



Case Interview Preparation Booklet

Queen's Consulting Association

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How to use this book

Preamble

Starting case preparation is always cited as a challenge by potential consultants during the lead-up to recruiting. There is a proliferation of case instructors, case prep books and assorted cases for practice, however, there did not exist an introductory guide to case preparation with real cases. Therefore, it seemed a logical step for the QCA to develop a **beginner case book** of its own. This book contains 14 original cases written by the QCA. The first 4 cases are designed for individual practice, to gain an understanding of the basics, and the remaining 10 are for practice with a partner. The cases contained within this book are, on average, less challenging than the ones available in many other case prep resources we studied when preparing this book. As such, we have linked further materials at the end to refine your case interview skills.

Why cases at all?

A case interview tries to mimic a real multi-month consulting engagement in 30-minutes. Preparation is extremely important for consulting interviews because there is nothing in coursework or extracurriculars that will properly prepare you for a case interview.

Case Preparation

Timeline

**The following timeline is aimed at students looking to prepare for interviews during On Campus Recruiting (OCR) – this should work as a guide to create your own preparation schedule*

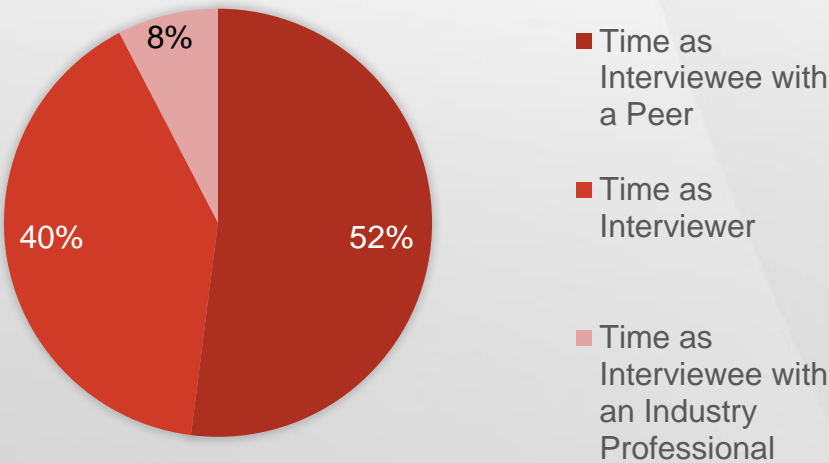
Month	1	2	3	4
Case Prep	<ul style="list-style-type: none">• Work through this casebook• Create your own prep schedule• Begin working on your structure and frameworks	<ul style="list-style-type: none">• Begin using the additional materials provided in this book• Practice cases with a partner when possible	<ul style="list-style-type: none">• Continue to work through casebooks with a partner• Finalize your case approach	<ul style="list-style-type: none">• Run through entire mock interviews• Attempt to mock with fellow students or recent alumni• Continue practicing cases/mental math/ etc.
Behavioral Prep	<ul style="list-style-type: none">• Begin to formulate your “tell me about yourself” or your personal story	<ul style="list-style-type: none">• Begin to write out stories to be used in interviews, following some structured approach (e.g. STAR)	<ul style="list-style-type: none">• Begin practicing your stories and develop answers to classic behavioral questions• Start reciting your “tell me about yourself” outloud	<ul style="list-style-type: none">• Finalize your “tell me about yourself” and personal stories• Develop final answers to common behavioral questions• Develop firm-specific answers (e.g. “Why XYZ firm?”)
Networking	<ul style="list-style-type: none">• Begin your research about firms	<ul style="list-style-type: none">• Start to narrow down firm choice and being developing more thorough firm-specific research	<ul style="list-style-type: none">• Using both your personal network, alumni network, other students, or cold emails, begin to reach out to and try to set up networking calls or coffee chats	<ul style="list-style-type: none">• Continue setting up calls/coffee chats, attend recruiting events when possible



How Many Cases to Do

Based on data collected from the class of 2019 & 2020, successful candidates have allocated their case preparation time as follows:

AVERAGE PREP DIVISION



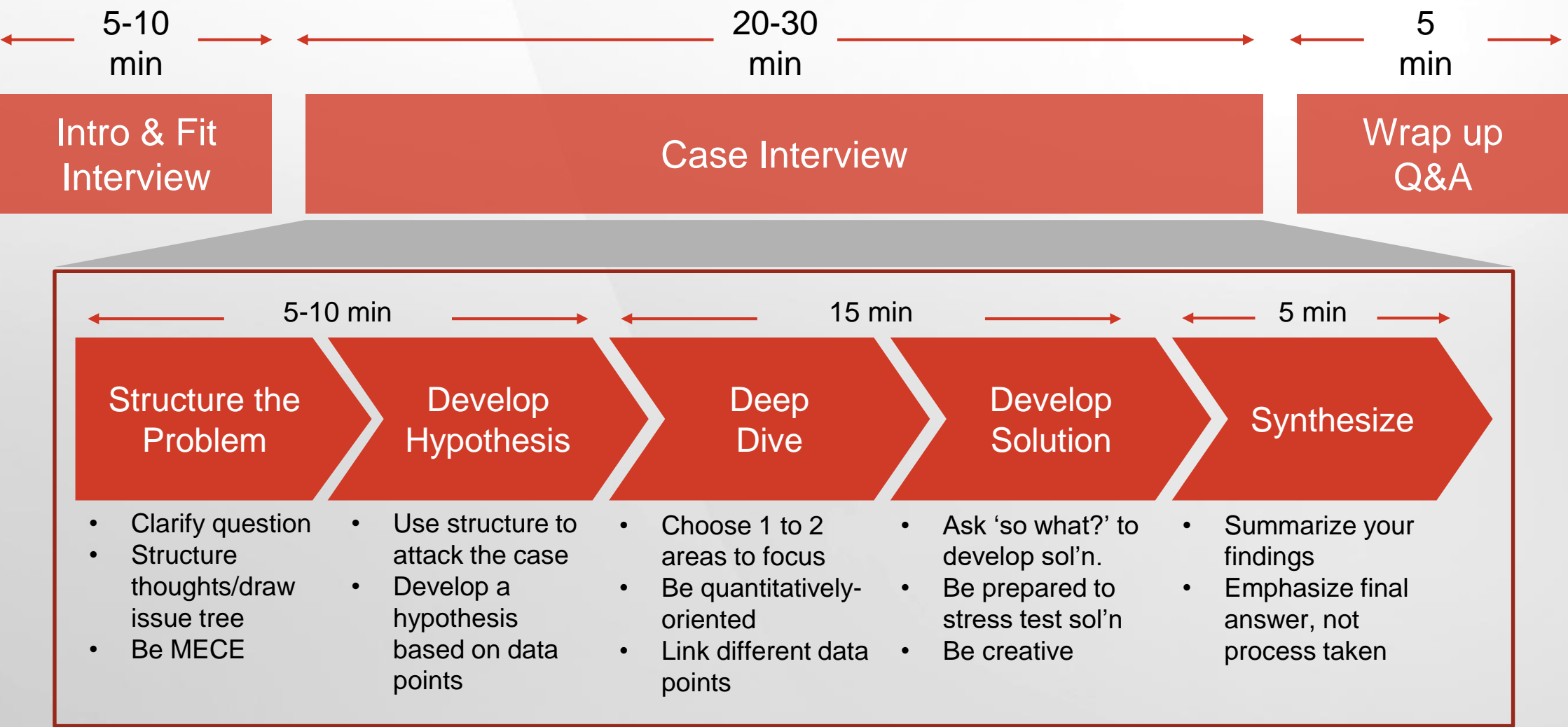
The average total time spent as either the interviewer or interviewee was **38 hours** (~1 hour per case)

The average number of cases done as the interviewee was **21.6 cases**

The average number of cases delivered as the interviewer was **15.58 cases**

- We suggest that you divide your time with respect to this casebook as follows:
- Spend 25% of your **total interview preparation time** on this casebook before moving to other resources. Divided into:
 - 25% trying the individual cases
 - 75% working through the remaining cases with a partner

Typical Case Interview Flow



Structure the Problem



- **Get the case facts and objective correct** – ask clarifying questions
 - If interviewer says the objective is to be market leader in 5 years; clarify what it means (e.g. 20% share or \$20MM revenues)
- **Do not simply repeat** what the interviewer said
- Take **one minute** to draw out your own structure
- **Structure components:**
 - Two levels of structure: broad buckets and sub-buckets
 - Draw out a tree instead of bullet points
 - Be MECE
- **Turn paper around** to show the structure

Did you solve the right question?

