CASE IN POINT

Notes｜ Kevin

KEY POINTS OF CASE INTERVIEW

1.Listen to the Question

2.Take Notes

3.Summarize the Question
[After you are given the question, take a moment to summarize the highlights out loud]
[这有利于你搞清楚问题，证明你在听，还可以提供思绪整理时间——群面不用]

4.Verify the Objectives
[Professional consultants always ask their clients to verify their objectives. Even if the objective seems obvious, there could be an additional, underlying objective]
[e.g: “One objective is to increase sales. Are there any other objectives I should know about?”]

KEY POINTS OF CASE INTERVIEW

5.Ask basic questions about the company

[the industry, the competition, external market factors and the product]—群面不用，要问细节问题

6. Lay out your structure and Think and work quantitatively

A decision tree is a map of the reasoning process .It allows you to review your options and investigate the possible outcomes, while weighing the risks and rewards of each course of action.

7. Restate your suggestions and make a summary recommendation,only pick two or three key points

ASSUMPTIONS CASE

这种问题一般出现在单面里，不给任何信息，让你算市场规模，各种数量等等。如算全国共有多少个加油站。解决方法是：假设公式与数字进行运算。

1.First， you can create some equations to help solve this. Such as ”the number of gas station nationwide = stations in each provinces * the number of provinces”, and for details, you can develop another equation to count the number of provinces. That is a logical method.

2.Then you can make several assumptions with relatively reasonable. The most common assumptions are about detailed numbers such as the number of provinces.
[There are going still concerned, you can always say, “I’m not that familiar with this market, so if my assumptions are off, please correct me.”]
Everything you say has the potential to be questioned — be ready to stand behind your assumptions. Your assumptions should be based in some sort of logic. If you just pull them out of the air, you’re risking the interviewer aggressively challenging your assumptions and your credibility.

3.Listen to the question, then determine the type of case, population based, household, general population or preposterous(荒谬的).Lay out your structure first and the steps you’ll need to answer the question; then go back through it with the written numbers。

ASSUMPTIONS CASE

例子
How many gas stations are there in the US? (Population question)?

I live in a town with a population of 30,000. There are six gas stations serving our town (not really, but six divides nicely into 30). Therefore, I'll assume that each gas station serves about 5,000 customers. If the population of the US is 300 million, I'll just divide 300 million by 5,000 and get 60,000 gas stations in the country.（关于加减乘除法的英文表达要熟悉）

1. 对于物体数量问题，先从身边事例进行样本数量假设，将这个数量与当地人口做关联
2. 用总体人口来做运算标准，倒算出物体数量
3. 其他方法都行，关键是假设要有一定标准，也就是说做出假设时先要说明理由，最好的假设就是数字事实
4. 因此，查查全球多少国家，大国家多少人口，如美国，欧洲，日本；中国面积，省份数量，城市平均人口，都是有帮助的

关于household的表达（人口基础上细分家庭）
The population of the US is 300 million people. The average US household is made up of 3 people, so we are talking about 100 million households. (都处理成整数，查数据时也是，处理成整数回答，特别是能被3整除的)

关于individual的表达（人口基础上细分年龄层、城乡、性别）
I'm going to estimate that 50 percent of the households are either suburban or urban
I'm going to start by stating some assumptions. I'm going to assume that the population of the US is 320 million, that the life expectancy is 80 years, and that there are the same number of people in each age group (i.e., there is the exact same number of 3-year-olds as 73-year-olds). So, if you divide 320 million by 80, you get 4 million people per age group. I will also assume a 50/50 split between men and women.

NUMBER CASE

Number Cases: There are pure number cases that are really just math problems .There are also “case-like” numbers cases, which seem like strategy cases but are not.

American Express® is facing stiff competition from a host of new credit cards that have no annual fee and low interest rates. In response, American Express is considering dropping its $50 annual fee. What are the economics of dropping the $50 fee?

In order to answer this question, you need to ask three questions:
How many card members does Amex have?What is the average amount that each card member spends annually?How will Amex’s customers base change, so as the revenue streams?
Amex has 10 million card members. Amex card members average $2,000 a year in purchases. Amex makes 2% from each purchase.

