Package	Store
Capacity (per day)	500	100	300	400	800
No. of towels per day (8 hours)	480	100	100	100	100
Throughput (towels/hour)	60	12.5	12.5	12.5	12.5
Capacity utilization	96%	100%	33%	25%	13%

Important: the plant is open 8 hours per day

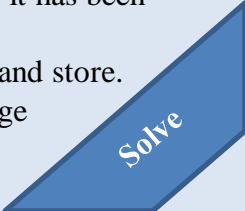
Prompt:

The candidate should recognize that the weave stage is the bottleneck and is slowing down production. This is causing utilization to suffer across the stages that follow. The prep workers are preparing more cotton than is needed (resulting in the inventory pile up). Plus, they still have idle time. The coating stage is being starved because the weave machine cannot keep up with it.

Prompt:

Push the candidate to suggest at least three ways to improve. The best answers should address the bottleneck weaving machine. A few options:

- Purchase an additional weaving machine.
- Purchase a new weaving machine with more productivity.
- Introduce a new process- delay differentiation by weaving a white towel (thereby eliminating set-up time) and die it after it has been woven.
- Outsource prep and weaving and just coat, package and store.
- Review the packaging stage- is a clear plastic package necessary?



Case 6: Tropical Towels

Question:

“The CEO proposes that he wants to either :(1) buy an additional weaving machine with the same capabilities as the old one or (2) sell the old weaving machine and buy a new state of the art one. The net cost is roughly the same. The current machine takes workers 80 minutes to set up in the morning. After set-up, it operates for the remainder of the day and the run-time is four minutes per towel. The new state of the art machine has a two hour set-up time, but the run-time is only one minute. What option makes more sense?”

Bottleneck Improvements:

Correct Calculations:

	Time (minutes)		No. Units per day
	Set-up	Run-time	
Current Weave Machine	80	4	100
Additional Weave Machine	160	4	200
New State of the Art Machine	120	1	360

Prompt:

Push the candidate to think about how this investment affects the overall process- instruct her to do the calculations. Buying a second machine increases the utilization of the downstream stages, but the weave stage remains the bottleneck. Though more towels are being produced, the weave is still slowing the entire process.

Additional Machine	Prep	Weave	Coat	Package	Store
Capacity (per day)	500	200	300	400	800
No. of towels per day (8 hours)	480	200	200	200	200
Capacity utilization	96%	100%	67%	50%	25%

Buying the state of the art machine eliminates the weave machine as the bottleneck. The coating stage is now the bottleneck and future process improvement must focus on it. Note that the weave machine doesn’t necessarily have to run at 100% capacity. If it produces any more than 300 towels per day, work-in-progress inventory will pile up in front of the coating stage.

State of the Art Machine	Prep	Weave	Coat	Package	Store
Capacity (per day)	500	360	300	400	800
No. of towels per day (8 hours)	480	360	300	300	300
Capacity utilization	96%	100%	100%	75%	37.5%

With the net costs as the same, selling the old machine and buying the new state of the art machine appears to be the best option.

Case 6: Tropical Towels

Question:

“What else could the CEO do to increase supply?”

Question:

“The CEO likes the idea of hiring a set-up crew to come in 80 minutes early to set up the weave machine so it can run throughout the eight hour work day. He is thinking of doing this tomorrow. How many additional towels will Tropical Towel produce with the original weave machine tomorrow morning?”

Process Improvement:

Prompt:

In addition to buying the state of the art machine, the CEO could make some simple improvements to the process. A few possibilities:

- Extend operating hours- the manufacturing facility is only working eight hours a day. Extending the day by a few hours will greatly increase output.
- Set-up crew: he could hire a set-up crew to get the machine ready before operating hours. The new machine takes two hours to set up. If someone set up the machine two hours before operating hours, it could run throughout the entire eight hour day.
- Train for flexibility- the prep stage is preparing more raw materials than are needed and the storage stage is working at 37.5% utilization with the state of the art machine. Training workers to do multiple tasks could reduce the overall workforce needed.
- Reduce capacity at under-utilized stages- The package and storage stage are under-utilized. Until the bottleneck is improved, this will not improve. Reducing the capacity by laying off workers or selling assets could save costs and make funds available for additional investments. In doing this, you must consider the risks of needing that capacity at a later date.

Correct calculations:

20 towels (80 minutes divided by 4 minutes per towel)

Case 6: Tropical Towels

Question:

“The CEO just called you and wants to know your recommendation”

Recommendation:

The CEO wants to know how to keep up with demand. A recommendation should address the operational improvement and mention any other ideas.

“In order to keep up with the strong demand for its product, Tropical Towels should consider investing in a new state of the art weaving machine and sell the old weave machine. The old machine is causing a bottleneck in the manufacturing process and decreasing utilization downstream. The new machine will result in two times as many towels being produced per day (from 100 to 300 towels). This increase in volume could recoup any capital improvement expenses. There are also some simple fixes such as hiring a set-up crew, extending operating hours or training workers to do multiple jobs. In addition, I would like to look on the demand side of the business and consider what prices we are charging.”

Recommend

Case Type: Operations- Increasing Capacity

Poor 1 2 3 4 5 6 7 8 9 10 **Star**

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Poor 1 2 3 4 5 6 7 8 9 10 **Star**

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Poor 1 2 3 4 5 6 7 8 9 10 **Star**

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Interviewer Guide: Feedback Sheet (2 of 2)



COMMUNICATION	<u>Poor</u>	1	2	3	4	5	6	7	8	9	10	<u>Star</u>
Did she speak clearly throughout the interview?												
Was it easy or difficult to follow her ideas?												
Did she try to work with you as a partner in solving the case?												
MATH PROFICIENCY	<u>Poor</u>	1	2	3	4	5	6	7	8	9	10	<u>Star</u>
Did she correctly complete all math problems?												
Did she use appropriate assumptions or clarify any ambiguity?												
Did she think out loud so that you could follow the calculations?												
CREATIVITY	<u>Poor</u>	1	2	3	4	5	6	7	8	9	10	<u>Star</u>
Did she think outside the box?												
Did she mention any current events or recent trends affecting the industry?												
RECOMMENDATION	<u>Poor</u>	1	2	3	4	5	6	7	8	9	10	<u>Star</u>
Did she answer the question?												
Was the conclusion clear, confident and to-the-point?												
Did she justify the conclusion with the key findings?												
Did she include “next steps” as though she will finish the case?												

OTHER COMMENTS / SUGGESTIONS:

Case 7: Bambino Bank

Read the Case:

Located in New York City, Bambino Bank is a regional bank serving local New York customers. As profitability and market share have been steady over the past five years, shareholders have been pleased with the CEO's performance, but they are looking for growth. The CEO is preparing for the upcoming annual shareholders meeting where he wants to present a new plan for growth. Advise the CEO on his presentation.

Interviewer Prep:

This case focuses on growth opportunities for Bambino Bank. The first parts of the case will challenge the candidate to explore different growth options. After looking at the data display, the candidate should find that cross selling is the most advantageous way to grow market share and profits. The bank offers five products: checking accounts, savings accounts, home loans, auto loans and personal loans. The bank is currently second in market share overall. All products, except for home loans, are relatively competitive. Push the candidate to consider cross selling home loans to grow their customers' share of wallet. Then, the candidate will calculate what impact home loan products will have to the bottom line. Ultimately, the candidate will advise the CEO on various ways to expand this product and the risks associated with each.

Additional Information:

Provided as needed.

Question:

“How should the CEO think about finding different growth opportunities?”

Framework:

The “marketing mix” or 4 P’s is a useful way to analyze how a company can grow market share.

Products / Services

- What products are being offered by the banks (e.g., loans, accounts)?
- How are these similar or different to the competition?
- What market share do they have with each product?
- Is there an opportunity to cross sell?

Promotion / Advertising

- How is the bank advertising to acquire new customers?
- Is the bank promoting other products to current customers?
- What is the competition doing to attract new customers?

Price / Interest Rates

- What rates are being offered for the different accounts and loans?
- How do these rates compare to the competition?
- Are there any fees generating revenue streams?

Placement / Distribution

- How many branches does Bambino have?
- Where are they located?
- Do they have an online presence?
- Is there an opportunity to expand into other regions?

Question:

“What advantages and disadvantages does Bambino have in being a regional bank?”