Don't force fit any frameworks

Develop Hypothesis



- **Refer to your structure** throughout the analysis
- Prioritize your thoughts by forming a **hypothesis**
 - Use your info provided and any clues from interviewer
 - Use framework and info to form initial hypothesis
 - Sometimes answer is less obvious, don't feel pressured to form hypothesis without enough data
- **Organize your investigation per your structure**
 - Organizing analysis in sections may be beneficial (paper mgmt.)
 - This gives interviewers a chance to help if your thoughts go astray
- **Engage the interviewer**

Use data to form hypothesis
(80:20 rule)

Be flexible; your initial structure may not be the best

Deep Dive



- **Organize papers as presentation slides**
 - Use separate pages for revenue analysis, cost analysis, profit
- **Link together different data points**
 - Don't just look at each data set independently
- **“Public math” - be aware of what the end goal is**
 - Show calculations
 - Talk through math
 - Practice makes the initial discomfort disappear
- **Common facts:** Brush up on global and Canadian population, GDP, growth, industry trends, recent news
- **Set up quantitative data in an excel-style table format** when possible

Make sure to
setup the
equation first

This is the most
challenging part;
practice makes
perfect!

Develop Solution



- **Be sure to think critically**
 - Avoid mentioning the most obvious points
- **Develop creative solutions - think outside the box**
 - Pressure test solutions
 - If you think the goal is not achievable, suggest alternatives
- **Always consider implementation risks and mitigation strategies**
- **Leverage analysis to make a powerful statement**
- **Always end with a clear recommendation**

Your solution:

- 1) Best among alternatives
- 2) Practical
- 3) Fact-based

Synthesize



- **Take a moment to prepare thoughts**
 - Avoid mentioning the most obvious points
 - Be prepared for the elevator test
 - Highlight main points as you go over the analysis to facilitate a concise summary
- **Provide the answer to the question (“Answer-first”)**
- **Talk through reasons behind the answer**
- **Do not focus on the methodology behind the answer**

“Executive
Summary”
Style

Math

Doing the Math

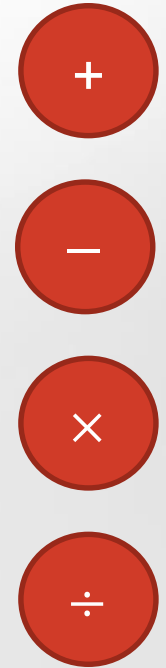
Most of the math you will need for a consulting interview will be simple arithmetic. However, doing these computations on pen and paper and dealing with numbers in the millions and billions while someone else impatiently watches can be the most dreaded part of the case. Many interviewers view mental math as a quick intelligence test, and in some cases, getting the math right can make or break your interview.

Use Shortcuts

- Learn to manage your zeros; scientific notation can help
- Round numbers when possible (ask first)
- Look for shortcuts. Usually, when you find yourself doing long division with amny zeros, you've missed a shortcut somewhere.

Sanity Check

- Check that the number you have come up with makes sense within the context of the case.
 - For example, make sure you are not saying that the market size for running shoes in Canada is 200 million individuals, or that the average price of running shoes is \$20.



Math (2)

Use the Numbers

- When it comes to the math, it is important not only to come up with an accurate number, but that you use the number to guide the direction you take with the case. What does the number tell you about the aspect you are currently investigating? Should you dig deeper into it, or should you look somewhere else?
- This is a quality that can differentiate a great candidate from a good candidate.

Practice! Practice! Practice!

- There is nothing natural about doing computations involving large numbers in your head in front of an interviewer with the pressure of landing your dream job on the line.
- It is crucial that you practice mental math until you are comfortable doing it in front of an actual interviewer, not just in your head, but actually talking someone through your process.

Dealing With Mistakes

- Mistakes happen, and when they happen, it is important that you recover and don't make the same mistake more than once.
- Don't let a mistake throw you off course. Stay calm. Say "let me check that again", and check your work or redo the calculation.



Frequently Asked Questions

Questions

How did you prepare for your case interviews?

"I prepared in a similar fashion to that of other interviews; mainly trying to practice with other students and those in the industry to refine my skills. One addition was to focus on the firm's specialty. In my case it was pricing strategy, so I made sure to spend time doing pricing-specific cases."

What is the best thing about being a consultant?

What is the worst?

"What I have observed to be the best part of being a consultant is the variety of work. Consulting is rare in the sense that as a young consultant, you have the opportunity to get exposure to many different industries, working with many different problems, often with senior leaders at pivotal moments for companies. Therefore, early in your career, you have both a breadth and depth of knowledge which can be applied to many different career paths. The worst part about being a consultant is that working primarily on strategy projects, you don't often get to see a project through, and directly witness whether your recommendations were successful."

In your opinion, does the preparation/interview of cases reflect the skills a consultant needs to succeed?

"The case preparation does reflect a set of skills a consultant needs to be successful, but it does not capture all, or even most, of the necessary skills. Case interviews are in place to test a candidate's ability to gather, synthesize (both quantitatively and qualitatively), and present information similar to what a consultant may receive during an engagement. However, this is only a small fraction of a typical project. Consultants need to be able effectively manage team relationships, complex stakeholder management, be an effective speaker both at an individual and group level, learn and adapt quickly, and many other skills that a case interview typically does not measure."

"Although it is critical to master cases in order to be successful in consulting recruiting, it is important to keep in mind this is only one of many skills required to be successful as a consultant. Those interested in consulting should be cognizant of this and look to develop a wide range of skills outside of the case interview format."

Frequently Asked Questions (2)

Questions

What distinguishes a solid candidate during a case interview?

“A candidate who stands out in a case interview will be able to effectively analyze a case situation maintaining a strong and logical structure, be hypothesis driven, be able to maintain composure under pressure, be able to effectively articulate complex ideas and conclusions, as well as work in a collaborative manner, ensuring they actually enjoy the process itself.”

Are there any pieces of advice you would give to candidates that is often overlooked?

“Remember that a case interview is not one-sided. You should feel comfortable to work collaboratively with the interviewer, walking them through your thinking, and making sure both you and the interviewer are on the same page. Though the bulk of the work is your responsibility, keep in mind that you should treat this as an opportunity to demonstrate your collaborative and teamwork skills, in addition to your case analysis skills”

What do you think interviewers look for in a behavioral interview? Do firms weight cases more than behavioral interviews?

“Behavioral interviews vary greatly between firms, but in general, interviewers want to make sure of two things: first, if the candidate fits well in the firm culture. They want to ensure that a potential candidate will be successful in the firm’s culture, and look to gauge this through behavioral questions. Second, the interviewer wants to ensure that the candidate is structured in their thinking. This skill is critical in both being able to effectively communicate as well as interact with clients. This often takes the form of describing personal stories.”

How to use this section

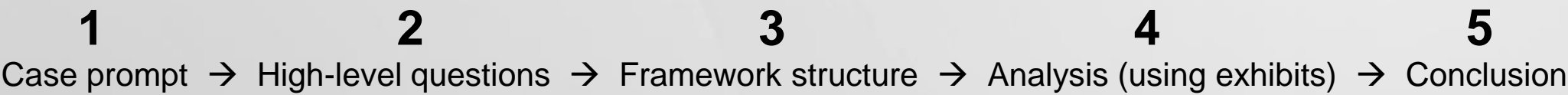
Purpose of this Section

This section of cases are written to try **on your own**. They are structured such that you read one slide, try and answer the question, then compare your answer to the following slide

Structure

The first case is basic and its goal is to help you understand how cases flow. The next three match up with a framework outlined earlier (Growth Strategy, Profitability, Market Entry... in that order).

How a case flows



Case Prompt



Your client is one of the major Canadian banks. In recent years, they have found that growth in their current businesses has not been as fast as they would like and recent regulatory changes have begun squeezing their margins. As such, they would like to move into the wealth management business as a way of generating additional profits and have hired us to figure out how to do so.

Try yourself:

→ Come up with **2-4 key questions** you would ask the interviewer about the client's business to better understand the problem (before you outline a structure), then proceed to the next slide

Potential Questions & Answers

Questions

1

General Information

- What is wealth management?
- How do you make money?

2

Company

- What does our bank currently do to make money?

3

Customers

- What type of clients do banks typically serve?

4

Competitors

- Do the other major Canadian banks have a wealth management offering?
- How concentrated is the market?

Answers

1

General Information

- A client meets with an advisor to discuss their investment needs, then the advisor invests in specific securities on the clients behalf
- Typically fees are a percentage of assets under management (AUM)

2

Company

- Retail banking, corporate banking, payments, and insurance

3

Customers

- All types, but some cater to certain needs of either high or low net-worth clients

4

Competitors

- Yes, all competitors have all our services plus wealth management
- The other major banks hold an 80% market share, with independent advisors holding 20%

Framework

Compare Answers

Compare the questions you thought of with those suggested. Each case has “additional information” the interviewer knows, and your job is to tease as much out as possible to better understand the problem. The more you know, before you make your framework, the better.

Framework

The framework is the roadmap you believe will lead to solving the case. Starting with a basic framework, then adding or removing elements can be a good first step.