Original: 10*2000*2%=400million
50*10=500 million
total 900 million
Current: 400million
Loss: 500million
Compensate: X*2000*2%=500
X=12.5 million

Analysis—how to make up the 500 million difference

- By spending more money: the fee revenues make up 55% of the total revenue. Customers seemly unrealistic to double their purchase
- By increasing customer base. it’s also impossible to get sharp increase with 12.5 million people
- So my advice is keeping the fee in place

CHARTS CASE & NOTE TAKING

Therefore, as you look at each chart, I recommend that you
“eyeball the numbers, round them off and then determine how they are related to one another, what trends you see and what message you derive from what you see.”
As you review the charts, there are three easy steps that will help you get your bearings:

- identify the chart form — is it a bar graph, a line chart or pie chart?
- determine what comparison each chart calls forsummarize the message

NOTE TAKING

1. Graph paper makes it easier to draw your notes.
2. Be visual with your notes. Draw boxes, graphs, arrows, decision trees, value chains and flow charts. When appropriate, turn your notes toward the interviewer to explain your thought process. It makes him feel more like a team member and less like an interviewer.
3. Graph paper organizes your notes. Well-organized notes make it easier for the interviewer to follow. When he isn't looking into your eyes, he's looking at your notes to
4. When it comes time for the case portion of your interview, rip out five pages of graph paper and number them (you can do this before the interview to save time and look well-organized).
5. Using bullet points will make your notes seem better organized and make it easier to go back to find information. Star or highlight important points that you think will make the summary.

NOTE TAKING

1. Some students use a separate sheet for their math. That way your main notes stay clean and linear. If you do use a separate sheet, make sure that you label each calculation so you can tie it back
2. In some cases — particularly those that ask for a list of numbers the interviewer wants you to figure out, i.e., market-size, price, break-even, and profit, or those that compare two or more strategies, ideas or options using the same criteria — you can create the "final slide" right at the beginning of the case. No one ever remembers to do this, so if you can think of it, you'll score big points with the interviewer.
3. On a separate sheet of paper, draw a chart listing the product or markets (whatever it is that you are comparing) and below that, the criteria. As you calculate the numbers, fill them in on the final slide; this keeps all relevant information in one place and makes it easier for the interviewer to follow

Entering a new market

Step 1: Find our objective and estimate if it fit into company's overall strategy

Step 2: Determine the state of the current and future market.

1. Size & growth rate
2. Where is the company in its life cycle? (Stage of development: Emerging? Mature? Declining?)
3. roles of technology and how quickly does it change?How will the competition respond?

Step 3: evaluate the competitors to determine whether entry it would make good business sense.

1. Usually using the 5 power module
2. Besides competitors' market shares, product(how do they differ from ours, quality? price?)
3. Are there substitutions available?Are there any barriers to entry? Examples are: capital requirements, access to distribution channels, proprietary product technology, government policy.
4. Are there any barriers to exit? How do we exit if this market sours?What are the risks? For example, market regulation or technology.

Step 4: If we decide to enter the market, we need to figure out the best way to become a player.

1. Start from scratch (see Starting a New Business).
2. Acquire an existing player within the desired industry.Form a joint venture/strategic alliance with another player with similar interests.
3. Analyze the pros and cons(利弊双方) of each. This is sometimes called a cost benefit analysis.

Industry Analysis

Step 1： Investigate the industry overall.

1. Life cycle： Where is it in its life cycle? (Emerging? Mature? Declining?)
2. Size and growth rate
3. Lately major change in regulation or trend or new technology
4. What drives the industry? Brand, products, size or technology?
5. Profitability. What are the margins?

Step 2: Suppliers

1. Have the suppliers been consistent
2. What is going on in their industries

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Step 3: What is the future outlook for the industry?

1. Are players coming into or leaving the industry?
2. Have there been many mergers or acquisitions lately?
3. What are the barriers to entry and/or to exit?
4. Will substitutes be introduced?

Mergers and Acquisitions

Step 1: Determine the objectives.

1. Why are they buying it? Does it make good business sense, or are there better alternatives?
2. increase market access.
3. diversify their holding.
4. pre-empt the competition.
5. gain tax advantages.
6. marketing, financial, operations.
7. create shareholder value.

Step 2: Due diligence(尽职调查). Research the company and industry.

1. What kind of shape is the company in?
2. How secure are its markets, customers and suppliers?
3. How is the industry doing overall? And how is this company doing compared to the industry? Are they a leader ?
4. What are the margins like? Are they high-volume, low-margin, or low-volume, high-margin?
5. How will our competitors respond to this acquisition?
6. Are there any legal reasons why we can’t, or shouldn’t, acquire it?

Step 3: How much are they paying?

1. Is the price fair?How are they going to pay for it? Can they afford it?
2. If the economy sours, can they still make their debt payments?

Step 4: Exit strategies, looking for a way out.

How long are they planning to keep it?Did they buy it to break it up and sell off parts of it?