Advantages and Disadvantages:

Prompt:

Push the candidate to come up with three of each. Possible answers:

Advantages:

- High-touch: knowledge of local market and client base.
- Brand- some customers prefer banking with the local alternative because they see it as more trust-worthy.
- Smaller overhead- less bureaucracy and paper shuffling.
- Less hierarchy- easier to make decisions and adapt to the market.

Disadvantages:

- Less capital: large banks with large amounts of capital can borrow at lower rates, attract larger clients and offer a wider variety of products and services.
- Talent: larger banks are able to attract and pay better bankers.
- Technology- larger banks have access to better IT, systems and processes.
- Economies of scale- larger banks can more easily allocate large fixed costs.

Question:

“What are some different options for Bambino Bank to grow the business?”

Growth Opportunities:

Prompt:

A good answer combines creativity with structure. A good response could be set up by considering organic and inorganic growth:

Organic Growth:

○ New products:

- Offer different types of accounts such as savings, checking, investment, retirement, college savings, etc.
- Offer different types of loans such as home, auto, student, personal, small business, credit card, etc.
- Offer different services such as insurance and fraud protection

○ New markets:

- Expand geographically outside of New York
- Expand into online banking
- Expand into different locations such as into grocery stores, big box stores, or more branches

○ Current customers: cross sell current product offering to all current customers

Inorganic growth:

- Acquire or merge with another bank or financial services firm
- Set up a joint venture or partnership with a financial services firm

- Examples of both an acquisition, merger, JV or partnership could also be with a mortgage originator, credit card company, insurance company, etc.

Question:

“The CEO gives you the following data slide . . .

Give data display on the next page to candidate

. . . What are some your observations?”

Data Display Slide:

Several conclusions should be drawn from the data display slide.

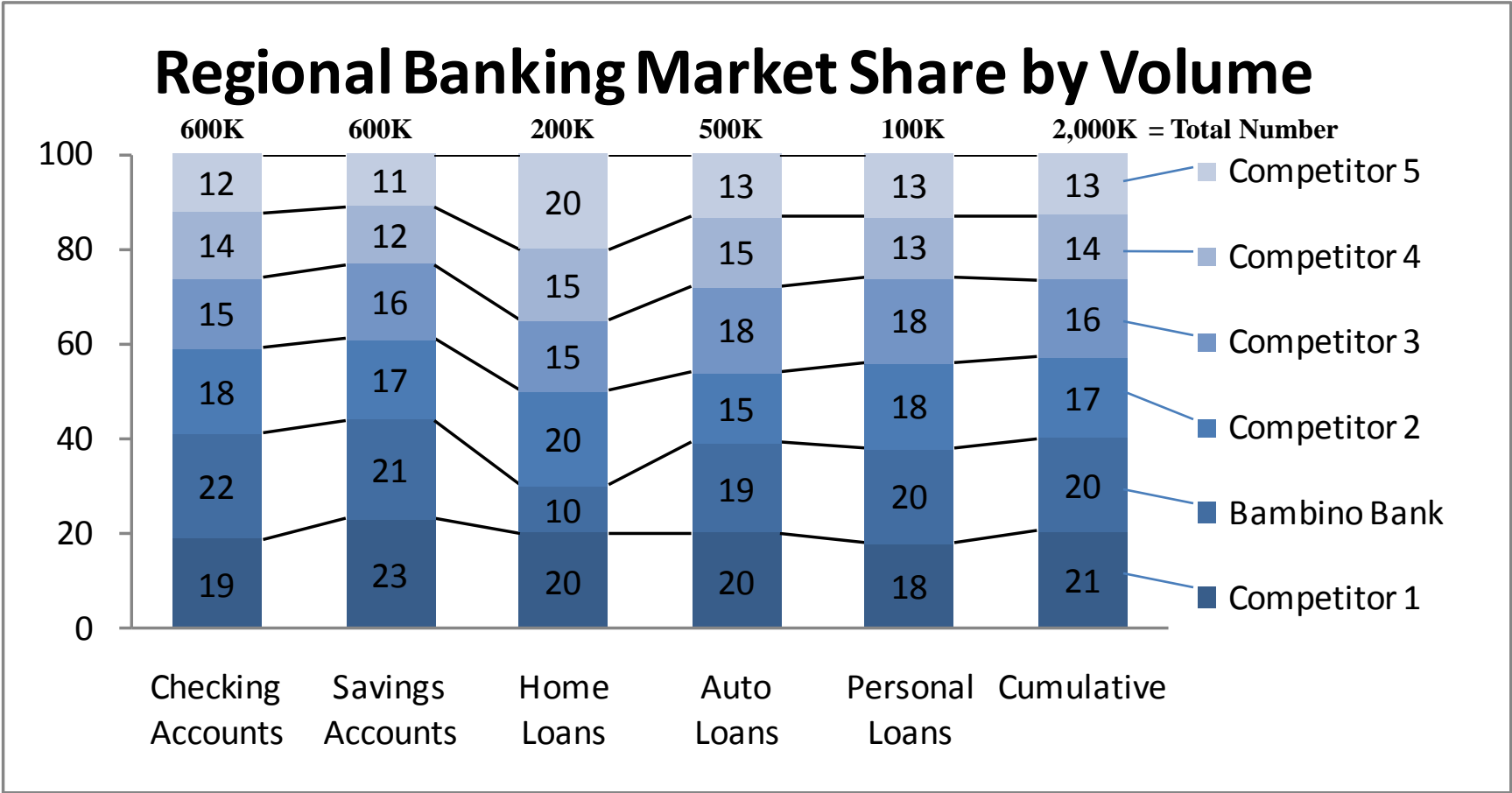
Possible observations:

- Regional banking is somewhat concentrated with six players.
- Bambino is a close second in overall market share with 20%
- Competitor 2 and 5 appear to have some advantage in home loans.
- KEY OBSERVATION: Bambino is competitive in all products except for home loans. While all other products are around the 20% market share, its share of home loans is only 10%. Bambino does not lack loan capabilities given that they are second in auto loans and first in personal loans. There seems to be an opportunity to grow their share in home loans.

Prompt:

Push the candidate to consider cross selling home loans to current customers. Once she arrives at this conclusion, move to the next page.

Data Display for Candidate



Solve

Case 7: Bambino Bank

Question:

“Bambino Bank calculates loan profitability using a contribution margin on the different types of loans. Different loans have different rates for the borrower and different expenses for the bank. The CEO gives you the following data on their loan portfolio . . .

	Average Loan Amount	Loan Interest Rate	Loan Interest Expense
Home Loans	\$ 200,000	6%	5.75%
Auto Loans	\$ 20,000	7%	6.5%
Personal Loans	\$ 10,000	8%	6%

. . . What can you conclude about the data? How much is the total market worth in profit for each type of loan? How much additional profit would Bambino make if they increased home loans to equal their share of the overall market?”

Question:

“What are some different ways that Bambino can grow the number of home loans?”

Data Display Slide:

The candidate must understand that the bank’s contribution margin on the loan is the spread (the loan rate less the loan expense).

Correct Calculations:

	Spread	Profit per Loan	Total Number of Loans	Total Market Profit	Additional Profit with 20% Share
Home Loans	0.25%	500	200,000	100,000,000	10,000,000
Auto Loans	1%	100	500,000	50,000,000	
Personal Loans	2%	200	100,000	20,000,000	

From the data display page

The candidate should conclude that while home loans do not present the largest volume opportunity for the bank, they present the best opportunity for Bambino’s profitability.

Home Loan Growth:

Prompt:

Push the candidate to suggest at least four ways. Some possibilities:

- Hire more home loan officers.
- Train existing officers to be more productive.
- Partner with Competitor 2 or Competitor 5 because they seem to have expertise in this field.
- Acquire a mortgage origination firm.
- Launch an ad campaign for Bambino home loans.
- Promote home loans to current customers by mailing information along with their bank statements.

Solve

Case 7: Bambino Bank

Question:

“The CEO likes the idea of hiring more home loan officers. These new employees would originate, service and oversee all new home loans for new and existing customers. The CEO wants to hire 50 new loan officers. The typical home loan officer makes \$80,000 per year. What total home loan market share by volume would Bambino have to achieve to break even? Assume that the current 10% market share will remain.”

Question:

“Is this market share achievable?”



Growth Opportunities:

The candidate should use the break-even formula to calculate the additional volume needed. Then, add this volume to the current 10% share (or 20K loans).