Try yourself:

→ Draw out the framework you would use to solve this case. Then compare it to the suggested framework on the next slide

Suggested Framework

Should the client move into wealth management?

1

Market size

- Is there sufficient room to enter?
- Is the size large enough that it reduces risk?
- What groups do we target?

2

Internal Capability?

- Do we have the resources to make this large change?
- Will other businesses suffer or will we find synergies?

3

Customers?

- What type of clients will we serve?
- Can we leverage our existing customer base to drive clients in wealth management?



4

Profitable?

- Will we make money?
- How quickly will the business be profitable?
- **Yes/No decision**

Framework Debrief

Compare Answers

How did your framework compare to the one suggested? The most important aspect is to decide what will be pivotal in the case. Here, it's whether the new division will be profitable.

Exhibit

In this case, once you provide a framework that discusses profitability and customers, the interviewer will give you an exhibit to decipher. Rarely will you get to all the elements in your framework, and often you'll need to pivot when given new information.

Try yourself:

→ Look at the exhibit on the next slide and decide which clients will be profitable to serve given the bank's estimations.

Exhibit 1

Exhibit 1: Client Profile for Canadian Asset Management

Segment	Retail	High Net Worth	Super High Net Worth
Definition of client, by wealth	<\$2M	\$2M - \$20M	>\$20M
Number of customers	150	40	2
Average AUM	\$75,000	\$2.5M	\$30M
Fees Charged	3%	2%	1.50%
Number of FTE equivalents / account	0.04	0.25	2
Segment CAGR	12%	2%	5%

Notes: AUM (assets under management); FTE (full-time employees); CAGR (compound annual growth rate); fees are charged as a percentage of AUM; each FTE costs \$100,000 per year (inclusive of salary)



Exhibit 1 Solution

Segment	Retail	High Net Worth	Super High Net Worth
On a per-account basis:			
AUM	\$75,000	\$2,500,000	\$30,000,000
x	x	x	x
Revenues (%)	3%	2%	1.5%
=	=	=	=
Revenues (\$)	\$2,250	\$50,000	\$450,000
FTEs	0.04	0.25	2
x	x	x	x
Cost per FTE	\$100,000	\$100,000	\$100,000
=	=	=	=
Costs (\$)	\$4,000	\$25,000	\$200,000
Revenue – Costs = Profit (\$)	-\$1,750	\$25,000	\$250,000
In total (per-account x number of accounts)			
Number of Accounts	150	40	2
Total Profit	-\$262,500	\$1,000,000	\$500,000
Tips: Read all the notes at the bottom before asking any clarifying questions. That’s where you find that each FTE costs \$100,000			



Exhibit Debrief

Compare Answers

How did your calculations compare to the answers? This math is typical of a case interview with percentages to multiply and the end goal of profitability.

Creative

Now, you have decided to serve the HNW and SHNW clients, so the next question is how. An avid interviewee would immediately move to suggesting ways to serve these clients best.

Try yourself:

→ How can the bank design its offering to appeal to these desired clients?

Creative Debrief

Compare Answers

Possible answers: personalized service for their diverse financial needs, free and instant access to their portfolio and advisor, ability to check on financial situation from anywhere, and a range of products tailored to their financial situation. *Anything similar is appropriate.*

Creative 2.0

After you brainstorm a list, the interviewer might ask for you to design an innovative approach to wealth management (technology focused).

Try yourself:

→ What are some ways the bank can create a more innovative wealth management practice?

Creative 2.0 Debrief

Compare Answers

Possible answers:

- (1) The service – rather than focusing on the asset management side, the bank could look at all elements of a client's wealth and offer all the services in one location (e.g., tax planning, investments, loans, savings accounts and payments)
- (2) The delivery – allow clients to interact with advisors digitally from any location, through an app or an online service, so that they can be able to manage their finances while on the go

Conclusion

Be sure to state the answer first, summarize how you got there, then some next steps.

Try yourself:

→ Conclude the case in one-minute or less

Suggested Conclusion

Compare Answers

Sample conclusion:

Recommendation	We recommend the bank move into the wealth management business, focusing on high and super-high net-worth clients. This will add \$1.5M in additional profit for the bank. Despite the strong growth in retail clients, they are not profitable to serve.
Risks or Considerations	Considerations: to best serve these clients, the bank should personalize all elements of the service and considering creating a package to serve all their needs at once. Risks: the digital banking space moves quickly and the bank must be ready to adapt
Next Steps	Bring existing bank clients to the new division through promotions and special offers. These clients will be the easiest to attract because they already hold some business with the bank.

Frameworks

Congratulations – you have finished your first case!

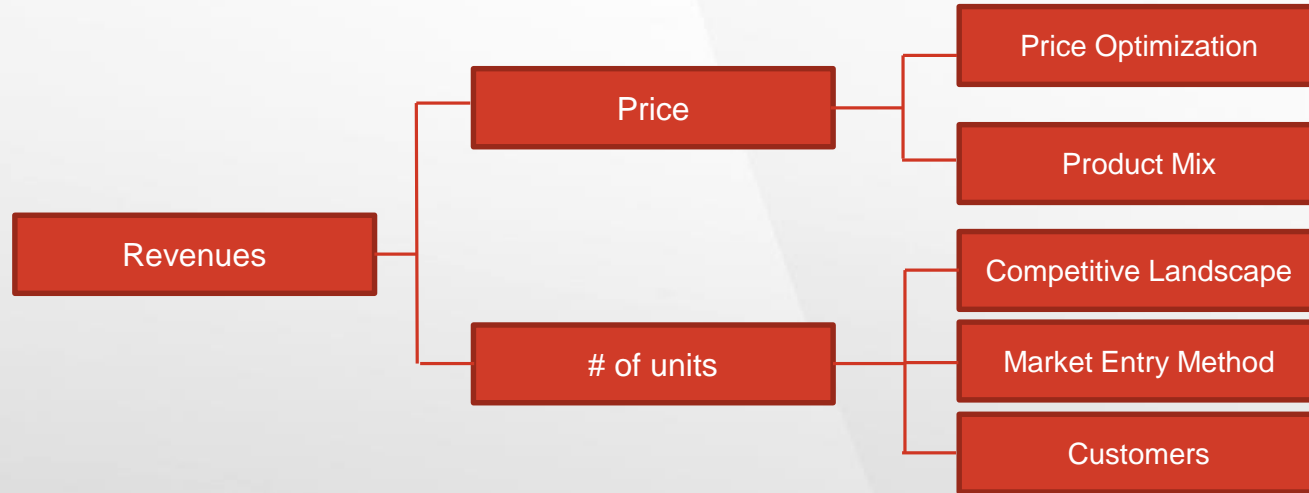
So, what are frameworks?

We will now introduce suggested frameworks corresponding to each of the next three individual cases. These are all considered relatively basic and uncreative frameworks, but are meant to act as a **starting point** for you to develop your case interview acumen. Other resources have more detailed framework discussions, such as *Case in Point* or the other case books suggested on the [final slide](#) of this casebook.

The three frameworks are as follows:

- 1) Growth Strategy
- 2) Profit Tree
- 3) The “Three C’s”

Framework: Growth Strategy




In Brief:

Growth Strategy cases focus on increasing the client's revenues. The framework solves the problem by excluding costs entirely and diving right into revenues. It is not as MECE, but it is more flexible and adaptable for cases focused on certain industries.

Explanation

- As with every breakdown of revenues, the framework splits revenues into price and volume.
- In order to raise the average price per unit, the company can either raise prices on individual products or shift the sales effort so that it sells more high-priced items and relatively fewer low-priced items, which could be described as adjusting the product mix.
 - Within this category, you may even want to consider dropping the worst performing products in the company's portfolio as the effort needed to sustain those products may earn higher returns if it were redirected at other products.
- On the volume side, you can think about a two-by-two matrix with new vs. old products and new vs. old customers.
 - Selling more of the same product to your existing customers means taking market share away from competitors.
 - Selling a new product to existing customers or the existing product to new customers are both forms of market entry.
 - Finally, a new product to a new customer typically requires inorganic growth, like a merger, an acquisition or a new business unit within the existing firm.
- The number of units the company can sell is impacted by the competitive landscape. For example, is the industry consolidated or fragmented? How many players are competing? If there is a monopoly, is it feasible for our company to enter this market and sell "x" amount of products?
- It is also important to understand the type of customer your are serving: What is their willingness to pay and purchase drivers (e.g. quality of product, preference of delivery channel).

Case Prompt



Your client is an airlines. As you may know, competition is fierce among the major airlines, with ticket prices being driven steadily downward. After a year of weaker than average growth, they have hired our firm to devise a set of strategies for growth. Assume management's goal is profitable revenue growth, rather than cost cutting.