Developing a new product

Step 1: Think about the product.
Uniqueness : Is the product patented? Are there similar products out there? Are there substitutions?
Normal : What are the advantages and disadvantages of this new product?
Collaboration: How does the new product fit in with the rest of our product line?
Step 2: Think about our market strategy.
How does this affect our existing product line? Are we replacing an existing product?
How will this expand our customer base and increase our sales?
What will the competitive response be?
If it's a new market, what are the barriers to entering this market?
Who are the major players and how much market share does each firm have?
Step 3: Think about our customers.
Who are our customers?
How can we best reach them? Can we reach them through the Internet?
How can we ensure that we retain them?
Step 4: Think about financing.
How is the project being funded? What is the best allocation of funds?
Can we support the debt? (What if interest rates change? What if the economy sours?)
:

Developing a new product

One excellent point to make your analysis brilliant

Do not make cost-driven pricing. The only thing that works is price-driven costing. Most companies arrive at their prices by adding up costs and then putting a profit margin on top. And then as soon as they have introduced the product, they have to start cutting the price, have to redesign the product at enormous expense, have to take losses - and often, have to drop a perfectly good product because it is priced incorrectly.

The only sound way to price is to start out with what the market is willing to pay - and thus, it must be assumed, what the competition will charge - and design to that price specification.

Pricing strategy

Step 1: Investigate the product.
the same as the "developing a new product"
Step 2: Choose a pricing strategy.

- Is the company in control of its own pricing strategies, or is it reacting to suppliers, the market and its competitors?
- Cost-based pricing vs. price-based costing (i.e., do you decide pricing based on how much the product costs to produce or on how much people will pay?)
- What does the market expect to pay?Is it a "must have" product?
- Do we need to spend money to educate the consumer?

Step 3: Supply and demand. (You'll win big points for graphing your answer.)
What's the supply? How's the demand?
How will pricing have an effect on the market equilibrium?
Step 4: Make your decision
Basically, there are four main ways to price the product
1.Competitive Analysis: Are there similar products out there? How does our product compare to the competition? How are they priced? Are there substitutions available?
2.Cost-based Pricing: Take all our costs, add them up and add a profit to it. This way you'll know your break-even point.
3.Price-based Costing: What are people willing to pay for this product? Profit margins vary greatly by industry. Grocery stores have a very thin profit margin, while drug companies traditionally have a large profit margin.
4.Company Objective: What is the motivation behind the pricing? Is the company interested in profits (usually priced higher) or market-share (usually priced lower)? you need to look at all four of these strategies and see where, or if, they intersect.

Growth Strategies

Step 1: determine the direction

- focusing on a certain product,
- division or the company overall.
- Is the industry growing?
- Are our prices in line with our competitors?
- What have our competitors done in marketing and product development?
- Which segments of our business have the highest future potential?
- Do we have funding to support higher growth?

Step 2: Choose a growth strategy.

- Increasing sales
- Increase distribution channels.
- Increase product line.
- Invest in a major marketing campaign.
- Diversify products or services .
- Acquire competitors or a company in a different industry.

Starting a New Business

Step 1: The same as the entering a new market

Step 2: we should look at the company from a venture capitalist point of view. Would you, as an outsider, invest in this start-up? Would you risk your own money? Venture capitalists don’t simply buy into an idea or product, they invest in:

Management

1. What is the management team like?
2. What are its core competencies?Have they worked together before?
3. Is there an advisory board?

Market and Strategic Plans

1. What are the barriers to entering this market?
2. Who are the major players and what kind of market share does each company have?

Distribution Channels

1. What are our distribution channels?

Starting a New Business

Products

1. What is the product or technology?
2. What is the competitive edge?What are the disadvantages of this product?

Customers

1. Who are our customers?
2. How can we best reach them? Can we reach them on the Internet?How can we ensure that we retain them?

Finance

1. How is the project being funded?
2. What is the best allocation of funds?Can we support the debt? (What if interest rates change?)

Competitive Response

Step 1: If a competitor introduces a new product or picks up market share, we want to first ask such questions as:

1. What is the competitor' s new product
2. how does it differ from what we offer?
3. What has the competitor done differently?
4. Have any other competitors picked up market share?

Step 2: Choose one of the following response actions:

1. Acquire the competitor or another player in the same market.
2. Merge with a competitor to create a strategic advantage and make us more powerful
3. Increase our profile with a marketing and public relations campaign.

Increasing Sales

Step 1: Increasing sales doesn’t necessarily mean increasing profits

1. How are we growing relative to the industry?
2. What has our market share done lately?
3. Are our prices in line with our competitors’?
4. What have our competitors done in marketing and product development?

