The 1st **CraftingCases** CASEBOOK
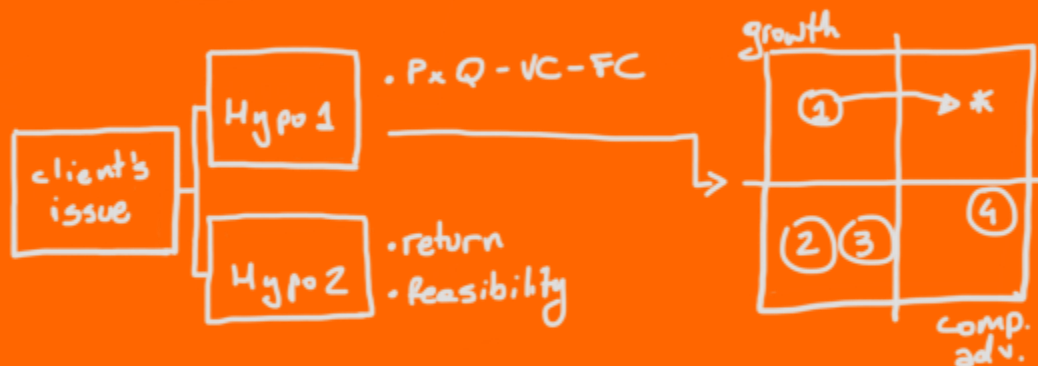
Your well-thought out casebook to get quality practice, receive insightful feedback, and master case interviews.

Cases: BierCo and Lean Fitness

By Bruno Nogueira and Julio Tarraf

Most casebooks kinda suck…

We've been in your shoes and we know how it feels.

Back when we were preparing for our case interviews, few materials were available. We relied heavily on whichever casebooks we could find.

Most of them had a few things in common: they were full of mistakes, the answers were often times confusing and it was difficult to give (and get) useful feedback.

Even then, they were exceptionally useful and important for our preparation and eventual offers at McKinsey and Bain. Even with the flaws, we are truly grateful for whoever put in the time to put them together.

But we have always imagined if there couldn't be a better way…

… so we decided to create the one we wish we had!

Our casebook is not a normal casebook. If you've known us for a while you know we don't do things like everyone else in case-interview-world. Here's a few differences:

- Instead of several cases, just a couple. Quantity is important for beginners, but every advanced candidate we've met is thirsty for quality. This casebook has two cases, but you'll learn more from these than you would doing ten cases from other sources.

- Multiple, detailed answers. Ever wondered if a certain issue is really that essential to be raised in a case or just a nice-to-have? Ever been in doubt if your structure is wrong, or simply different? We've got you covered. Here each question has not one, but a few answers. And explanations of each so you can actually know what's going on.

- Performance checklists. Simple, useful guides to evaluate answers for each question so you can give and get great feedback (and even study by yourself).

Instructions

Content
This casebook contains the candidate's version of the BierCo case and the interviewer's guide for the Lean Fitness case.

Practice time vs. learning time
In each question, you will find two suggestions of time to allow the candidate to structure their answer. Practice time is how long a real interviewer would allow. Learning time is how long a candidate who is learning should take, considering they are still mastering their skills. Developing good, thoughtful answers, even if taking longer to do so, is an important step in the path to mastering case interviews.

Sample answer and performance checklist
Each question has a sample answer which is good, not necessarily the best possible. If the candidate's answer is different than the sample answer, it is not necessarily bad. Go through the performance checklist for the specific question to assess whether the candidate's answer is good or bad.

Follow-up questions
In many of the questions you will find follow-up questions. They should be asked after the candidate finishes the answer to the main question. Follow-up questions are quite common in real cases, and may be previously planned by the interviewer or not.

Our suggestions

- Going through our material will greatly increase your understanding of the case and perception of performance as an interviewer. The usage and understanding of the cases are independent of any other materials.

- Although we highly recommend you read through and try solving the case yourself before interviewing someone with it, the casebook is designed so you only have to read through the question you are about to ask.

LEAN FITNESS

Should the high-end gym chain Super Body start a budget gym business (Lean Fitness)?

CANDIDATE'S VERSION

Case question / Framework question

Recommended time to structure ─┤ Practice mode: 3 min
Learning mode: 6 min

> Super Body is a high-end gym chain located in a few major Asian cities, currently with 30 units. They are considering opening several new facilities targeting the budget market, under a new brand: Lean Fitness. The budget fitness market is currently highly fragmented, and the main differences from the high-end market are that there's little supervision on the work-out and the work-out options are limited to weight lifting and basic cardio equipment, such as treadmills. What would you analyze to help Super Body determine whether they should launch the Lean Fitness business or not?