Correct Calculations:

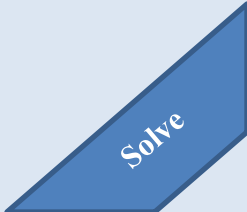
Break Even Market Share	
Number of officers	50
Officer salary	80,000
Officer expense	4,000,000
Home loan profit	500
Additional loans	8,000
Total loans	28,000
New market share	14%

Prompt:

Push the candidate to think about how many loans an officer could do in a year, month , week or day.

Number of Loans per Officer	
Additional loans	8,000
Number of officers	50
Loans per officer per year	160
Loans per officer per month	13 to 14
Loans per officer per week	3 to 4

3 to 4 loans per week seems reasonable.



Case 7: Bambino Bank

Question:

“The CEO is preparing his shareholder presentation. What do you tell her to include in the plan?”

Recommendation:

While the second half of the case has focused on home loans, the CEO will want to show how any new plans will affect Bambino Bank’s overall performance.

“Bambino Bank has a great opportunity to cross sell one its currently existing products to its currently existing customers. Increasing the market share of home loans to 20% (20K new loans) will increase Bambino’s overall share to 21% and make it the market share leader. By hiring new home loan officers to help grow the home loan business, this is achievable in the next few years. Though the housing market has taken a large dip, Bambino could gain share during the recovery and become the top regional bank in New York.”

Recommend

Case 7: Bambino Bank

Case Type: Profitability- Growth Strategy

DEMEANOR

- Did she maintain eye contact?
- Did she fidget during the interview?
- Did she appear nervous?
- Did she smile and appear relaxed?

Poor12345678910Star

NOTES

- Was the framework clearly presented on the page?
- Was the math organized and easy to follow on the page?
- Did she keep track of key findings?

Poor12345678910Star

STRUCTURE

- Did the framework provide a road-map to solve the case?
- Did she “bucket” or categorize any lists or ideas?
- Did she follow the cadence of clarify, structure, solve, recommend?

Poor12345678910Star

Interviewer Guide: Feedback Sheet (2 of 2)



COMMUNICATION	<u>Poor</u>	1	2	3	4	5	6	7	8	9	10	<u>Star</u>
Did she speak clearly throughout the interview?												
Was it easy or difficult to follow her ideas?												
Did she try to work with you as a partner in solving the case?												
MATH PROFICIENCY	<u>Poor</u>	1	2	3	4	5	6	7	8	9	10	<u>Star</u>
Did she correctly complete all math problems?												
Did she use appropriate assumptions or clarify any ambiguity?												
Did she think out loud so that you could follow the calculations?												
CREATIVITY	<u>Poor</u>	1	2	3	4	5	6	7	8	9	10	<u>Star</u>
Did she think outside the box?												
Did she mention any current events or recent trends affecting the industry?												
RECOMMENDATION	<u>Poor</u>	1	2	3	4	5	6	7	8	9	10	<u>Star</u>
Did she answer the question?												
Was the conclusion clear, confident and to-the-point?												
Did she justify the conclusion with the key findings?												
Did she include “next steps” as though she will finish the case?												

OTHER COMMENTS / SUGGESTIONS:

Case 8: Cali Cable

Read the Case:

Cali Cable is a small business that operates in northern California. Their core business is installing the cable infrastructure into residential neighborhoods so that the homes have access to cable television. Cali Cable has manufactured its own cable since it has been in existence. However, the factory is out of date and must be shut down. The CEO does not want to open a new factory because it will be expensive costing as much as \$15 per foot of cable. Therefore, he is considering outsourcing the cable manufacturing from either a local supplier, an Asian supplier or an Eastern European supplier. He is experiencing problems with the local supplier so he asked the COO to find the most cost effective way to find a reliable cable supplier elsewhere. You are assigned to work with the COO to find the best course of action.

Interviewer Prep:

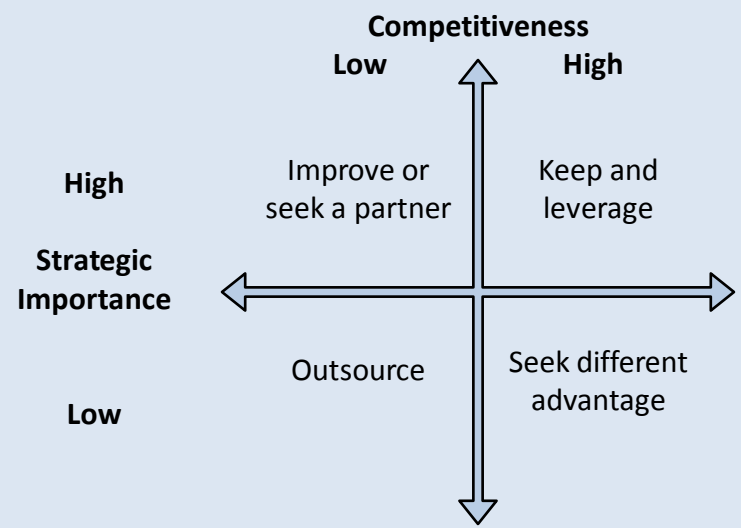
This case focuses on the several different issues that arise when a company is looking to outsource a capability. The company is faced with three options: a local supplier, Asia or Eastern Europe. The candidate is working with the Cali Cable COO who will provide the variable and fixed costs of all three options. The candidate must create a power point slide to present to the CEO. The graph on the slide will show that the outsourcing options to Asia and Eastern Europe enjoy economies of scale because of the fixed cost structure. The local supplier has a purely variable cost structure so there are no benefits of scale. After finding that the Eastern European option is the most cost effective, push the candidate to think of other cost reduction measures and the risks associated with outsourcing.

Additional Information:

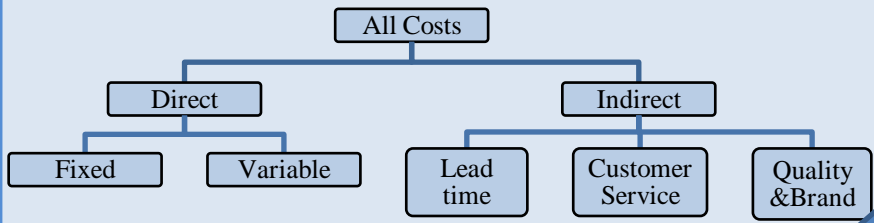
The candidate should clarify what sort of problems that Cali Cable is having with the local supplier. Explain that the supplier is charging \$10 per foot for cable and will not negotiate a volume discount. In addition, the supplier will only take annual orders.

Question:
How should the COO approach outsourcing?

Framework:
A 2x2 for an outsourcing case is a useful framework. For x-axis, competitiveness, the candidate should consider how effective Cali Cable is in terms of costs. For strategic importance, the candidate should think about how the cable is important to the company's overall goals. For example, how is the quality of an outsourced cable going to threaten customer satisfaction?



The candidate should also consider the costs and risks of outsourcing. The tree below could be useful.



Case 8: Cali Cable

Question:

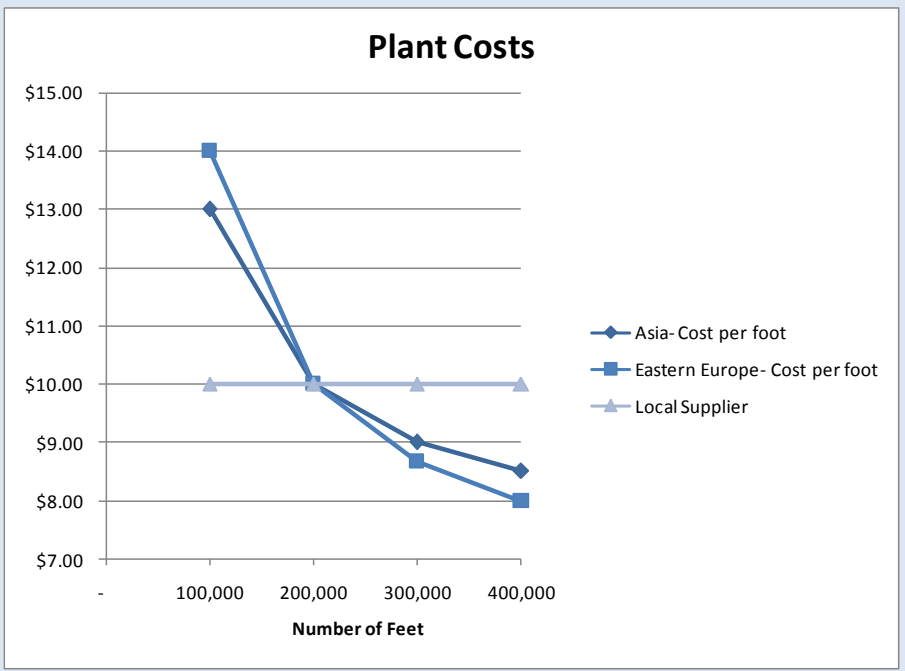
“The COO approaches you . She has collected some data and wants you to analyze it and prepare a power point presentation slide for a meeting with the CEO. The template for the slide is on the next page. The COO has found that the Asian supplier will charge \$7 per foot of cable with a fixed payment of \$600,000 per year. The Eastern European supplier will charge \$6 per foot of cable and \$800,000 in fixed cost. Complete the blank slide for the COO plotting total cost per foot for the two different options for 100K, 200K, 300K and 400K feet.”