Try yourself:

→ Come up with **2-4 key questions** you would ask the interviewer about the client's business to better understand the problem, then move to the next slide

Questions & examples with associated answers

Questions

1

General Information

- Is there a specific growth target?
- Has the client specified a level of profitability?

2

Company

- What does the client's revenue model look like?

3

Customers

- Who is our clients primary customers? Is there any segmentation?

4

Competitors

- Would the market be considered more fragmented or concentrated? Are we a major player?

Answers

1

General Information

- The client has not specified a growth target
- The client is more interested in finding ways to increase profit, not any specific number

2

Company

- We charge clients for the price of a seat, including first, business, and economy class as well as the time to fly – all inclusive in one ticket price

3

Customers

- We will get to specifics later, but broadly speaking we serve two types of customers: Vacationers and Business Travelers.

4

Competitors

- There are over ten competitors in the market, each holding a small share – no dominant player in the market. That said, some flight routes are controlled by only one or two competitors.

Framework

Compare Answers

Compare the questions you thought of with those suggested. Each case has “additional information” the interviewer knows, and your job is to tease as much out as possible to better understand the problem. The more you know before you make a framework, the better

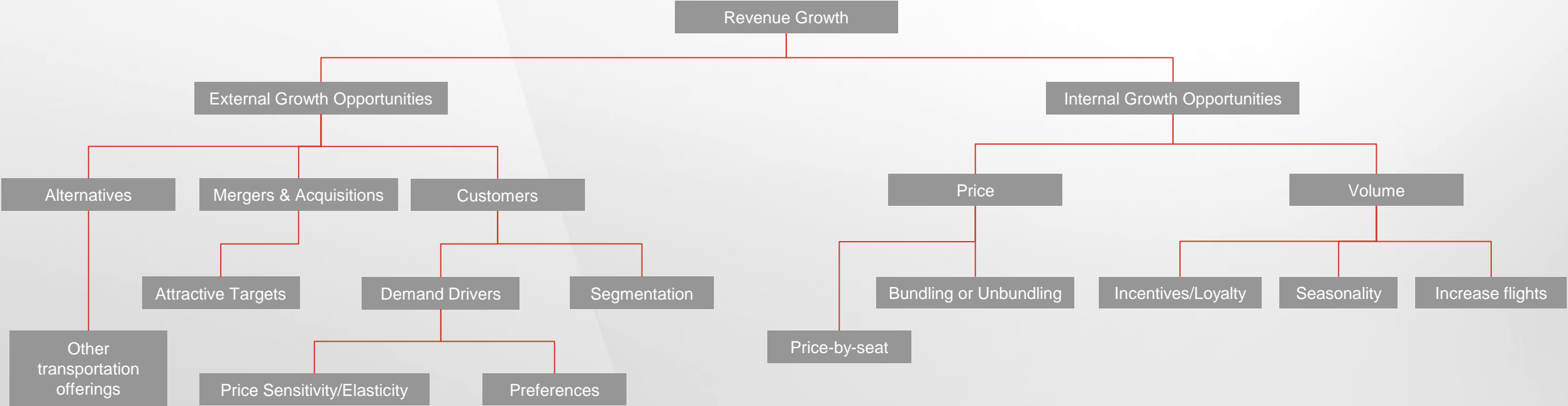
Framework

The framework is the roadmap you believe will lead to solving the case. Starting with a basic framework, then adding or removing elements can be a good first step.

Try yourself:

→ Draw out the framework you would use to solve this case. Then compare it to the suggested framework on the next slide

Framework: Suggested



**Note: This case structure works only as an example. Yours may be (and is expected to be) different. It's important your structure contains the critical elements of the case, but otherwise will differ.*



Framework: Debrief

Compare Answers

How did your framework compare to the one suggested? The most important aspect is to decide what will be pivotal in the case. Given this case is a revenue and profitability focused case, a hint is to focus on what drive prices as it relates to customers.

Exhibit

In this case, once you provide a framework that discusses profitability and customers, the interviewer will give you an exhibit to decipher. Rarely, you will get to all the elements in your framework, and often you'll need to add elements with new information.

Try yourself:

→ Look at the exhibit on the next slide and think about what this says about the client's customers? What matters most to the types of customers?

Exhibit 1

Exhibit 1: Percentage of Respondents Rating Factor “Very Important” When Choosing Airline

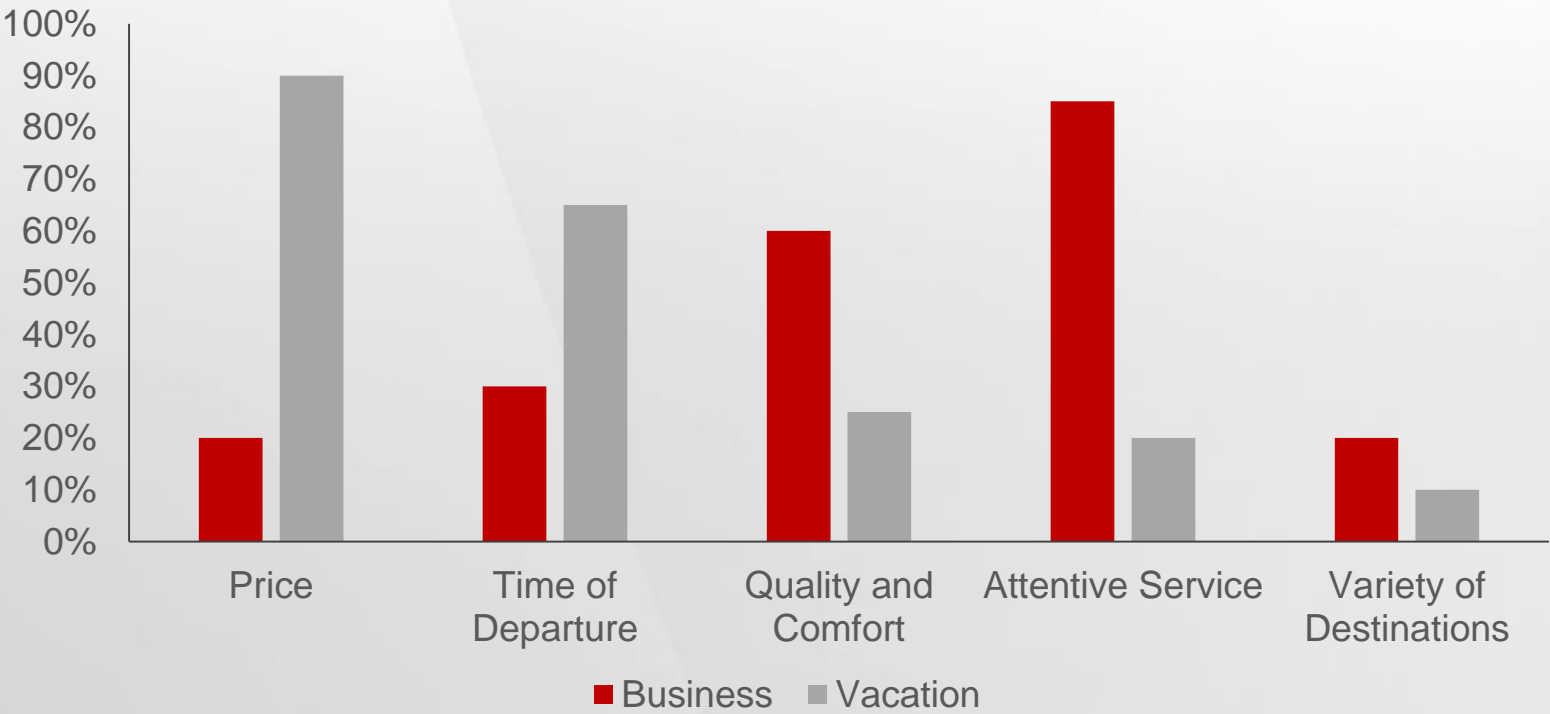


Exhibit 1: Debrief

Based on the exhibit presented, you should notice that quality of service is highly important to business travellers and thus this could provide a **competitive advantage**. Furthermore, you should observe that vacation travellers care most about price and are therefore highly price sensitive. This results in discouraging price increases as it would drive demand down in this segment. *Think about possible strategies to leverage and capitalize on the characteristics of these consumer groups.*

Ideas for Business Travellers

- **Bundle In-Flight Services:** Bundle services, such as food, drinks, extra leg space and entertainment systems to ensure a high-quality experience.
- **Decrease Line Wait-Times:** Allow business travellers to skip the lines during check-in and boarding or include priority boarding.
- **Leg-Room:** Ensure that business travellers are seated in higher leg room areas.
- **Amenity Kits:** For longer haul flights, include amenity kits with pillows, eye masks, and toiletries.