CANDIDATE'S VERSION

Estimation question

Recommended time to structure —⌈ Practice mode: 2 min

Learning mode: 4-5 min

> Some decision-makers at Great Fitness are unsure whether the budget market is large enough to make a difference and they can't find reliable figures on that.
>
> How would you estimate the market size of budget fitness clubs for an affluent 10 million people Asian city? (e.g. Seoul)

CANDIDATE'S VERSION

Analysis question

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Recommended time to structure ─┤ Practice mode: 3 min

Learning mode: 5-6 min

> From now on, let's assume the market size for that specific city is $325 million per year.
>
> Super Body expects Lean Fitness to snatch 30% of the current market with its new facilities,
>
> but their revenue target in that city is of $200 million per year. To get to this target, they expect
>
> to also get consumers who weren't previously in the market due to two main factors: (i) their
>
> clubs are going to be slightly better than current budget gyms and (ii) some of them are going
>
> to be closer to people's homes compared to the current options.
>
> Assuming the average budget customer spends on average $360 per year, what % of people
>
> *in the addressable market that currently don't work out in a fitness club* would have to join
>
> Lean Fitness so they can reach their target revenues?

CANDIDATE'S VERSION

Brainstorming question

Recommended time to structure — Practice mode: 2 min

Learning mode: 4-5 min

> Some Super Body executives are afraid Lean Fitness will cannibalize their current business. What approach would you use to assess how big this cannibalization risk is and what are things they can do to minimize it?

CANDIDATE'S VERSION

Recommendation question

Recommended time to structure ─┬─ Practice mode: none

└─ Learning mode: 2-3 min

> Suppose the project partner has entered the room and wants to know what do we know so far and what are the next steps before giving a recommendation to the client. What would you tell him?

CANDIDATE'S VERSION

BIERCO

Should the market leader brewery Meister acquire the second player, Helles?

INTERVIEWER'S GUIDE

BierCo case map

Framework question

Brainstorming question

Chart interpretation question (p. 21)

Analysis question

Recommendation question

Sample answer (p. 13)   **Performance checklist** (p. 14)

Appendix (p. 15-18)
- *Overall structure*
- *Specific issues*
- *Follow-up questions*
- *Hypothesis-driven structure*

Sample answer (p. 20)   **Performance checklist** (p.21)

Appendix (p. 22)
- *Overall structure*
- *Assumptions*
- *Reality check*

Sample answer (p. 24)   **Performance checklist** (p. 25)

Appendix (p. 26-27)
- *Overall structure*
- *Insight*

Sample answer (p. 29)   **Performance checklist** (p.30)

Appendix (p. 31-32)
- *Overall structure*
- *Insight*

Sample answer (p. 34)   **Performance checklist** (p. 35)

Case question / Framework question

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Recommended time to structure ─┬─ Practice mode: 3 min
                               └─ Learning mode: 6 min

Your client is a brewery called Meister, the market leader in Paraguay, with 45% of market share. The two next players, Helles and Dunkelbrau, have 25% and 15%. Meister executives are considering buying Helles and have hired you to assist them with that decision. How would you help them decide on this acquisition?

Follow-up Questions
To be asked after candidate presents their framework

1. Pick a data point the candidate has asked about with no explicit reason

• "You mentioned you're interested in knowing about [data point], why is this relevant to the case?" (in other words, what's your hypothesis?)

2. Pick a hypothesis (explicit or not) that the candidate has mentioned with no explicit test

• "Regarding [topic X], your hypothesis seems to be [candidate's hypothesis]. How would you test it?"

....

Suggested data points for Follow-up Question 1:

• *Distribution channel mix*

• *Customer's price sensitivity*

Suggested hypotheses for Follow-up Question 2:

• *Better bargaining power with suppliers after merger*
• *Companies' cultures might not be the right fit for the merger*

- **Most relevant issues**
- Insightful issues ★
  Underlying hypotheses

Framework: sample answer

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Expected increase in profits (synergies)

- Can we sell more liters of beer with the combined company than with both separate (improved marketing or distribution, for example)?
- Can we find operational synergies in manufacturing or distribution to reduce costs?
- Will scale enable us to cut costs using better supplier negotiation?
- Will our increased market power allow us to increase prices without losing share?

All of these four drivers of synergies must be mentioned. Giving specific examples (such as "renegotiating malt contracts with new scale" within "reducing variable costs per liter") makes the answer 2X stronger (more insightful) ★

Merger deal and implementation

- **How much must we pay to acquire Helles?**
- **Will the regulator allow this acquisition (which will render a 70% market share)?**
- Can both companies work as one in terms of processes and culture?

Even if there are synergies, most of the value created might be captured by Helles' shareholders

Regulator is highly unlikely to allow such a large market concentration

Strategic issues

- **How is Dunkelbrau likely to react?**
- How are breweries from other countries likely to react? ★
- Why not buy Dunkelbrau instead?
- Can we explore new attractive markets through Helles? ★

They are likely to react by trying to stop the deal or even after the deal, and their reaction will be strong given their severe loss of market power

Framework: feedback / self-evaluation checklist

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Framework performance checklist
A good framework must contain *all* of these traits

Overall structure (Categories)

☐ **Categories were MECE**
The structure was clear and thorough, with no gaps or overlaps

☐ **Structure was insightful**
It had important and unique aspects of the problem, and was not a mindless copy-paste of a generic framework

Issues / Hypotheses

☐ **At least 10 issues or hypotheses, half passing the "Toothbrush Test"**
The candidate mentioned at least 10 issues or hypotheses, and at least half passed the "Toothbrush Test" (were specific enough that they couldn't be used for a case in another industry, such as the toothbrush industry, for example)

☐ **All five critical issues of the case were raised** (A)
If candidate's issues were not exactly the same as ones in Appendix but touched on same underlying hypothesis, the issues were good enough