Show the blank slide on the next page . . .

Costs:

Instruct the candidate to create her own slide on her scratch paper.

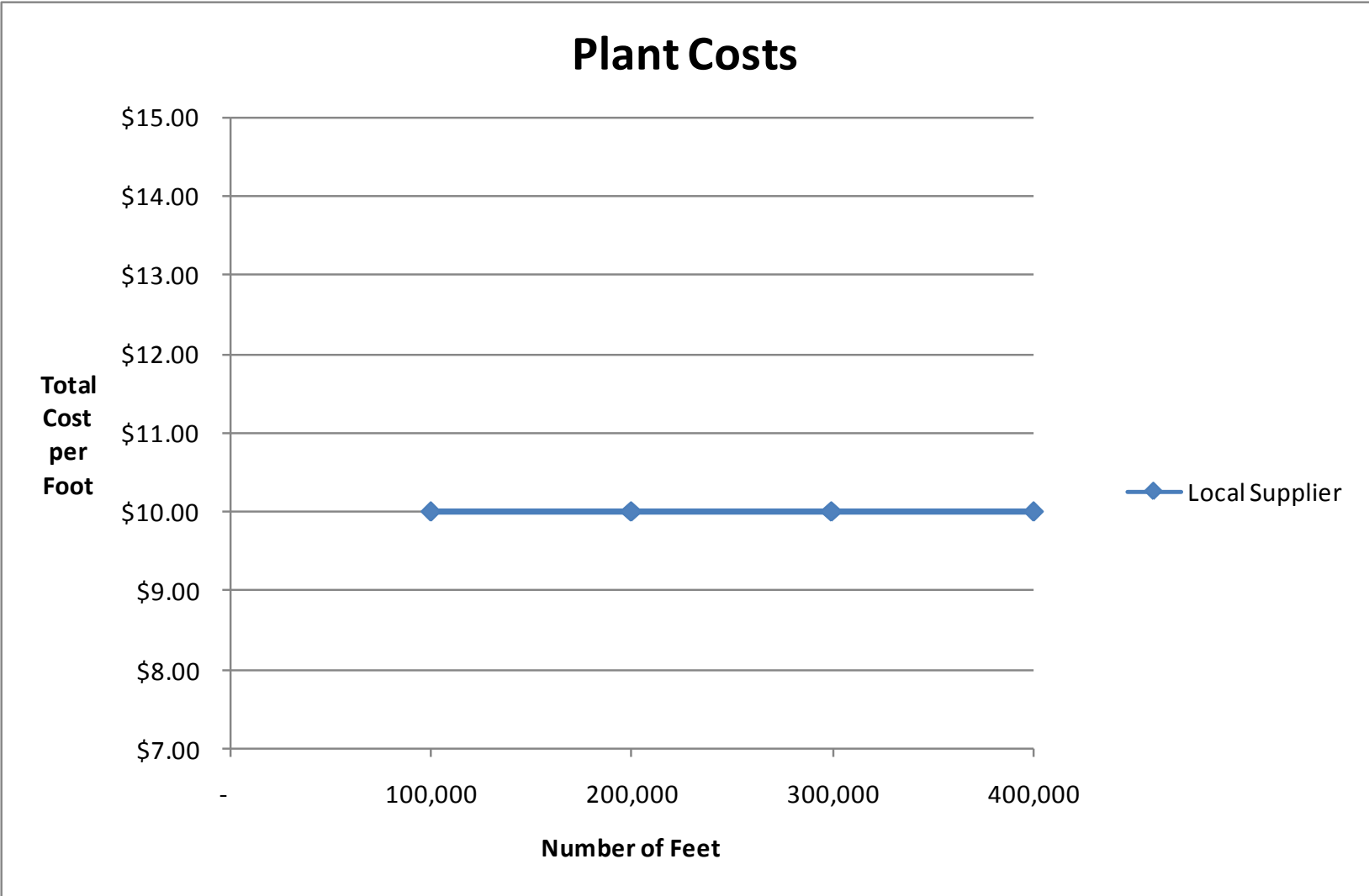
Correct calculations:



The candidate should immediately recognize the economies of scale resulting from the fixed costs structure of the two outsourcing options. If not, prompt her to explain the graph. All three plants cost \$10 per foot at 200,000 units, but the Asian and Eastern European plant enjoy the benefits of scale beyond this point. The Eastern European plant becomes the clear cost leader past 200,000 units.

Solve

Prepare for the CEO



Solve

Case 8: Cali Cable

Question:

“The COO thinks she has a good feel for demand based on historical data. She calls you and says, ‘for the past few years Cali Cable has used about 50 miles of cable per year so we’ll order 50 miles of cable from our new supplier for next year.’ What should you tell her?”

Question:

“Considering the standard deviation and service level, how much cable should be ordered annually? How much will Cali Cable save compared to the local supplier if it goes with the Eastern European option?”

Orders:

Prompt:

First, the candidate should convert the 50 miles of cable to 250,000 feet in order to compare it to the graph. (She can use 5,000 feet per mile as an estimate.) Then, the candidate should explain to the COO that ordering the average will satisfy demand half of the time and lead to a shortage of cable the other half. If the COO wants to do an annual order, she must know the standard deviation and targeted service level. Push the candidate to consider these issues. Then, inform her that the annual standard deviation is 75,000 feet and targeted service level is 98%.

Correct Calculation:

Because the COO wants to satisfy demand 98% of the time, the 400,000 feet of cable is the relevant footage on the x-axis on the cost graph. With the Eastern European plant costing \$8 per foot for 400,000 units, **Cali Cable will save \$800,000 per year** (\$2 times 400K feet).

Question:

“What else should the COO consider to reduce costs?”

Cost Reduction:

Prompt:

Push the candidate to consider at least four different options:

- Warehouse- store any excess supply in a warehouse and adjust order levels the next year. Inventory carrying costs should be compared to the costs of mismatching supply and demand.
- Increase the number of orders- annual orders result in costs from stock-outs or excess supply. If Cali Cable can order throughout the year, they can better match supply and demand.
- Shorten lead times- this could also fall under increasing the number of orders. Shorter lead times from the supplier to Cali Cable will allow them to postpone ordering and have more information about demand forecasts.
- Explore other options and suppliers- for example, when demand exceeds supply, locate excess capacity at other cable operations or use the local supplier at \$10 per foot when cable is needed. This allows Cali Cable to order less.
- Better forecasting- find a more accurate way to forecast demand or have customer commit to quantities in advance.

Question:

What are some of the risks to outsourcing to Asia or Eastern Europe?

Risks:

Prompt:

There are several risks to outsourcing. A good answer will be structured by putting the risks into several buckets.

Product risks:

Will the cable be compatible with American cables and televisions?
Are there any risks to the cable becoming obsolete? With growth in high definition, 3D and internet television, the supplier needs to be able to stay up to date with technology.

Company risks:

Is the Eastern European or Asia supplier a sustainable company that will be able to deliver into the future? If Cali Cable sources exclusively from a new supplier, their fortunes are tied.

Operational risks:

Will the new supplier be successfully integrated with the supply chain logistics at Cali Cable?

Are there any risks to shipping cable from Europe or Asia? Will it be shipped via boat or plane? What are the lead times? How reliable is this company on delivering on time?