Ideas for Vacation Travellers

- **Unbundle In-Flight Services:** Rather than including food and drinks in the initial ticket price, unbundle these services and give vacation travellers the choice to purchase them at an additional cost. This will allow the client to decrease the perceived value of the airline ticket.
- **Marketing & Advertisement:** With lower fares from un-bundling, the client can afford to market less to its customers, and instead sell direct to consumer via websites, without the need for travel agents and other third-party intermediaries that require commission.
- **Seasonal Discounts:** The client can leverage seasonal discounts to target vacation travellers in the summer and winter months. Some additional calculation may be required to see whether a discount may result in higher top-line growth.



Exhibit 1: Debrief

Compare Answers

How did your analysis compare to the answers? This qualitative assessment is typical in exhibit analysis.

Exhibit

The next exhibit will come from asking about revenue and seasonality. It is typical you may have to ask many different questions to receive an exhibit.

Try yourself:

→ From the following exhibit, what do you notice about the company's cyclicalities? What strategies could you use to leverage this fact?

Exhibit 2

Exhibit 2: Average Percentage of Seats Sold By Month



Exhibit 2: Debrief

Based on the exhibit provided, you should notice that the airplanes are almost fully booked during the winter season (typical vacationing season) and relatively empty during the summer. Thus a strong suggestion would also include some way to boost summer sales. *Think of 2-3 specific strategies to boost sales in the summer.*

Boosting Summer Sales Examples

- **Create a loyalty program:** Create a loyalty program that incentivizes customers to book flights during summer months.
- **Fire Sales:** Host fire sales during the summer with generously discounted airfare to drive sales during this season.
- **Marketing & Advertisements:** Invest heavily in advertising expenditures through different mediums (social media, TV, radio) to ensure target customers are aware of summer deals.
- **Customer Surveys:** Survey popular flight routes and ensure that the airline is meeting demand for these routes.
- **Partnerships:** Create partnerships with hotels and car rental companies and sell discounted vacation bundles to low traffic locations.

Exhibit 2: Debrief

Compare Answers

How did your analysis compare to the answers? This qualitative assessment is typical in exhibit analysis.

Exhibit

The next exhibit will come from asking about pricing and consumer preferences. Think about questions using your framework to get to this information.

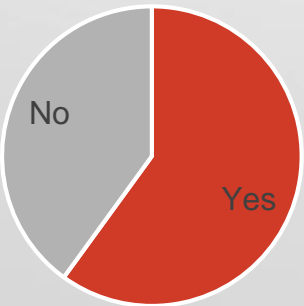
Try yourself:

→ From the following exhibit, what do you notice about pricing? What would you change about ticket pricing to increase demand?

Exhibit 3

Exhibit 3: Price Sensitivity Survey – Percentage of Respondents Agreeing With Following Statements:

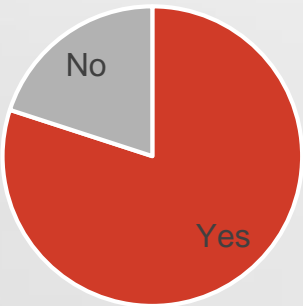
"I would take a worse departure time if it was cheaper"



"I would take a layover overnight to save money"



"I would reduce my baggage if that lowered the price"



"I use discounting services when choosing my flight"

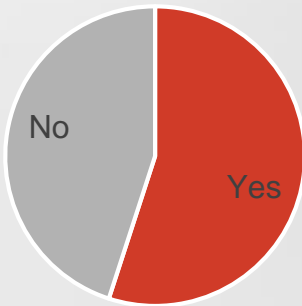


Exhibit 3: Debrief

Based on the exhibit provided, you should notice that unbundling the baggage cost from the ticket price is likely to increase sales (as stated earlier) and that improving the company’s listing on comparison websites will make them more likely to reach the proportion of consumers who use these sites. *Can you think of the benefits and drawbacks of the above conclusions?*

Benefits

- **Cheaper Tickets:** The biggest benefit in this strategy is the increase of sales due to having cheaper tickets and a wider reach to target customers via the comparison websites.
- **Customer Acquisition:** By increasing the airline’s marketing on comparison websites, they have the potential to increase the amount of new customers.

Drawbacks

- **Angry Customers:** While the base price of the tickets are cheaper, some customers (as indicated by Exhibit 3) may feel negatively towards having to now pay extra for baggage and other services. This may end up costing the client lost ticket sales from these customers.
- **Budget Airline Brand:** By choosing to unbundle services, the client may generate a budget airline brand and associate itself with a poorer quality of service.



Exhibit 3: Debrief

Compare Answers

How did your analysis compare to the answers? This qualitative assessment is typical in exhibit analysis.

Exhibit

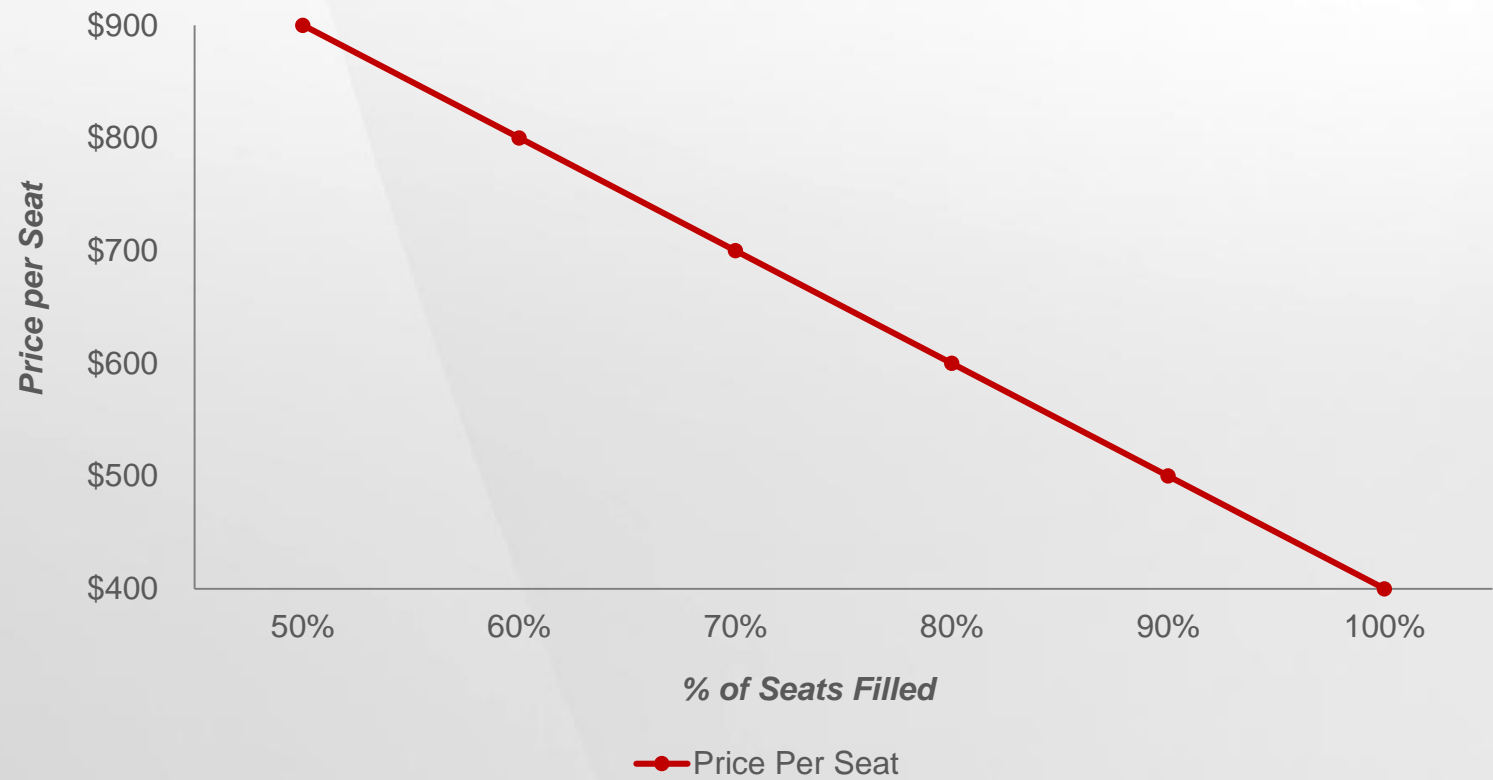
The next exhibit will come from digging deeper about price sensitivity and price elasticity. This of how you would formulate a question to get this information.

Try yourself:

→ From the following exhibit, what do you notice about price elasticity? How can you use this information to find the optimal pricing outcome?