☐ **At least three insightful issues that show strong business sense were raised** (A)
Issues not listed in Appendix can also be insightful (but it depends on your judgment, so if in doubt, assume not)

Hypothesis-testing (follow-up questions)

☐ **Could justify need of data with a hypothesis** (A)
Candidate could answer Follow-up Question 1 with a reasonable hypothesis that justified the need for a piece of data asked during the presentation of the structure

☐ **Could test a hypothesis pragmatically** (A)
Candidate could answer Follow-up Question 2 by creating a pragmatic way to test a hypothesis raised during the presentation of the structure

Communication

☐ **Categories first presentation**
Candidate presented a structure telling what all the categories were before explaining which issues were within each category

☐ **Communicated some hypotheses and/or examples**
At least some issues were communicated along with the underlying hypotheses and/or examples

☐ **Spoke using natural sentences**
Categories and issues were presented using proper sentences (e.g.: "Understand who are the customers and what they want" is better than "I want to look into Customers")

Framework appendix: overall structure / categories

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Recommended structure

Expected synergies / profit increase

Merger deal and implementation

Strategic issues

- This structure is an adaption of the classic "Financial + Operational + Strategic" factors, which is useful to look at the same problem from different angles

- In this case I call "Synergies = Financial", "Deal and implementation = operational" and "Strategic = strategic"

- There are other ways to organize this, e.g.: putting financials of the deal along with synergies; or expected synergies and implementation of merger (short for actual synergies) together

Alternative structure

Helles	Distribution Channels
Meister	Competition
Demand / customers	Regulator

- A structure driven by key decision makers works in this case as long as you touch synergies as an issue

- Take care not to forget about the Regulator and the Distribution Channel buckets – the first is important due to consolidation; the second, to enable synergies

- It's OK (but not optimal) to put Distribution Channels within the Helles and Meister buckets

Advanced structure

Meister should buy Helles to create BierCo if…

There are large expected synergies	Other players won't react in a harmful way to this deal
Merger can be implemented and synergies can be captured	Meister can pay a fair price

- Conditional statements can be used to create a structure that is similar to the recommended above, but much stronger (due to the if -> then logic, instead of mere categories)

- Many people with a financial background will obsess over price paid – to a consultant looking at fundamental value creation is way more important

Common mistake

Customers

Company

Competition

Products

[To understand the reasoning on why using this framework is a mistake, compare it to the "Alternative Structure" above]

- The key of all M&A cases is to find a reason to merger the companies – usually but not always, synergies

- This framework is poor to find these reasons, for example: which company are you talking about? Helles or Meister or BeerCo? Which Customers are you talking about and why they matter? It's hard to fit key issues within this framework

- Some candidates *can and do* recover when using it throughout the case; your goal, however should be to ace it, not recover from it

☐ Issue raised (or similar)
Underlying hypotheses that the issue touches (this is the important part)

Framework appendix: issues and hypotheses

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Critical issues
To miss *any* of these is a critical mistake

☐ **What are the synergies after the merger**
It only makes sense to merge two companies if the combined value of them is larger than when separate

☐ **How easy / likely to implement synergies**
Maybe theoretical synergies exist but in practice they might not happen due to differences in processes and culture

☐ **Regulator will agree with the merger**
The two companies combined will get a 70% market share, high enough for any regulator to consider intervention

☐ **How the competitor (Dunkelbrau) might react**
This deal has the potential to cause a lot of harm to them, so they might react in a harmful way

☐ **Will we be able to pay a fair price for Helles**
Even if there's value created, we need to know if we'll be able to capture it

Insightful issues
A structure with *some* of these shows strong business sense (starred critical issues also count)

☐ **Any specific synergies (count 1 for each)**
There are many specific candidates a candidate can raise and they tend to be insightfuL

- Example: "by merging both companies we may be able to reduce fixed costs by shutting down a couple of factories given there's enough unused capacity currently"

Many other examples can be found in the answer to question 2 (Brainstorming)

☐ **Breweries from other countries might react to this acquisition**
If they've been thinking of entering the Paraguay market, this move can trigger other, unexpected M&A or Market Entry reactions from foreigners

☐ **How will our exposure to new markets / channels / customers change?**
Do we get new avenues / options for future growth and better business opportunities by buying Helles?

Common mistakes
Common issues that people raise that are not relevant to this case

☐ **Cannibalization between businesses**
[By far the most common mistake; cannibalization only happens when you stop making money on a more expensive product by selling a less expensive one, but in the current situation Meister' is giving their sales up to Helles, so they lose nothing by acquiring Helles]

☐ **Unfocused questions about customers**
[Many candidates ask the usual list of questions about customers and have no idea why each question is relevant to the case! One example is when they ask what the customer segments are and have a hard time explaining why this information matters to the merger. This case is especially prone to this mistake]

☐ **Too many financial metrics (e.g. Cost of Capital)**
[Consulting firms are hired to find underlying value, not blindly do valuations (leave those to investment bankers); focusing the case on the financials of the deal will leave the interviewer asking himself if you could do the job when no numbers are available]

Framework appendix: follow-up questions

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Follow-up Question 1

Sample answers for "You mentioned you're interested in knowing about [data point], why is this relevant to the case?"