Step 2: There are four easy ways to increase sales. Determine which action (or combination thereof) is your best strategy:

1. Increase volume
2. Get more buyers
3. increase distribution channels
4. Increase prices.
5. Create seasonal balance. Increase sales in every quarter

Reducing Costs

Step 1: Ask for a breakdown of costs
Step 2: If any cost seems out of line, investigate why.
Step 3: Benchmark the competitors
Step 4: Determine whether there are any labor-saving technologies that would help reduce costs.

Question b: EEC's sales are flat and profits are taking a header. How can we fix things?
Internal costs: union wages, suppliers, materials, economies of scale, increased support systems
External costs: economy, interest rates, government regulations, transportation/shipping strikes

Improving the Bottom Line: Profits

Whenever you hear the words "bottom line" or "profits" you should immediately think: E(P=R-C)M
The E represents the economy
M represents the market or industry.

You always want to look at external factors first. You want to know whether this is an industrywide problem or a company problem. Start with the economy. Spell out your take on the current economy, just the parts that would directly affect the company or industry overall. This shows the interviewer that you know what's going on outside the classroom.
Going inside the
Start by reviewing the revenue streams. Ask, "What are the major revenue streams and how have they changed over time?" and what are the major costs, both fixed and variable, and how have they changed over time?" It is always good to know trends.
Because profits are an underlying theme in many cases, you need to make sure that profit is the main subject of the question
Price, costs and volume are all interdependent. You need to find the best mix
If you cut prices to drive up volume, what happens to profit? Do profits increase or decrease? There needs to be a balance. The reason behind the decision needs to make sense.

Improving the Bottom Line: Profits

Step 1: Use the E(P=R-C)M framework. Start with the external factors first. Try to determine whether this is an industrywide problem or just a company problem.
Step 2: Once inside the parentheses, ask what the major revenue streams are and how they have changed over time. Always look at the revenue (“price” is sometimes substituted) side first. Until you have identified your revenue streams, you can’t know where best to cut costs.
What are the revenue streams? Where does the money come from?What percentage of the total revenue does each stream represent?
Does anything seem unusual in the balance of percentages?Have those percentages changed lately? If so, why?
Step 3: Examine your costs. Ask what are the major costs, both fixed and variable, and how they have changed over time.
Identify the major variable and fixed costs.
Have there been any major shifts in costs (e.g., labor or raw material costs)?Do any of these costs seem out of line?
How can we reduce costs without damaging the revenue streams?Benchmark costs against our competitors.
Step 4: Determine whether you want to pump up the volume. If so, you can:
Expand into new areas.
Increase sales force.Increase marketing.
Reduce prices.Improve customer service.

Improving the Bottom Line: Profits

Step 1: Gather information.
Tell me about the company. Why is it failing? Bad products, bad management, bad economy?
Tell me about the industry. Are our competitors facing the same problems?
Do we have access to capital? Is it a public or privately-held company?

Step 2: Choose the appropriate actions from the following list.

1. Review services, products and finances. (Are products out of date? Do we have a high debt load?) Secure sufficient financing so your plan has a chance.
2. Review talent and temperament of all employees, and get rid of the deadwood. Determine short-term and long-term company goals.
3. Devise a business plan. Visit clients, suppliers and distributors, and reassure them.
4. Prioritize goals and get some small successes under your belt ASAP to build confidence.

Five C’

They will allow you to touch on all the main points and appear fairly well organized.
If your interviewer discovers you’ re using the Five C’ s or Four P’ s, you might lose some points; neither of these frameworks is particularly impressive.

[Five C’ s]
Company: What do you know about the company? How big is it? Is it a public or private company? What kinds of products or services does it offer to its clients?
Costs: What are the major costs? How have its costs changed in the past year? How do its costs compare to those of others in the industry? How can we reduce costs?
Competition: Who are the biggest competitors? What market share does each player hold? Has market share changed in the last year? How do our services or products differ from the competition? Do we hold any strategic advantage over our competitors?
Consumers/clients: Who are they? What do they want? Are we fulfilling their needs? How can we get more? Are we keeping the ones we have?
Channels: Distribution channels. How do we get our product into the hands of the end users? How can we increase our distribution channels? Are there areas of our market that we are not reaching? How do we reach them?

Four P’s

[Four P’ s]

Product:
What are our products and services? What is the company’ s niche?

Price:
How does our price compare to the competition’ s? How was our price determined? Are we priced right? If we change our price, what will that do to our sales volume?

Place:
How do we get our products to the end user? How can we increase our distribution channels? Do our competitors have products in places that we don’ t? Do they serve markets that we can’ t reach? If so, why? And how can we reach them?