Exhibit 4

Exhibit 4: Price Elasticity – Flight from JFK to IAH



**Assume the capacity of an airplane is 200 seats*

Exhibit 4: Debrief

From the exhibit, you should recognize that since variable costs are negligible, the candidate should look to maximize revenue. First, they should find the number of seats occupied and then multiply by price per seat to find

Occupancy Rate %	Actual Seats Occupied	×	Price per Seat	=	Revenue
100%	200		\$ 400		\$ 80,000
90%	180		\$ 500		\$ 90,000
80%	160		\$ 600		\$ 96,000
70%	140		\$ 700		\$ 98,000
60%	120		\$ 800		\$ 96,000
50%	100		\$ 900		\$ 90,000

Revenue is maximized at a price of \$700 and an occupancy rate of 70%. Given Exhibit 2, a very strong point to raise is that occupancy is not constant over the course of the year. However, 70% appears close to the average over the year, so they could argue that this result makes sense as an average figure.



Exhibit 4: Debrief

Compare Answers

How did your analysis compare to the answers? Make sure you are diligent with your calculations and show your work

Conclusion

Given the information to this point, the following is an example conclusion to be presented to the client

Try yourself:

→ Given all the information you have seen and assessed in this case, try to come up with a well-structured conclusion and compare it to the following.

Conclusion: Debrief

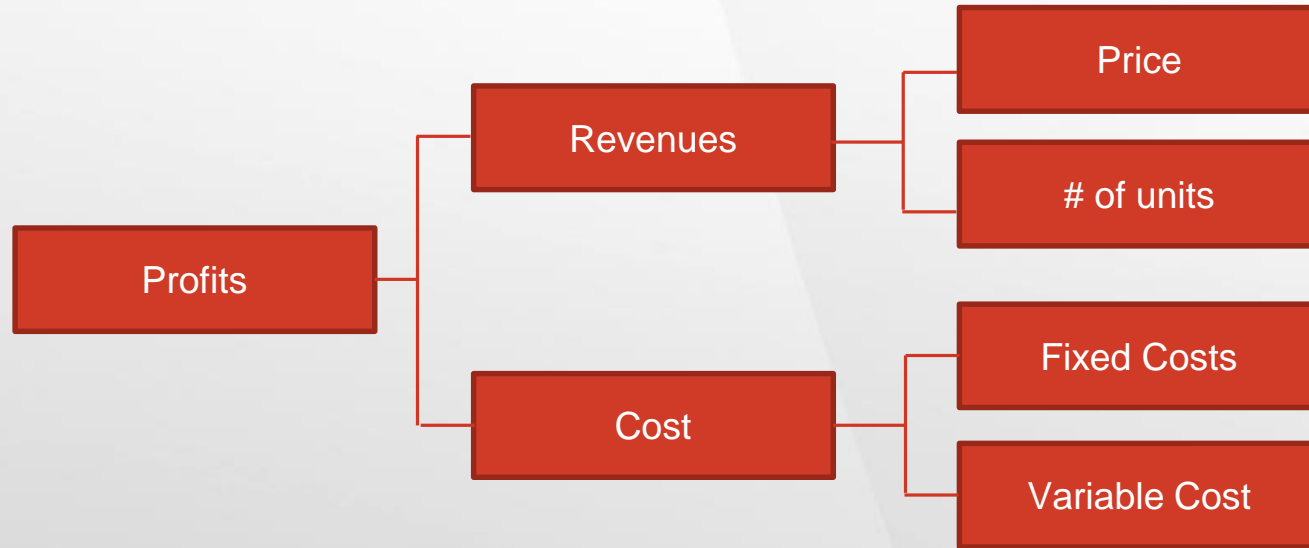
Compare Answers

Sample conclusion:

Recommendation	First, the client should look to lower the listed price through unbundling baggage and other services, adding them as an extra charge. This will work to capture the price-sensitive vacation market. Second, the client should invest in increasing the level of service for first-class seats as this is of great importance to this consumer group. This may lead to a sustainable differentiator over competitors Finally, the client should look to grow demand in the summer months when volume is at its lowest. This can be done through marketing, promotion, and sales.
Risks	Key risks include maintaining enough seat utilization to support this price, as well competitive threat undercutting price
Next Steps	Moving forward, the client should look to increase marketing efforts for the summer months and begin a pilot test of the ticket bundling change



Profit Tree




Caution:

Nearly anyone can think of this framework, and thus you won't surprise the interviewer.

Explanation:

- The Profit Tree divides profits into revenues and costs, which are then broken out further.
- It is the simplest framework you can use, yet one of the most widely applicable because nearly every business problem has a profitability element.
- On the cost side, if you know the business has high variable costs, raising volume will not have a significant impact on profits, compared to businesses with low variable costs.
- On the revenues side, it's not always price multiplied by volume. The unit can be anything, like in a retail case, units could be customers and then revenue per unit is number of products per customer per product.

Case Prompt



Your client is a farmer. He has recently inherited 20 acres of land from a distant relative. Since he has little business knowledge, he has hired you to determine how to get the most profit out of the land.

Try yourself:

→ Come up with **2-4 key questions** you would ask the interviewer about the client's business to better understand the problem, then move to the next slide

Questions & examples with associated answers

Questions

1

General Information

- Where is the land?
- Is it arable?

2

Farmer's intentions

- What are his desired uses for the land (alternatively the client could lease the land to someone else, partition and sell pieces of the land for development, etc.)

3

Profitability goal

- Does the farmer have a target?
- What defines success for the farmer?

Answers

1

General Information

- The land location does not impact the case
- Yes, it is extremely arable

2

Farmer's intentions

- The farmer wants to farm the land, not use it for any possible alternative (knowing this early will save time when developing your framework)

3

Profitability goal

- The farmer is a simple person and simply wants to earn a profit from the inherited land
- No definition of success

Framework

Compare Answers

Compare the questions you thought of with those suggested. Each case has “additional information” the interviewer knows, and your job is to tease as much out as possible to better understand the problem. The more you know before you make a framework, the better

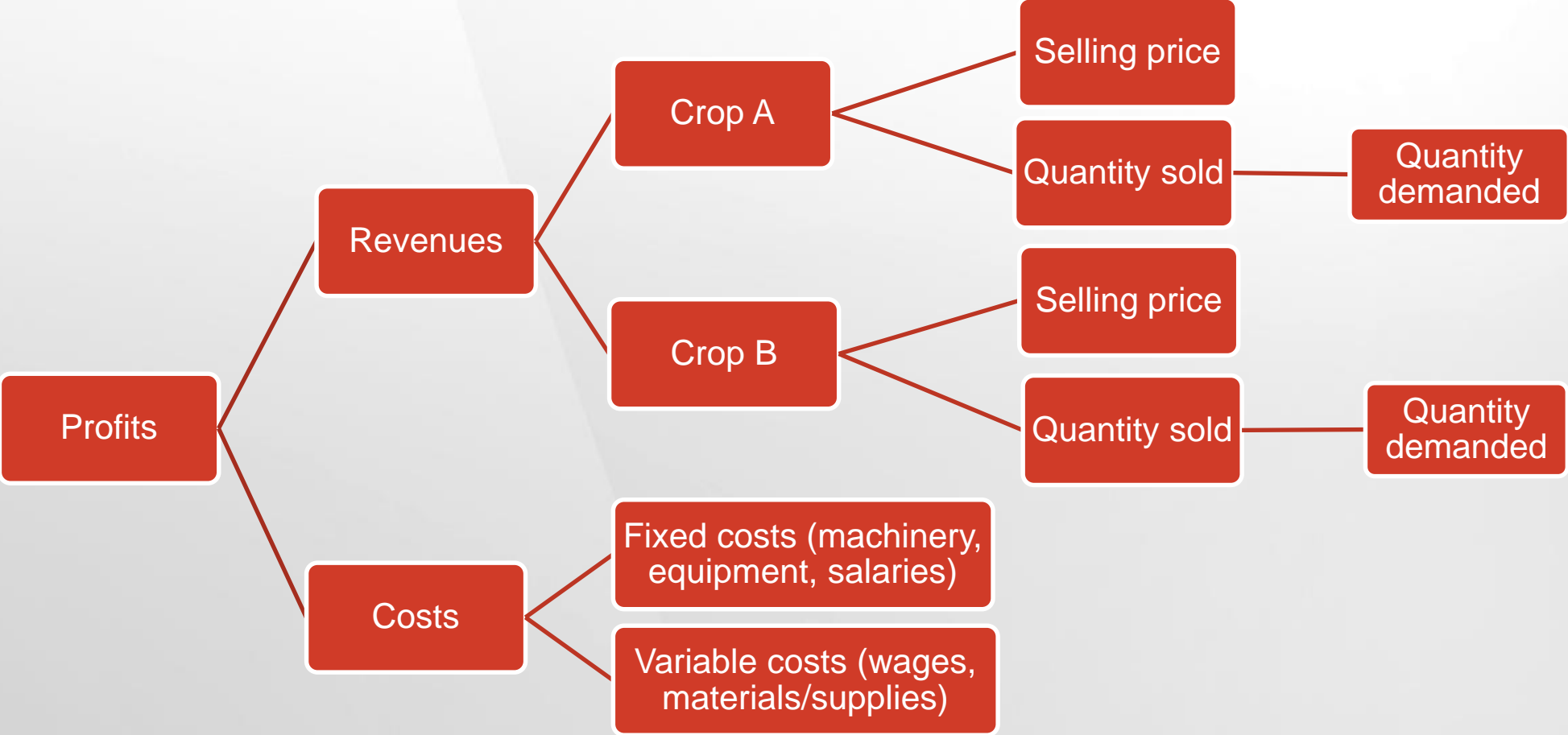
Framework

Brainstorm 3-4 potential uses for the land, then draw out the framework you would use to solve this case. Finally, compare it to the suggested framework on the next slide

Try yourself:

→ Draw out the framework you would use to solve this case. Then compare it to the suggested framework on the next slide

Framework: Suggested



Refer to Profit Tree framework before this case for a detailed explanation.