Data point examples	Strong answer example[1]	Weak answer example
Mix of sales by distribution channel for both companies	"If one company has a strong presence in one channel (say, supermarkets) and the other in another (say, bars), they will both be strong in those two channels after the merger, increasing total volume sold."	"Distribution channels are really important to the beer business, because working closely with them helps you increase your sales."
Customer's price sensitivity	"If customers are sensitive to price when choosing between beer brands, but not between beer and other alcoholic categories, we may be able to increase price per liter after the merger since we'll be controlling 70% of the market."	"If customers are more price sensitive, then we will have an easier time raising prices; otherwise, price won't be a good lever to pull."

1 These are examples, but there are many good possible answers; as long as the hypothesis makes sense and the data can confirm or reject it, it's strong

Follow-up Question 2

Sample answers for "Regarding [topic X], your hypothesis seems to be [candidate's hypothesis]. How would you test it?"

Hypotheses examples	Strong answer example[1]	Weak answer example
Bargaining power with suppliers will increase due to higher scale	"To get a rough number, I'd compare variable costs per liter of large players vs. small players in this business; but to get a detailed figure I'd check 3 numbers: how much our supplier will lower costs due to our higher scale, what share of their sales will we represent and what their current margins are."	"I'd try to find out how much savings from negotiations do average companies of this size that merge can get."
Companies' cultures might not be the right fit thus harming the capture of synergies	"I would interview executives to understand what their working values, habits and processes are like; I'd be looking for core issues that can't coexist to confirm this hypothesis (e.g. one company promotes based on age; the other, on merit)."	"I would check how these companies worked through other mergers in the past; if other mergers worked well, this one might work well as well."

Framework appendix: sample hypothesis-driven answer (advanced)

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Conditions and sub-conditions for Meister to buy Helles

There are large expected synergies
- Revenue synergies
  - Volume synergies
  - Price synergies
- Cost synergies
  - Variable cost reductions
  - Fixed cost reductions

Merger can be implemented and synergies can be captured
- Merger can be implemented
  - Regulator will let merger happen
  - Both companies' executives and employees would be open to go through the pains of merging
- Synergies can be captured
  - There is fit between the processes that need to be integrated among the two breweries
  - There is cultural fit between the two breweries

Other players won't react in a harmful way to this deal
- Dunkelbrau has no means, incentives or historical behaviour to react in a harmful way
- (Same for) Foreign breweries
- (Same for) Other market players

Meister can pay a fair price for Helles
- Helles major shareholders want to sell the company
- There are no other potential buyers competing for the deal
- Overall market conditions are pricing stocks fairly

Brainstorming question

Recommended time to structure
- Practice mode: 2 min
- Learning mode: 4-5min

> Your team is trying to assess a fair price to offer for Helles's shares. The main driver for this are the synergies. What are the potential synergies in this merger?

Note: this is a "multiple ideas" brainstorming question. **When the candidate runs out of ideas, push for more** (by saying "what else?") **at least a few times** (or until candidate can't think of more ideas). More equals better in this case, but it's important they're *specific and actionable* synergies ideas (i.e. they have to pass the Toothbrush Test).

Brainstorming: sample answer

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Synergies

- **Revenue synergies**
  - **Price synergies**
    - Margin pressure over retailers: we could increase how much we charge them without letting them pass on increases to consumers
    - Complete price portfolio: we could have more brands at different price points
    - POS lock-in (see bellow)
  - **Volume synergies**
    - POS lock-in: we would have better influence over Points-of-Sales to be their exclusive beer-seller
    - More POS per brand: we can utilize the whole distribution network of both brands to sell more brands per POS

- **Cost synergies**
  - **Direct costs**
    - Procurement
      - Better negotiation power with key suppliers (malting barley and bottling, for example)
    - Production
      - Factory consolidation (e.g. closing 1 factory is there are 4 @ 75% utilization in total)
      - Best practices (losses, maintenance)
    - Logistics
      - Warehouse consolidation
      - More efficient Point-of-Sale distribution
      - Reduced km/liter due to spreading out products across warehouses from both companies
  - **Indirect costs**
    - Sales and Marketing
      - Reducing salespeople (same salesperson selling both brands
      - Sales best practices applied to whole company
      - Reduced marketing wars / advertising competition
      - Better bargaining power with media providers
    - G&A

(A) Check insights / examples from Appendix

Brainstorming: feedback / self-evaluation checklist

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Brainstorming performance checklist
A good brainstorming answer must contain *all* of these traits

Structure

☐ Candidate had a structure to work with before listing ideas
All questions must be answered with a structure, including brainstorming questions

☐ Structure was MECE
The structure was clear and thorough, with no gaps or overlaps

Prioritization

☐ Most time was spent in the most important parts of the problem
Candidate spent most of the time in the ideas / hypotheses that (i) had a large impact, (ii) had a large probability of happening, and (iii) which the client had a high degree of control over

☐ Skilled handling of push for more and more ideas
Candidate was able to understand that interviewer was looking for as many ideas as possible by his/her behavior and reacted accordingly by giving more and more NEW ideas as time went by