Customer service risks:

Will the quality of the cable meet the customer's expectations?

What are the risks to over or under ordering cable?

Question:

“Using the power point slide you prepared with the COO, present your recommendation to the CEO.”

Recommendation:

The CEO wants the most cost effective supplier, but the candidate should also mention the reasons behind the decision and the risks involved. A possible recommendation:

“For our cost structure to remain competitive, it looks like outsourcing is the best option. As long as the outsourced cable meets our quality standards, it appears to align with our corporate strategy. Cali Cable should consider outsourcing their cable from Eastern Europe because it is the low cost option. *Show the power point slide.* Due to the fixed cost structure, Cali Cable will enjoy economies of scale with both offshore options, but Eastern Europe appears to be the most attractive. Cali Cable will save \$800,000 per year compared to the local supplier and \$200,000 per year compared to the Asian supplier. Before proceeding, I’d like to find out more about the risks associated with the Eastern European supplier such as their reliability, quality, ordering processes, and ability to integrate with our supply chain.”

Recommend

Case Type: Operations- Outsourcing

Poor 1 2 3 4 5 6 7 8 9 10 **Star**

1	2	3	4	5	6	7	8	9	10
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Poor 1 2 3 4 5 6 7 8 9 10 **Star**

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Poor 1 2 3 4 5 6 7 8 9 10 **Star**

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Interviewer Guide: Feedback Sheet (2 of 2)



COMMUNICATION	<u>Poor</u>	1	2	3	4	5	6	7	8	9	10	<u>Star</u>
Did she speak clearly throughout the interview?												
Was it easy or difficult to follow her ideas?												
Did she try to work with you as a partner in solving the case?												
MATH PROFICIENCY	<u>Poor</u>	1	2	3	4	5	6	7	8	9	10	<u>Star</u>
Did she correctly complete all math problems?												
Did she use appropriate assumptions or clarify any ambiguity?												
Did she think out loud so that you could follow the calculations?												
CREATIVITY	<u>Poor</u>	1	2	3	4	5	6	7	8	9	10	<u>Star</u>
Did she think outside the box?												
Did she mention any current events or recent trends affecting the industry?												
RECOMMENDATION	<u>Poor</u>	1	2	3	4	5	6	7	8	9	10	<u>Star</u>
Did she answer the question?												
Was the conclusion clear, confident and to-the-point?												
Did she justify the conclusion with the key findings?												
Did she include “next steps” as though she will finish the case?												

OTHER COMMENTS / SUGGESTIONS:

Case 9: Rocky Resort

Read the Case:

Your client is a real estate private equity firm based in the western United States. After the collapse of the real estate market, they are looking to buy distressed properties. One of the associates came across Rocky Resort, a beautiful piece of property in Colorado. A group of developers bought the 250 acre property during the real estate rush because of its proximity to a world-class ski resort. Before they could develop the land, they defaulted on the loan and now the bank is holding it. The bank wants to sell the property immediately. The associate has an upcoming meeting and presentation with the managing director of the firm. This is her big opportunity to impress the director. Advise her on how to prepare for this presentation.

Interviewer Prep:

This case will test the candidate's ability to think comprehensively about a private equity investment. After brainstorming on several different issues, you will present two options: (1) build a horse estate development and sell in a year or (2) create a golf community resulting in a perpetuity of cash flows from rental income. The candidate will create a simple pro-forma to see the NPV of each option. Ultimately, she should find that the golf community will produce a perpetuity of rental cash flows and an NPV of \$10 million.

Additional Information:

Fund size = \$100 million

Cost of capital = 25%

Property price = \$15 million

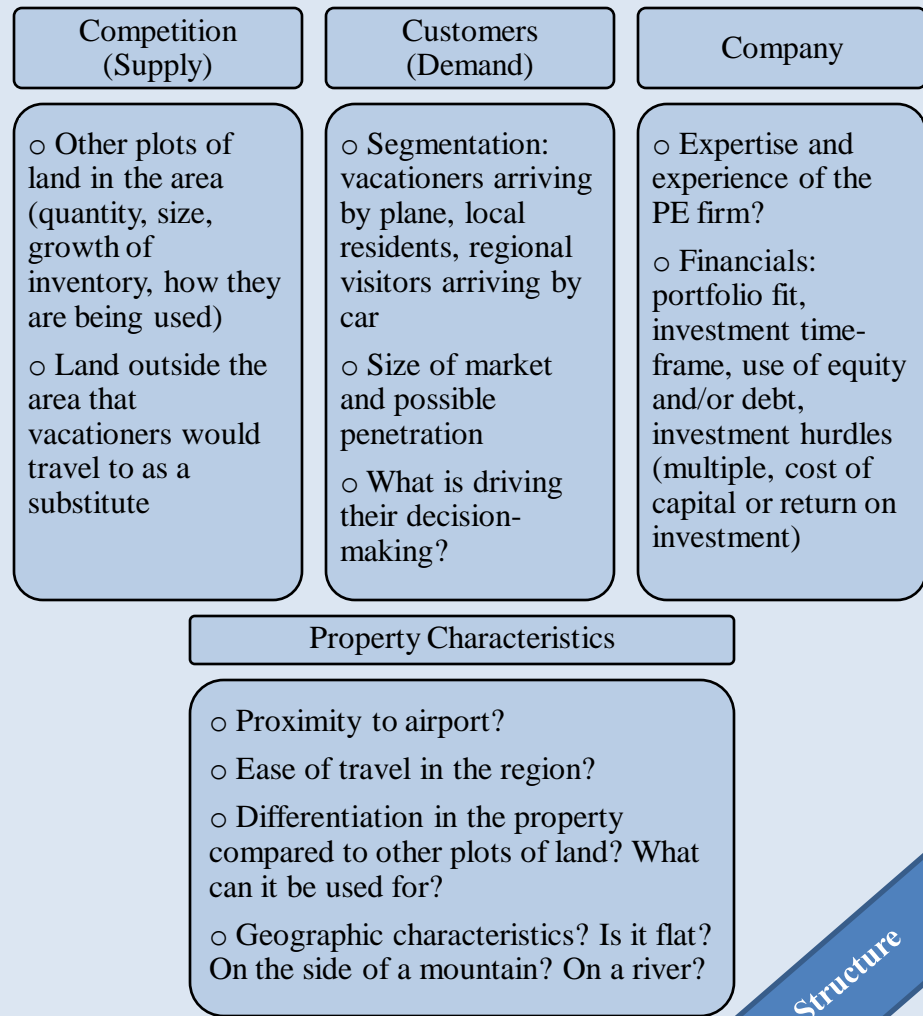
Other data will be provided as needed.

Question:

“What are some of the topics that the associate should cover in his presentation to the MD?”

Framework:

The 3 C’s (company, competition, customers) is a useful framework. It could be helpful to frame the competition and customers in terms of supply and demand to better understand the economics of the market. The property characteristics should also be considered.



Question:

“From the perspective of the private equity firm, what are some of the issues the associate should consider when making an investment?”

PE Perspective:

Prompt:

This question is searching for a high level answer. Remember that the associate is presenting to the managing director so this person will have a high-level, strategic view of the investment decision. Push the candidate to consider at least 4 issues:

- Portfolio fit – Does the investment diversify the portfolio in terms of real estate use, geography, risks, etc.? What will the limited partners think of this investment?
- Investment time-frame – When does the firm typically want to exit an investment? Should this property be flipped as soon as it sees a good exit? Or, should the firm hold it for cash flow purposes?
- Use of equity and/or debt – Does the firm raise debt to try to lever their return? Or, do they solely deal with equity investments?
- Investment hurdles – Are there any goals that must be met such as multiples, cost of capital or return on investment?
- Liquidity risks- Because speculative real estate can be an illiquid asset, should we consider our liquidity needs before investing?

Case 9: Rocky Resort

Question:

“The 250 acres of Rocky Resort are on a fairly flat piece of land with a river running through the middle. It is five miles from the world-class ski resort. The associate, in all her real estate wisdom, seems to think that the private equity firm should develop the property if they purchase it. What are some of ways to develop the land? Why is the associate so adamant about development and land use?”