Framework: Debrief

Compare Answers

How did your framework compare to the one suggested? The most important aspect is to decide what will be pivotal in the case. Here, it's understanding that because the product manufactured is a commodity, quantity sold will be restricted by demand.

Exhibit

In this case, once you provide a framework that discusses profitability, the interviewer will tell you “the client decided to grow crops that can be distilled to make alcohol”, then give you an exhibit to decipher. Rarely, you will get to all the elements in your framework, and often you'll need to pivot with new information.

Try yourself:

→ Look at the exhibit on the next slide and decide which crop will be most profitable per acre

Exhibit 1: Agricultural Data

Exhibit 1: Agricultural Data

Crop	Annual demand (tons)	Price/ton	Production/acre (tons)	Cost/acre
Potatoes	1000	\$75	100	\$5000
Barley	1200	\$60	150	\$3000
Corn	400	\$200	50	\$6000
Agave	800	\$100	200	\$8000
Sugarcane	2000	\$40	250	\$5000



Exhibit 1: Debrief

Calculations for Profitability per Acre

Crop	Revenues per Acre	Cost per Acre	Profit per Acre
Potatoes	\$7500	\$5000	\$2500
Barley	\$9000	\$3000	\$6000
Corn	\$10,000	\$6000	\$4000
Agave	\$20,000	\$8000	\$12,000
Sugarcane	\$10,000	\$5000	\$5000

Although agave has the highest profit/acre, the correct answer needs to take into account that there is **limited demand for alcohol from each crop**. To find the maximum profits on each product, divide the annual demand by production per acre to find the maximum number of acres that can be allocated to a given product.

Crop	Maximum Acres	Maximum Profit
Potatoes	10	\$25,000
Barley	8	\$48,000
Corn	8	\$32,000
Agave	4	\$48,000
Sugarcane	8	\$40,000



Exhibit 1: Debrief

Compare Answers

Since the farmer has 20 acres to allocate, he should produce agave, barley, and sugarcane (and distill this into tequila, whiskey, and rum). Total profits will be \$136,000 per year.

Conclusion

Be sure to state the answer first, summarize how you got there, then discuss some key risks and next steps.

Try yourself:

→ Conclude the case in one-minute or less

Conclusion: Debrief

Compare Answers

Sample conclusion:

Recommendation

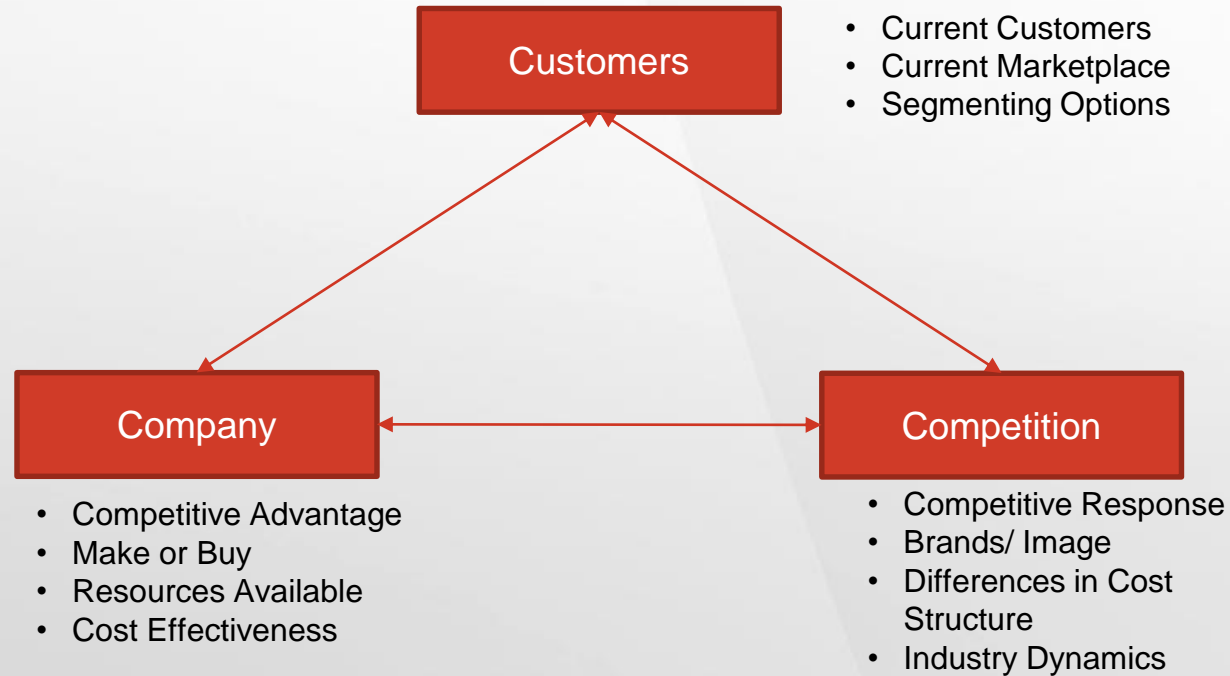
- Since our client has experience with alcohol and farming, we suggest that they use this farmland to produce crops for distilling into alcohol.
- He should allocate 4 acres to agave, 8 acres to barley and 8 acres to sugarcane to produce tequila, whiskey and rum. If the client does this, annual profits will be \$136,000.

Considerations & Next Steps

- However, the client should ensure that there aren't high fixed costs associated with any one alcohol that would change the optimal crop choices.



Three Cs Model




Intro:

The 3Cs framework is a common method to analyze the internal and external elements of a case. Generally, this is a strong framework to assess all your thoughts for market entry choices. Feel free to customize the names of each category to 'camouflage' the framework.

Explanation:

- As with every breakdown of revenue, the framework splits revenue into price and volume.
- When looking at the company, the main evaluations to make are company strengths and weaknesses through internal analysis and its position within the broader marketplace through an examination of external forces. External Forces may refer to a Porter's 5 model.
- Keep in mind the customer and consumer can be two different entities, such as a store that sells toys would have adults as the customer, but children as its end users. Make sure to factor in repeat purchases, alternatives, product use, as well the nature of the product (relationship)
- The competitor analysis effectively evaluates three factors: Competitive analysis, market signals, and competitive moves. Competitive analysis looks at different capabilities of the competition. Market signals alludes to future trends and how the competition is responding to such trends

Case Prompt



An investor has purchased a building in Downtown Kingston and is considering using the space for a new nightclub. They come to you and ask for help assessing the viability of a new nightclub in this market. What do you tell your new client?

Try yourself:

→ Come up with **2-3 key questions** you would ask the interviewer about the client's business to better understand the problem, then move to the next slide

Questions & examples with associated answers

Questions

1

Customers

Who would the nightlife be targeting, and what is the approximate size of this segment?

2

Competitors

Who are the key nightlife incumbents and how do their value propositions differ?

3

Student willingness to pay

What can a nightclub charge for cover and drinks with the given demographic?

Try yourself:

→ Draw out the framework you would use to solve this case. Then compare it to the suggested framework on the next slide.