Ideas / Hypotheses

☐ At least eight relevant ideas or hypotheses
The candidate presented at least eight ideas or hypotheses, and was able to generate more if asked by the interviewer

☐ All three critical issues of the case were raised
If candidate's issues were not exactly the same as the Appendix, but touched on same underlying hypothesis, they were good enough   (A)

☐ At least three synergy ideas contained insightful issues (they could come from one or more insightful issues, however [e.g. three ideas related to bottlers])
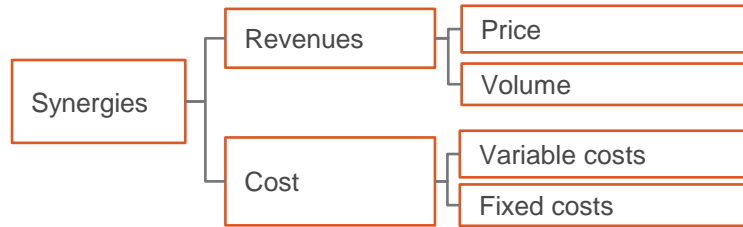*Issues not listed in the Appendix can also be insightful (but it depends on your judgment, so if in doubt, assume not)*   (A)

Communication

☐ Structure first presentation
Candidate presented structure telling what were all the categories before explaining which ideas and hypotheses were within each category

☐ Ideas / hypotheses were specific and actionable
"Increased switching costs for bars" = bad; "we will get more power to agree with bars to carry only our brands by giving them an incentive and thus increase our combined market share" = good

Brainstorming appendix: structures and key issues

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Examples of alternative structures to breweries synergies

```
Synergies ──┬── Revenues ──┬── Price
            │              └── Volume
            └── Cost ──┬── Variable costs
                       └── Fixed costs
```

Purchasing Synergies	Production Synergies	Distribution synergies	Pricing synergies	Other synergies

Market / negotiation power synergies	Labor productivity synergies	Capital productivity synergies	Improved distribution synergies	Other synergies

Key issues to mention

Critical issues

- Improved bargaining power: with suppliers, distribution channels, etc

- Optimization of productive assets: e.g.: closing down factories and spreading production to excess capacity of others

- Improved sales due to improved distribution: both companies' brands will be able to use the distribution footprint from both companies

Insightful issues

- Bottlers: these are a key step of the beer value chain, candidates who can anticipate what happens here get a great impression of business sense (at a basic level, costs are cut due to negotiation improvements, but it can go much deeper)

- Warehouses: There are many logistics synergies due to all products having access to all warehouses, and closing down some; most candidates forget about this part of the value chain

- Pricing negotiations with distribution channels: how will the merge affect how price and margin is negotiated with bars, restaurants, supermakets and so on? As with others, there are many layers to this answer

Chart Interpretation question

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Recommended time to structure — Practice mode: 1 min
Learning mode: 2-3 min

What insights do you take from this table?

	Meister	Helles
# of salespeople	570	500
Cost per salesperson per year (US dollars)	$31,500	$30,000
Salesforce efficiency (bars & restaurant per salesperson)	140	120

# of bars and restaurants	
Total in country	100,000
Sell Meister	80,000
Sell Helles	60,000
Sell Meister & Helles	40,000

Follow-up Question
To be asked after candidate presents their final answer

- "Why do you think Meister's salespeople are more productive than Helles's?"

Chart Interpretation: sample answer

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	Meister	Helles
# of salespeople	570	500
Cost per salesperson per year (US dollars)	$31,500	$30,000
Salesforce efficiency (bars & restaurant per salesperson)	140	120

# of bars and restaurants	
Total in country	100,000
Sell Meister	80,000
Sell Helles	60,000
Sell Meister & Helles	40,000

"It seems there's potential synergies for both increasing sales volume and cutting sales costs in the bars and restaurants channel in case we merge the two companies, for three main reasons:

1. We could sell Meister in 20k more bars and restaurants and Helles in 40k more by combining our distribution footprints

2. We would need less salespeople with the combined company to cover the 40k bars that carry both brands

3. There's a likelihood we could increase Helles' salespeople productivity by ~15% or reduce Meister's salespeople's salaries by ~5% by incorporating best practices

The next step would be to size these synergies and see how large of an impact do they have on the profit of these companies"

Chart Interpretation: Feedback / Self-evaluation checklist

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Chart Interpretation performance checklist

A good chart interpretation answer must contain *all* of these traits

Clarification

☐ **The candidate understood the chart and all of it's metrics**
The whole chart was well understood by the candidate, either automatically or by asking clarification questions – if there's evidence they didn't understand something on the chart, it's a failure

Interpretation

☐ **Two or three main insights from the chart were well described**
The candidate enumerated two or three main insights from the chart that were accurate and relevant to the case (A)

☐ **Insights were connected to case objective and quantified whenever possible**
It was very explicit why each insight was relevant to the client's goal, and they were roughly quantified when numbers were available

Synthesis and Next Steps

☐ **An overall synthesis of the chart was stated (the "so-what")**
This is usually a master-insight that's directly connected to the case objective and that you can get to by combining the direct insights from the chart (A)

☐ **The logical next steps to the case were enumerated**
Next steps were created using both hypotheses that derive from the chart's insights and tests to those hypotheses (A)