Development:

Prompt:

There is one predominant reason why a development is needed in this location: seasonality. Being close to the ski resort will provide income solely during the winter time. In addition, developing the property will differentiate it from other surrounding plots of land. Push the candidate to be creative and think of five different property uses outside of the winter months. A few examples:

- Golf course
- Horseback riding ranch
- Fly fishing resort
- Retirement community
- Tennis center and spa

Case 9: Rocky Resort

Question:

“The associate has determined that she wants to present the M.D. with two different options: develop a golf community with villas that will be rented to vacationers or develop horse estates that people will buy. He wants you to see if they are positive net present value projects and examine the risks to each. Below are the details of both options.

Read the data:

Golf Villas-

“The lots with villas will be ½ acre in size. The golf course will cover half the property while the lots cover the rest. It will costs \$100,000 to develop a single lot and villa, \$2.5 million for all roads and infrastructure, \$2.5 million for clubhouse, and \$5 million for the golf course. Weekly rentals are \$2,000 in the winter and summer and \$1,000 in the fall and spring. The associate believes that the winter and summer occupancy rate will be 100%, whereas only 2/3’rds of the villas will be filled in the fall and spring. Assume there are 12 weeks per season. After development, the only ongoing cost is maintenance at \$1 million annually. The associate claims that these cash flows will continue in perpetuity.”

Horse Estates-

“The estates will be 10 acres in size and will be priced at \$500,000 per estate. There are no material development expenses. The firm just needs to divide the lots. The owners will be responsible for fencing their properties and any sort of upkeep. The associate thinks she can sell all estates in one year at this price.”

Remember that the cost of capital is 25% and property price is \$15 M.

NPV Analysis:

It is important that the candidate clearly organize all of the data given and think out-loud so that you can follow the calculations.

Correct calculations:

Golf Villas	
Total acres	250
Acres available for lots	125
Acres for golf lots	0.5
No. golf lots	250
Summer rental proceeds	\$6,000,000
Spring/Fall rental proceeds	\$4,000,000
Winter rental proceeds	\$6,000,000
Total rental proceeds	\$16,000,000
Annual maintenance expense	\$1,000,000
Net annual proceeds	\$15,000,000
Discount rate	25%
Present Value Perpetuity	\$60,000,000
Cost of property & development	\$50,000,000
NPV	\$10,000,000

Horse Estates	
Total acres	250
Acres for horse estate	10
No. horse estates	25
Price for horse estate	\$500,000
Total sale proceeds	\$12,500,000
Discount rate	25%
Present Value	\$10,000,000
Property Costs	\$15,000,000
NPV	(\$5,000,000)

Solve

Case 9: Rocky Resort

Question:

“On the day of her big presentation, the associate came down with a terrible flu. She has asked you to present to the M.D. You have one minute before the meeting begins.”

Recommendation:

The recommendation should synthesize some of the high level issues as well as report the findings of the NPV calculations.

“The Rocky Resort could be an attractive addition to your portfolio of properties. Although it is a distressed property on the bank’s books, we think there is real value in the future. Located near a world-class ski resort in Colorado, we think we have found a way to hedge against the seasonality of winter-time revenues and create an attractive destination twelve months of the year. Our proposal is building a golf course surrounded by developed lots. We will rent the villas to vacationers throughout the year. Assuming we can achieve rental income in perpetuity, this yields an NPV of \$10 million. Before proceeding, I’d like to investigate how this property fits with the other properties in the portfolio and assert some of the assumptions we made about demand for vacationing golfers in the area.”

Recommend

Case Type: Investment

Star

Did she smile and appear relaxed?

Star

Did she keep track of key findings?

Star

Did she follow the cadence of clarify, structure, solve, recommend?

COMMUNICATION	<u>Poor</u>	1	2	3	4	5	6	7	8	9	10	<u>Star</u>
Did she speak clearly throughout the interview?												
Was it easy or difficult to follow her ideas?												
Did she try to work with you as a partner in solving the case?												

MATH PROFICIENCY	<u>Poor</u>	1	2	3	4	5	6	7	8	9	10	<u>Star</u>
Did she correctly complete all math problems?												
Did she use appropriate assumptions or clarify any ambiguity?												
Did she think out loud so that you could follow the calculations?												

CREATIVITY	<u>Poor</u>	1	2	3	4	5	6	7	8	9	10	<u>Star</u>
Did she think outside the box?												
Did she mention any current events or recent trends affecting the industry?												

RECOMMENDATION	<u>Poor</u>	1	2	3	4	5	6	7	8	9	10	<u>Star</u>
Did she answer the question?												
Was the conclusion clear, confident and to-the-point?												
Did she justify the conclusion with the key findings?												
Did she include “next steps” as though she will finish the case?												

OTHER COMMENTS / SUGGESTIONS:

Case 10: Conglo Corporation

Read the Case:

Conglo Corporation, a multinational conglomerate, operates in a variety of businesses. One of the subsidiaries, Game-Time, makes board games for children in the U.S. A new CEO has been hired and is not familiar with the board game industry. She wants to have a high level strategy session to discuss the future of Game-Time.

Interviewer Prep:

The format of this case is different from the others. You will find most information on the third page. This case is open-ended in the beginning and should become heavy in discussing industry attractiveness. There are very few calculations other than the market sizing. Push the candidate to stay at a high level when considering ideas. Porter's Five Forces is the obvious framework to use. On the third page, this framework with all of the relevant facts is presented. Push the candidate to think about each of these issues to determine whether the board game industry is attractive or not. Ultimately, the candidate should find that the board game industry is NOT attractive due to the threat of substitutes, excess capacity in the industry, pricing pressure, volume decline and shrinking margins. The CEO should divest the business unit or use the assets for another use.

Additional Information:

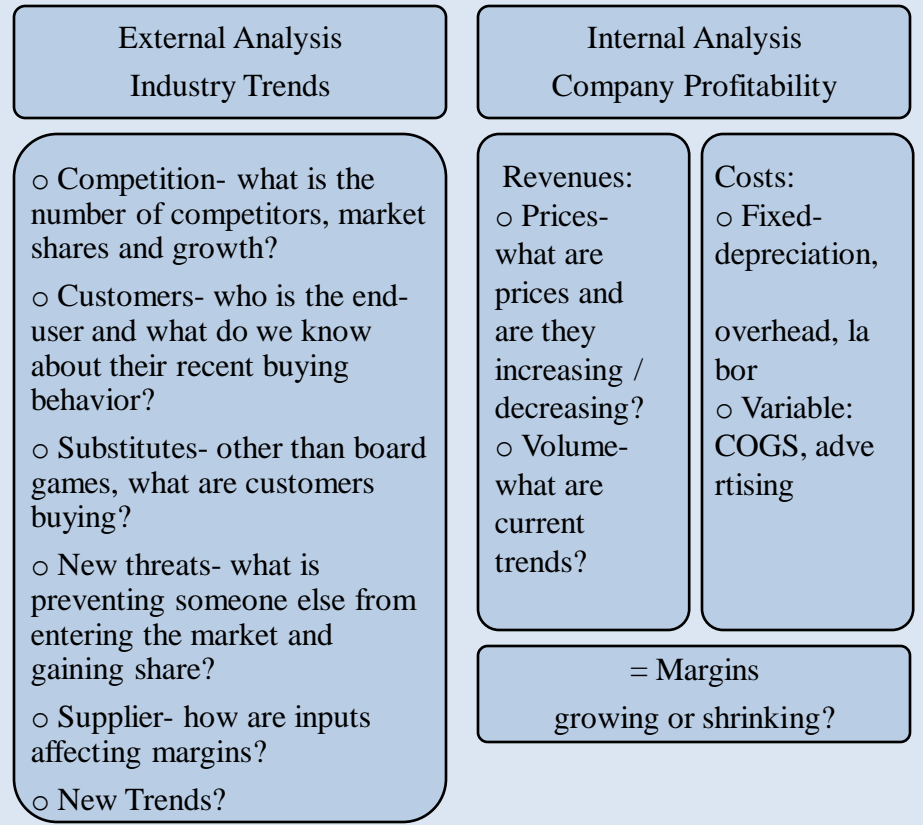
Provided as needed.

Question:

“What issues should the CEO consider?”

Framework:

Porter’s Five Forces is the best framework for this case. The candidate does not want to sound like a business school text-book when presenting the framework, but should cover all of these topics.



The BCG Growth-Share matrix is an additional framework that could be helpful when deciding what to do with Game-Time.

Case 10: Conglo Corporation

Question:

“If Game-Time has a 20% market share, how much do you think they did in revenue last year?”