Promotions:
How can we best market our products? Are we reaching the right market? What kind of marketing campaigns has the company conducted in the past? Were they effective? Can we afford to increase our marketing campaign?

BCG Matrix

This matrix is designed to place a product or group of products into one of four categories while taking into account a company’s relative market share. BCG has been kind enough to let us reprint Chapter Three.

To be successful, a company should have a portfolio of products with different growth rates and different market shares. The portfolio composition is a function of the balance among cash flows. High-growth products require cash inputs to grow. Low-growth products should generate excess cash. Both kinds are needed simultaneously.

1. Products with high market share and slow growth are cash cows. They generate large amounts of cash, in excess of the reinvestment required to maintain share. This excess need not, and should not, be reinvested in those products.
2. Products with low market share and low growth are pets. They may show an accounting profit, but the profit must be reinvested to maintain share, leaving no cash throw-off.
3. Low-market-share, high-growth products are the question marks. They almost always require far more cash than they can generate. If cash is not supplied, they fall behind and die. It requires very large cash inputs that it cannot generate itself
4. The high-share, high-growth product is the star. If it stays a leader, however, it will become a large cash generator when growth slows and its reinvestment requirements diminish. The star eventually becomes the cash cow, providing high volume, high margin, high stability, security and cash throw-off for reinvestment elsewhere.

BCG Matrix

The need for a portfolio of businesses becomes obvious. Every company needs products in which to invest cash. Every company needs products that generate cash. And every product should eventually be a cash generator; otherwise, it is worthless.
Only a diversified company with a balanced portfolio can use its strengths to truly capitalize on its growth opportunities. The balanced portfolio has:

stars whose high share and high growth assure the future

cash cows that supply funds for that high growthquestion marks to be converted into stars with the added funds

Pets are not necessary. They are evidence of failure either to obtain a leadership position during the growth phase or to get out and cut the losses.

FIVE FORCES

Porter writes that the state of competition in an industry depends on five basic competitive forces:
1. The threat of new or potential entrants. This includes new companies or acquisitions of established companies by a new player. If barriers are high or if newcomers can expect entrenchment or retaliatory measures (such as a price war) from existing competitors, then the threat of entry is low. According to Porter, barriers of entry include:
economies of scale capital requirements
government policy switching costs
access to distribution channels product differentiation
proprietary product technology
2. Intensity of rivalry among existing competitors.
3. Pressure from substitution products, for example, sugar vs. high-fructose corn syrup and artificial sweeteners
4. Bargaining power of buyers. Buyers compete with the industry by forcing down prices, bargaining for higher quality or more services, and playing competitors against each other — all at the expense of industry profitability.
5. Bargaining power of suppliers. Forces 4 and 5 have to do with supply and demand. When there are many suppliers but few buyers, the buyers have the upper hand. When there are many buyers, but few suppliers, the suppliers have the advantage.

VALUE CHAIN

The Value Chain
In his 1985 book Competitive Advantage, Michael Porter introduced the value chain. It’s a framework that follows the company’s internal product processes starting with raw materials and ending with customer purchase and service

1. Raw materials and inbound logistics: receiving materials into the warehouse, relationships with suppliers, “just in time” (JIT) delivery, etc.
2. Operations: processing raw materials into product through the use of capital equipment and labor
3. Delivery: warehousing and distribution channels
4. Marketing and Sales: marketing strategy, identification of customer base and the cost of customer acquisition, sales force issues (e.g., commission, company car, etc.)Service: customers support, customer retention (It’s cheaper to retain a customer than to go out and bring in a new one.)

CUT COSTS

Before you answer, the McKinsey Quarterly* reminds us to consider the company's strategic needs and to think about the long-term consequences under a range of various economic scenarios. Do these areas "drive value" and do they help make the company "competitively distinctive"? Don't just cut equally across the board.

Labor

Cross-train workers. Cut overtime.

Reduce employer 401(k) or 403(b) match. Raise employee contribution to health-care premium.

Institute four 10-hour days instead of five eight-hour days.Convert workers into owners (if they have a stake in the company they will work longer, and harder and constantly think of ways to cut costs in a way that they might not have done before).

Contemplate layoffs. Institute across-the-board pay decreases.

Production

Invest in technology.

Consolidate production space to gain scale and create accountability.Create flexible production lines.

Reduce inventories (JIT).Outsource.

Renegotiate with suppliers.Consolidate suppliers. Import parts.

Finance

Have customers pay sooner.Refinance your debt.

Sell nonessential assets.Hedge currency rates.

Redesign health insurance.