Brainstorming (follow-up question)

☐ **Had a MECE structure**
Candidate reacted to the follow-up question using a structure that was MECE (vs. throwing ideas with no structure or using a poor structure)

☐ **The candidate touched most major issues with the question**
Check some possibilities in Appendix (A)

Chart Interpretation appendix: insights and next steps

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	Meister	Helles
# of salespeople	570	500
Cost per salesperson per year (US dollars)	$31,500	$30,000
Salesforce efficiency (bars & restaurant per salesperson)	140	120

of bars and restaurants

Total in country	100,000
Sell Meister	80,000
Sell Helles	60,000
Sell Meister & Helles	40,000

Key insights to mention

Critical insights

- Salary difference: Helles's salaries are ~5% lower. If we could lower Meister's too, we could lower salesforce costs by 5%.

- Meister's salespeople are more efficient: salespeople ~15% more efficient could mean ~15% less salespeople.

- Overlap of 40K bars and restaurants means BierCo could lay off at least 330 salespeople.

Nice-to-have's

- Together both breweries cover all bars in the country: large potential gains in volume synergy, with Meister in 20K new bars and Helles in 40K.

- 40K bars that sell both represent potential price synergies (margin pressure) or volume synergies (POS lock-in: give discounts or merchandise to get them to sell only BierCo's brands).

Next steps that could be mentioned

- Estimate total decrease in salesforce; ★

- Estimate potential volume synergies if we can figure out increase in sales per new bar covered;

- Estimate potential price synergies given higher share of POS's sales;

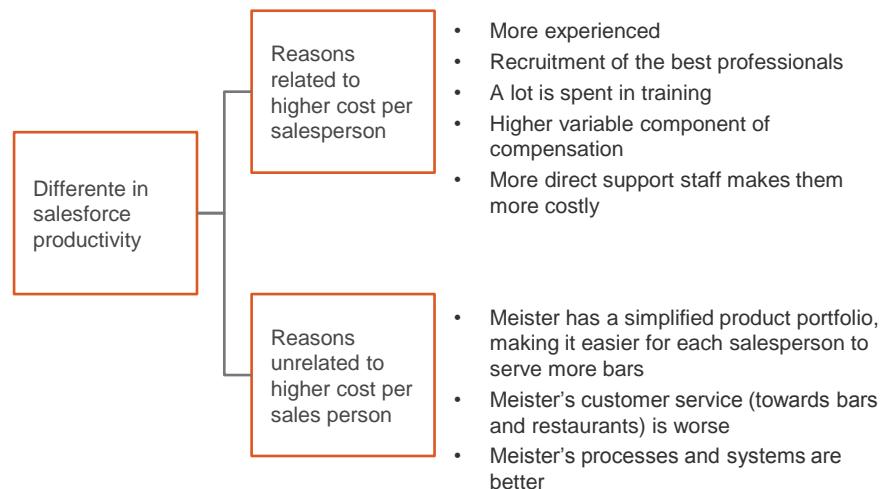- Analyze whether POS lock-in is feasible.

Common mistakes

- Describing the data on the chart but not taking any conclusions;

- Mentioning some insights, but with no clear next steps or guidance towards action;

- Mentioning interesting further analysis, but with no clear path towards solving the case question.

Chart interpretation appendix: follow-up question

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Follow-up Question

Sample answers for "Why do you think Meister's salespeople are more productive than Helles's?"

Differente in salesforce productivity

Reasons related to higher cost per salesperson
- More experienced
- Recruitment of the best professionals
- A lot is spent in training
- Higher variable component of compensation
- More direct support staff makes them more costly

Reasons unrelated to higher cost per sales person
- Meister has a simplified product portfolio, making it easier for each salesperson to serve more bars
- Meister's customer service (towards bars and restaurants) is worse
- Meister's processes and systems are better

Alternative structures

Reasons related to scale differences	Compensation costs	External (market) factors
Reasons not related to scale differences	Other salesperson-related costs	Internal (company) factors

OR ... *OR*

Other example of hypotheses to raise

- The geographical market both companies serve might have structural differences in salary or productivity

- Helles might serve larger bars and restaurants, that require more salesperson time

- Helles might be expanding its distribution and salespeople spend a lot of time prospecting new customers

- Meister's salespeople spend less time in traffic because they have high market share in areas with high bar and restaurant density

Analysis question

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Recommended time to structure
- Practice mode: 3 min
- Learning mode: 5-6 min

What is the potential salesforce cost reduction after the merger?

	Meister	Helles
# of salespeople	570	500
Cost per salesperson per year (US dollars)	$31,500	$30,000
Salesforce efficiency (bars & restaurant per salesperson)	140	120

# of bars and restaurants	
Total in country	100,000
Sell Meister	80,000
Sell Helles	60,000
Sell Meister & Helles	40,000

Data to give as requested

- The new company will be able to choose a pair of salary and efficiency between Meister's and Helles's (meaning they can either pay $31,500 and have efficiency of 140 or pay $30,000 and have efficiency of 120)

- Sales model: each POS is assigned to a salesperson who represents the whole company, negotiating discounts, deliveries and other issues – each salesperson deals with several POS

Follow-up Question
To be asked after candidate presents their final answer

- "What do you think of this number?"