Market Size:

This is a market sizing question. There is no “right” answer- the candidate must make reasonable assumptions to find the total size of the market. Do not provide this information, force the candidate to make the assumptions herself. Here’s one way to do it:

Board Game Market Sizing	
Population in U.S.	300,000,000
Percentage of population that are children	20%
Number of children	60,000,000
Percent of children playing board games	25%
Number of children playing board games	15,000,000
Number of board games purchased per year per playing child	2
Total number of board games purchased	30,000,000
Average price of board game	\$5.00
Total board game revenue	\$150,000,000
Game-Time's share	20%
Game-Time's Revenue	\$30,000,000

Solve

Case 10: Conglo Corporation

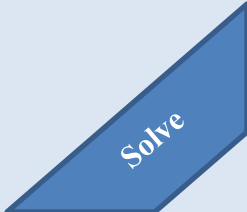
Question:

“What factors are important to analyzing the board game industry?”

Industry Analysis:

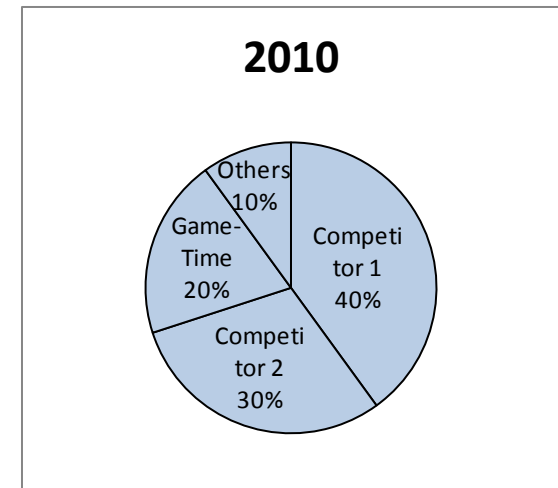
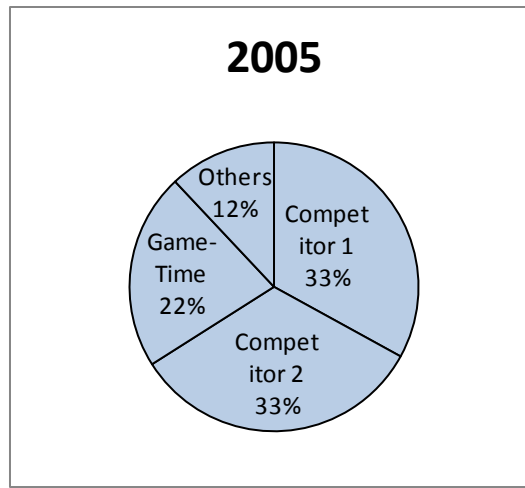
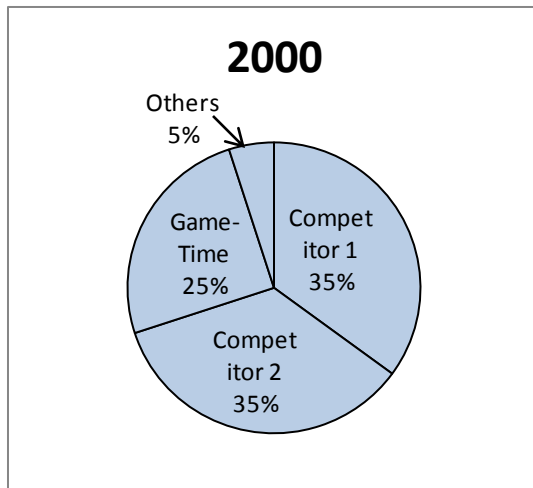
Below is all of the relevant information about the industry. Do not give the candidate this information until asked. Push her to come up with it by asking, “What else . . . What else?” Once the candidate broaches an issue (e.g., competition), ask “What is your hypothesis about that?” Push the candidate to come up with her own conclusion. After she presents a hypothesis, provide the information below. The candidate should conclude whether each industry component makes the board game industry attractive or not.

<div>Competition</div> <div>Competition is fierce. <i>Show the data display on the next page.</i> The candidate should notice:<ul style="list-style-type: none">○Inability to capture share in past few years.○High concentration- 3 players own 90% market○ Competitor 1 has large jump in between 2005-2010- acquired other small players.○Entrants have succeeded with online sales platform.<div>↳ Highly unattractive</div></div>	<div>Substitutes</div> <div>Computer games, iPad games, hand-held gaming devices like Game Boys, Nintendos, Play Stations are becoming more popular for children.</div> <div>↳ Highly unattractive</div>	<div>New Threats</div> <div>Conglo distributes a variety of products to the kids store and toy stores where the board games are sold. Their access to distribution channels and shelf-space hinder new entrants. The “other” smaller labels have been able to enter through direct online sales and this presents a viable threat.</div> <div>↳ Somewhat attractive</div>
<div>Suppliers</div> <div>The games are made of cardboard and plastics. The price of these commodities have been steady over the past few years. All development is done in-house.</div> <div>↳ Attractive</div>	<div>Customers</div> <div>The end-users are the children, but typically the parents make the buying decision. The parents buy the games in toy stores and kids stores. In addition, parents are shopping more online for their children’s games because of convenience. Game-Time is only sold in kid and toy stores.</div> <div>↳ Unattractive</div>	<div>New Trends</div> <div>The largest competitor has just announced plans to open a board game manufacturing plant in Southeast Asia. They claim that the plant will increase their production by 50% more games per year.</div> <div>↳ Highly unattractive</div>



Data Display for Candidate

U.S. Board Game Market Share by Revenue



Case 10: Conglo Corporation

Question:

“What should the CEO do to meet demand?”

Recommendation:

The candidate should weigh all of the industry analysis to create a recommendation that states that this is not an attractive industry.

“After analyzing the board game industry, it appears that Conglo should take a close look at the future of Game-Time. Several factors make this industry unattractive:

- The top player controls 40% of the market and is looking to expand. This could create excess capacity, destroy all pricing power and shrink margins.
- The threat of substitutes has become more viable with kids and parents turning to digital devices.
- Online sales are chipping away at our competitive advantage of distribution channels.

I suggest that Conglo divest the business or, if possible, use the Game-Time assets for other uses. The board game industry is declining. Unless we can find an entry into digital games and leverage the Game-Time brand, Conglo should find an exit.”

Recommend

Interviewer Guide: Feedback Sheet (2 of 2)



COMMUNICATION	<u>Poor</u>	1	2	3	4	5	6	7	8	9	10	<u>Star</u>
Did she speak clearly throughout the interview?												
Was it easy or difficult to follow her ideas?												
Did she try to work with you as a partner in solving the case?												
MATH PROFICIENCY	<u>Poor</u>	1	2	3	4	5	6	7	8	9	10	<u>Star</u>
Did she correctly complete all math problems?												
Did she use appropriate assumptions or clarify any ambiguity?												
Did she think out loud so that you could follow the calculations?												
CREATIVITY	<u>Poor</u>	1	2	3	4	5	6	7	8	9	10	<u>Star</u>
Did she think outside the box?												
Did she mention any current events or recent trends affecting the industry?												
RECOMMENDATION	<u>Poor</u>	1	2	3	4	5	6	7	8	9	10	<u>Star</u>
Did she answer the question?												
Was the conclusion clear, confident and to-the-point?												
Did she justify the conclusion with the key findings?												
Did she include “next steps” as though she will finish the case?												

OTHER COMMENTS / SUGGESTIONS:

Bonus Case: Teddy's Trees

Read the Case:

Your good friend, Teddy, just inherited 50 acres of land from his recently deceased uncle, Tim. Tim ran Tim's Turkeys on the property and did very well for himself. The business generates health cash flow each year by buying turkeys, raising them and selling them to market.

Teddy has an idea that planting Christmas trees on the land could generate more cash than the turkey business. There is a town nearby that could support the demand for trees during the holiday season. He has called you to help him think through what he should do with his new inheritance and how he should proceed. Develop a recommendation supported by financial projections and guide Teddy on what he should be doing next.

Interviewer Prep:

The end product for this case is straight-forward: a recommendation backed with financial figures and a "Monday Morning" list of items that Teddy should be considering. The first part of the case will be heavy on the quantitative analysis for determining the best recommendation. Ultimately, the candidate should find, by running the numbers, that the Christmas tree business is the most profitable solution. Next, the candidate should help Teddy think about how to transition from a turkey farm to a Christmas tree farm. The marketing mix is a helpful framework to identify how Teddy will go to market with the trees. She should also think through what operational support will be needed to sustain the business. Overall, the latter half of the case should push the candidate on taking a structured approach to framing the issues.