Analysis: sample answer

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Step 1	Finding out how many salespeople will we be able to lay-off	How many salespeople we have right now	Meister salesforce + Helles salesforce = **1070 salespeople**
		How many salespeople will be needed	# of bars served / salesforce efficiency = 100k / 140 = **715 salespeople**
		Lay-offs	1070 - 715 = **355 salespeople**
Step 2	Finding out how much money will we save from those lay-offs	Savings from firing 355 Helles' salespeople	# of people fired (Step 1) * Cost per person = 355 * $30,000 = **$10.7 million**
		Salary increase for remaining Helles' salespeople	Remaining Helles salespeople * Cost increase per peson = (500 – 355) * ($31,500 - $30,000) = 145 * $1,500 = **$0.2 million**
		Salesforce cost synergies	$10.7 million - $0.2 million = **$10.5 million**

Insight / so-what (Follow-up question):

"We're reducing salesforce costs by one third, which is definitely relevant. To have a better idea of whether this alone justifies the merger, I would need to know our current profits to how much would this increase our profits by.

Even if it doesn't justify the merger alone, this is only one of the many potential synergies, so there might still be a lot of potential elsewhere."

Assumption (as confirmed with interviewer): BierCo's salespeople will cost $31,500 and be capable of serving 140 bars and restaurants each

A — Check insights / examples from Appendix

Analysis: feedback / self-evaluation checklist

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Analysis performance checklist
A good analysis must contain *all* of these traits

Structuring

☐ A mathematical structure with no relevant issues missing
The structure was completely mathematical, and its elements resulted in the final number with the correct units

A

☐ Correct data request
The candidate asked for all necessary pieces of data

Calculating

☐ Correct calculations
Up to one or two calculation mistakes is fine, as long as the candidate was the one to catch them, not the interviewer

☐ "Out loud" math
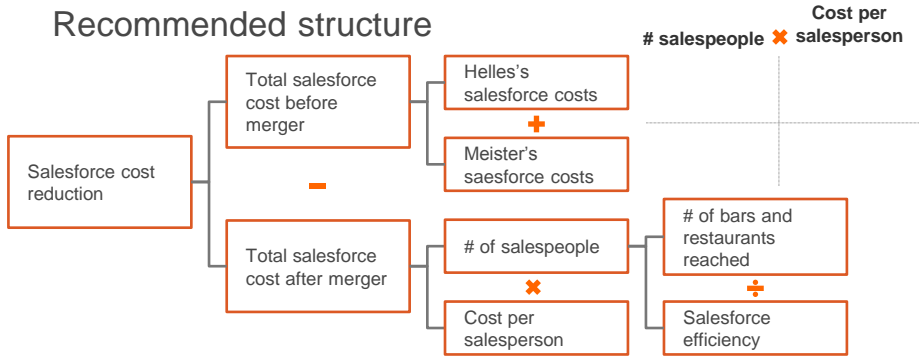*The candidate guided the interviewer through their calculations while doing them*

Insight generating

☐ An action-oriented, case-related insight after the calculation is done
The insight that came out of the analysis implicitly or explicitly lead the case towards new action, which could have been new analyses or hypotheses of concrete actions

☐ Proactive insight generation
The candidate has the initiative to come up with a conclusion related to the case based on the analysis made

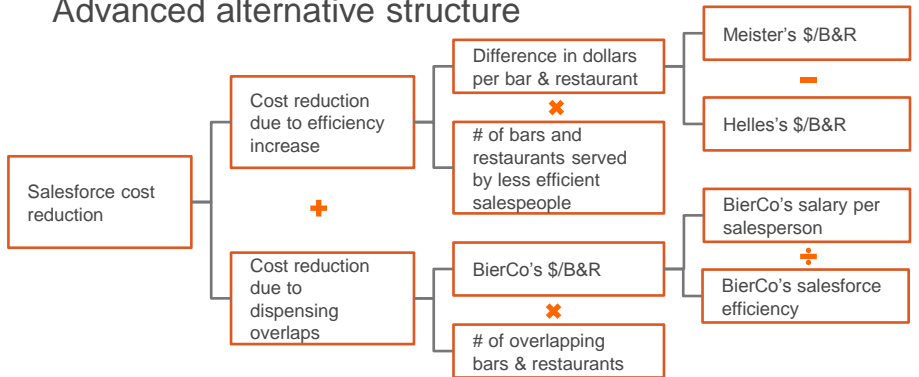# Analysis appendix: alternative structures

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Recommended structure

 # salespeople ✖ **Cost per salesperson**

- Salesforce cost reduction
  - Total salesforce cost before merger
    - Helles's salesforce costs
    - **+**
    - Meister's saesforce costs
  - **−**
  - Total salesforce cost after merger
    - # of salespeople
    - **✖**
    - Cost per salesperson
      - # of bars and restaurants reached
      - **÷**
      - Salesforce efficiency

Alternative structure

Step 1
What are the current costs?

Step 2
How many bars and restaurants will we supply?

Step 3
What will the efficiency and salary of the salesforce be?

Step 4
How many salespeople will BierCo have?
(Step 2 / Step 3)

Step 5
What will the post-merger salesforce costs be?

Step 6
What is the total post-merger cost reduction?
(Step 1 – Step 5)

Advanced alternative structure

- Salesforce cost reduction
  - Cost reduction due to efficiency increase
    - Difference in dollars per bar & restaurant
      - Meister's $/B&R
      - **−**
      - Helles's $/B&R
    - **✖**
    - # of bars and restaurants served by less efficient salespeople
  - **+**
  - Cost reduction due to dispensing overlaps
    - BierCo's $/B&R
      - BierCo's salary per salesperson
      - **÷**
      - BierCo's salesforce efficiency
    - **✖**
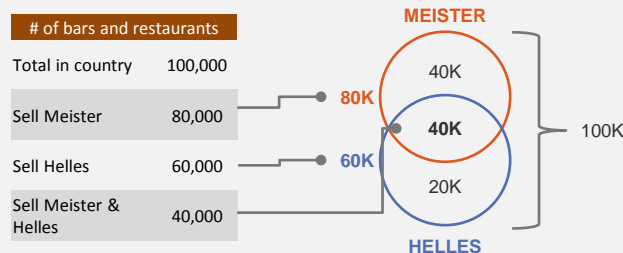   - # of overlapping bars & restaurants

Common mistakes

- Not understanding the situation or data before starting to structure:
  - That each salesperson serve a specific group of bars and restaurants;
  - How salary and efficiency are correlated;

- Starting to calculate without finishing the structure first.

Analysis appendix: confusing parts

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Confusing part 1

How to get to the # of bars served after the merger?

# of bars and restaurants	
Total in country	100,000
Sell Meister	80,000
Sell Helles	60,000
Sell Meister & Helles	40,000

80K

60K

MEISTER

40K

40K

20K

HELLES

100K

Out of Meister's 80,000 bars and restaurants, 40,000 have Helles' competition and 40,000 have not; out of Helles' 60,000 bars and restaurants, the same 40,000 have Meister's competition and 20,000 don't. Thus, both together cover 100,000 points of sale, in other words, all existing in the country.

Confusing part 2

How to choose which pair of salary vs. efficiency to use?

Be aware the candidate has to *ask* if they should use Meister's or Helles' figures to both cost per salesperson and efficiency

Interviewer should make it explicitly that they can choose wither pair (either both figures from Meister or both from Helles)

	Meister	vs.	Helles
Cost per salesperson per year (US dollars)	$31,500 + 5%		$30,000
Salesforce efficiency (bars & restaurant per salesperson)	140 + 16%		120

Meister's salespeople are 15% more efficient and only 5% more expensive, so it pays out to pay more to them

Analysis appendix: insight / "so-what"

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Insight
Sample answers for "Do you think this is feasible?" or spontaneous insight given by candidate

Strong answer example

"We're reducing salesforce costs by one third, which is definitely relevant. To have a better idea of whether this alone justifies the merger, I would need to know our current profits to how much would this increase our profits by.

Even if it doesn't justify the merger alone, this is only one of the many potential synergies, so there might still be a lot of potential elsewhere."

Strong answer example

"We're saving $10 million and we serve 100k bars, so we're saving about $100 dollars per bar per year."

I don't know what's our revenue per bar, but even though I wouldn't say no to $10 million, this doesn't seem like much on a first look. I would think there's more opportunities on revenue synergies, so my next step would be to explore that."

Weak answer example

"I don't think that is really significant, a reduction of $10M in total costs of such a giant brewery, with 70% of market share does not seem relevant at all."

Weak answer example

"Well, that is a 30% reduction in salesforce costs. That's got to be relevant."

Common mistakes

- Insight does not point toward action;

- Insight does not compare value to something in order to get meaning out of it;

- Conclusion does not match compared data.

Recommendation question

Recommended time to structure — Practice mode: none

Learning mode: 2-3 min

> Suppose the CEO has entered the room as soon as you've finished the last analysis, and she wants a quick idea on what to tell the board members on her next meeting regarding this acquisition. What would you tell her?

Recommendation

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Sample answer

So far it seems there's value on acquiring Helles, although we cannot say for sure you should do that yet. There's two major points favoring the acquisition:

1. We've identified several of potential revenue and cost synergies in the beer business, which could lead to higher profits combining these companies

2. Specifically on distribution to bars and restaurants, there seems to be a ton of synergies – we've calculated $10 million for salesforce cost optimization alone, and there might be much more on increased volume and price pressure

The next steps I'd take before actually recommending the merge would be to first estimate the other big synergies in production and distribution, and two, to make a risk assessment of the regulatory and competitive environments

Performance checklist

Substance

☐ A clear direction was given
The synthesis of the case pointed the client to a clear direction (e.g. to acquire or not), and was not just a bunch of facts with no cohesion

☐ The most decisive conclusion possible, given the facts
The recommendation was as strong as the facts allow, but not stronger (i.e.: if there weren't enough facts, the candidate said why and the next steps needed to state the recommendation)

☐ Key insights backing the conclusion
On top of the conclusion, a few key facts and insights that supported it were mentioned

Communication

☐ A structured, enumerated answer
The key insights and facts backing up the conclusion were orderly enumerated

☐ Clear, concise and precise wording
The wording of the answer used as few words as possible and conveyed a clear and precise message, suited for a high-level executive audience