Additional Information:

The candidate should ask if there is any additional information. If asked, provided her with the numbers below. Instruct her that she needs to define the baseline before going forward.

- Amount of land = 50 acres
- Number of turkeys per acre = 10
- Cost per baby turkey to buy = \$300
- Price per mature turkey to sell = \$600
- Amount of time for turkey to be "market-ready" = 3 months (i.e., 4 batches of turkeys per year)
- Additional variable cost per turkey (feed, freight, etc.) = \$200

Correct calculations:

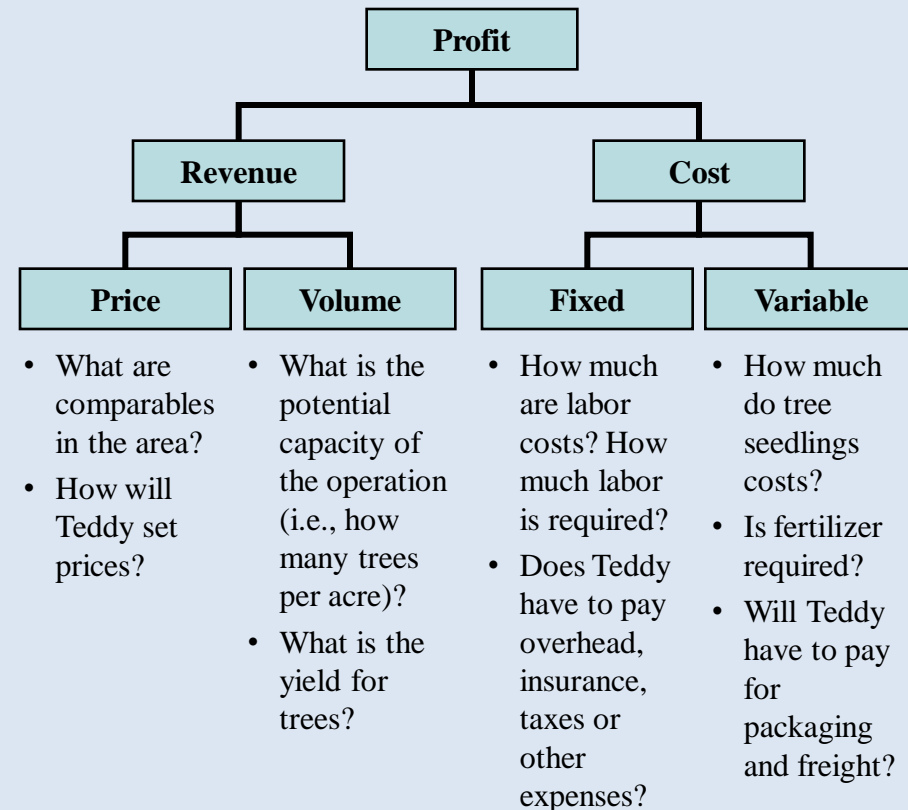
- Annual cash inflows = \$1.2 million
- Annual cash outflows = \$1 million
- Annual cash flow, net = \$200,000

Question:

“How should you advise Teddy to proceed?”

Framework:

The Profit equation is the most useful framework in this case. Push the candidate to have a hypothesis and prepare questions about which specific factors pertain to the Christmas tree business.



In addition to the profit framework, the marketing mix (using price, promotion, placement and product) would be helpful in understanding how Teddy will launch the business if the annual cash flow generated is greater than the turkey business.

Question:

“What information would you like to proceed?”

Question:

“If Teddy decides to start the tree business, he will plant them in January and sell them in December. It takes about 11 months for the trees to mature. What are the projected cash flows given the information below?”

Tree information:

- Number of trees per acre = 100
- Cost per tree seedling = \$100
- Fertilizer costs per tree = \$11
- Typical crop yield = 90%
- Price per tree = \$200

Labor information:

- Hourly labor costs = \$15
- Hours required per day = 5
- Number of days per year = 300
- Number of workers = 2

Information gathering:

Prompt:

The candidate should ask for the information in the profit equation so that she can make her initial projection. Press the candidate to come up with creative ways on **how** she would obtain the data that she is requesting (a key consulting skill). A few examples are not enough, press the candidate by asking, “What else?” A few examples of how to collect the information are below:

- Price of trees => Visit Christmas tree farms in the area; conduct market research with potential customers; build up and estimate the cost and add a reasonable margin
- Volume of trees => Call a plant nursery to find how many trees per acre; research the yield per tree online
- Cost => Review Tim's operating costs and determine which are specific to the turkey business and which still apply; draft a process flow of planting, harvesting and selling trees to see what costs apply at each stage; visit a Christmas tree farm in the area to observe the operation and interview the owner

Financial analysis:

Correct Calculations:

- Annual cash inflows = \$900,000 (5,000 trees x \$200 x 90%)
- Annual cash outflows = \$600,000 (Seedlings + Fertilizer + Labor)
- Annual cash flow, net = \$300,000



Question:

“Teddy calls you immediately following your financial analysis of the Christmas tree option. Someone has offered him \$1.25 million for the property. He needs to know whether he should sell immediately. What would you advise Teddy to do?”

Question:

“After rejecting the offer, Teddy receives another phone call from a big box retailer in a nearby town. The retailer has offered to sell Teddy’s trees in his stores. Teddy asks you how he should think about this offer.”

NPV calculation:

The candidate has the annual cash flows and should be able to calculate NPV once given the cost of capital. If asked, inform her that these cash flows will be received in perpetuity and Teddy’s cost of capital is 20%.

Correct Calculations:

$\$300,000 / 20\% = \1.5 million

The Christmas tree farm has a higher NPV than the offer. Therefore, Teddy should hold the property and continue with his Christmas tree venture.

Distribution Strategy:

Push the candidate to think holistically about Teddy’s distribution strategy. It is not enough to only consider the big box option. Teddy should evaluate all options using a framework. Push the candidate to use a structure and have a point of view on the preferred option. Simple example below:

Options	Pros	Cons
Retail	<ul style="list-style-type: none">○ Exposure to large markets	<ul style="list-style-type: none">○ Additional expenses of freight or consignment
On-site	<ul style="list-style-type: none">○ Less expenses○ No logistics burden	<ul style="list-style-type: none">○ Limited access to customers
Home Delivery	<ul style="list-style-type: none">○ Easy of use for customers	<ul style="list-style-type: none">○ Complicated logistics○ Additional expenses
Online	<ul style="list-style-type: none">○ Access to large customer base	<ul style="list-style-type: none">○ Complicated logistics

Solve

Bonus Case: Teddy's Trees

Question:

“Teddy likes the work that you’ve done so far. He ask you to put together a list of to-do’s he must complete before launching the business. Take a sheet of paper and make one power point slide on Teddy’s to-do’s. This will serve as your final recommendation.”

Monday Morning To-do’s:

The candidate should NOT just compile a laundry list of items. She should be concise and structured in the answer.

An example framework is below:

Business operations		Go to market approach	
Human resources	<ul style="list-style-type: none">○ Define staffing needs○ Establish recruitment plan	Price	<ul style="list-style-type: none">○ Collect price points from competitors in the region
Vendor selection	<ul style="list-style-type: none">○ Identify tree seedling vendors○ Contact vendors to get quotes	Distribu- tion	<ul style="list-style-type: none">○ Quantity cost and benefit for different distribution options
Back-office support	<ul style="list-style-type: none">○ Determine needs for accounts payable, account receivable, etc.	Advertising	<ul style="list-style-type: none">○ Determine optimal medium of communications (e.g., radio, TV)
Transition and prep	<ul style="list-style-type: none">○ Dispose of turkey-related assets○ Prepare field for tree planting	Packaging	<ul style="list-style-type: none">○ Explore options to package trees○ Locate vendors to supply materials

Case Type: Profitability / New Business Venture

Star

Did she smile and appear relaxed?

Star

Did she keep track of key findings?

Star

Did she follow the cadence of clarify, structure, solve, recommend?

COMMUNICATION	<u>Poor</u>	1	2	3	4	5	6	7	8	9	10	<u>Star</u>
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