Answers

1

Customers

Queen's University has 15,000 undergraduate students, of which 8000 are female and 7000 are male

2

Competitors

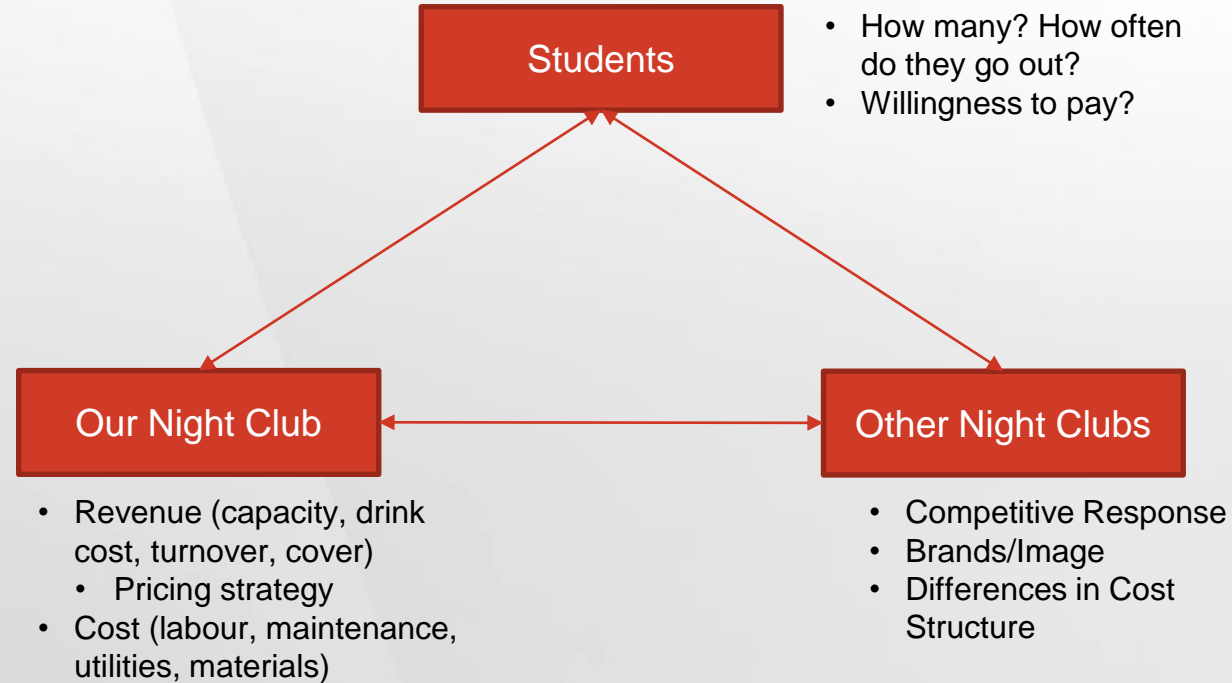
Ale House (two-floor nightclub that tends to make most of the conference social business), Stages (dance club that occasionally brings in bigger name musicians to drive business on slow days), The Spot (low-cost nightclub with cheap drinks), and Undies (the student nightclub on-campus, no cover and cheap drinks).

3

Student willingness to pay

For a regular night, no club currently charges more than \$5 for cover, or \$10 for a drink. However, for special events, ticket prices can reach \$40.

Framework: Suggested



Refer to the Three Cs Model for a detailed explanation.

Question 1

Compare Answers

How did your framework compare to the one suggested? The most important aspect is to decide what will be pivotal in the case. Here, it's **profitability**.

Question 1

- The total floor space of the building available is 6000 square feet, of which 1/3 is taken up by office space, the bars, and other unusable space
- Maximum capacity is set at 1 person per 10 square feet of usable space
- Assume the nightclub reaches capacity at 12:00 AM (midnight)
- Over every half-hour after midnight, 100 people will leave and be replaced by a different 100 people, until the nightclub closes at 2:00 AM
- The average person coming through the nightclub will purchase two shot-equivalents in a night. (A shot equivalent is either a shot of alcohol or a mixed drink containing one shot.)
- Bottles of alcohol purchased by the club cost an average of \$10 per bottle and contain 25 shots each
- Cover for the nightclub is initially set at \$5 per person and alcoholic drinks cost \$5 per shot-equivalent

Try yourself:

Given the information above, what would the nightclub's nightly profits be?

Question 1: Debrief

Calculations:

Step 1: Find capacity of the nightclub

- 1/3 of available space does not count toward the capacity limit
- Space that patrons can occupy = $2/3 \times 6000 = 4000$ square feet
- At 10 square feet/person, the club has a maximum capacity of $4000/10 = 400$ people

Step 2: Find nightly throughput of the club

- Club starts with 400 people who are in the club at midnight
- Over each of the next 4 half-hours (30 minutes), 100 will leave and be replaced by 100 people
- Therefore, the club serves $400 + 4 \times 100 = 800$ people per night

Step 3: Calculate revenue

- Cover: $(\$5)(800 \text{ people per night}) = \4000 in cover revenue
- Alcohol: $(\$5 \text{ per shot})(2 \text{ shots per person})(800 \text{ people per night}) = \8000 in alcohol revenue
- Total revenue: $4000 + 8000 = \$12,000/\text{night}$

Step 4: Calculate costs

- 1600 shots purchased per night / 25 shots per bottle of alcohol = 64 bottles of alcohol used per night
- COGS: $\$10 \text{ per bottle} \times 64 \text{ bottles} = \640 per night

Step 5: Calculate profit

- $\$12,000 - \$640 = \mathbf{\$11,360 \text{ per night}}$

Question 2

Two alternative pricing strategies have been proposed.

- 1) Offer free cover before midnight. When people arrive before midnight, they will also purchase one extra shot on average
- 2) Discounted cover charge of \$2 for girls. If this occurs, 300 of the nightclub goers will be female and 500 will be male. Girls will also choose to purchase an additional shot on average over the course of their time at the club

Try yourself:

Which pricing strategy will yield the most revenue?

Question 2: Debrief

Calculations:

Pricing strategy 1: Free cover before midnight

- Free cover (\$5), but buy one extra shot (\$5) → net effect on revenues is zero
- However, since 400 more shots will be consumed in a night, costs will rise by $\$10 \times (400 \text{ shots} / 25 \text{ shots per bottle}) = \160
- Therefore, this strategy earns profits of **\$11,200** → lower profits than the base case

Pricing strategy 2: Girls pay \$2 cover

- \$3 discount on cover, but will buy one extra shot for \$5 → marginal impact on revenues is an additional \$2 per female customer
- Since 300 girls pass through the club each night, the total net effect on revenue = $300 \text{ girls} \times \$2 = \$600$ additional revenue
- Impact on COGS: $\$10 \times (300 \text{ additional shots} / 25 \text{ shots per bottle}) = \120
- Therefore, the net gain in profits would be \$480, to a nightly total of **\$11,840**

Conclusion

Be sure to state the answer first, summarize how you got there, then some key risks and next steps.

Try yourself:

→ Conclude the case in one-minute or less

Conclusion: Debrief

Compare Answers

Sample conclusion:

Recommendation	It would be possible to open a profitable new nightclub in Kingston. Using a simple pricing strategy of \$5 cover, the club will earn \$11,360/night in profit. However, if the club were to offer cheaper cover to girls, they would be able to boost their profits to \$11,840/night.
Risks or Considerations	Because the nightclub cannot directly advertise on campus, potential marketing strategies include social media advertising campaigns and Queen’s ambassadors/ reps.
Next Steps	To break into the competitive market, it is recommended that the client brings in a well-known act and host a grand opening party in order to attract students when they do not have a strong reputation/awareness on campus.



Partner Cases: How to use this section

Instructions

- This section is designed to **practice real cases**, just like those you would see in an interview.
- **These cases must be completed with a partner.** You and your partner will alternate giving and receiving cases. Do not read ahead in this section because you want each case you practice to be new.
- The following 10 cases are paired in type, style and difficulty, with each new pair being tougher than the last. Work through the cases in order.
- We suggest you complete all 10 cases with one partner: Partner A receive cases 1,4,5,8,9 and Partner B receives cases 2,3,6,7,10, so you switch who tries each new pair

How to give a case

- **Read the case in its entirety beforehand** to fully understand the solution; this should take around 10-minutes per case.
- It is important you truly understand the case before giving it to best direct the interviewee.

Case 1: Too Dollar Store

Prompt

Case Prompt

“Your client is an owner of a chain of dollar stores across the United States. Although business has boomed as a result of the recession, and customers have shifted away from big box retailers to cheaper alternatives, the firm has found that profit growth has not done as well as revenue growth. Since revenue growth has started to slow, improving profitability has become a key priority for the client and they have hired us to investigate the issue.”

Case Tips

This is a relatively simple profitability care. The candidate should immediately focus on costs, not revenues, as this is the direction the prompt states. Since the core understanding of the case is fairly easy, the calculations are longer, making this a **good case to practice case math**.



Quant



Qual



Profitability

Case 1: Too Dollar Store

Gathering Information

Clarifying information to be given (if asked)

- Overall retail sales growth has been 0.5% in the United States, with the discount store subsection growing at 4%; our client has grown at 5.5% CAGR over the past five years
- Historically, the main customer group for discount stores were poor households. However, over the last 4 years, the major source of growth for the category has been lower middle class households shifting their purchases towards cheaper alternatives
- Although revenues have grown at 5.5%, profits have only grown at 1%, compared to 3% for the discount store subsection overall
- Our client competes directly with three other major dollar store chains in the United States and is the smallest of the four companies (by revenue and by number of stores); it also competes indirectly with stores such as Walmart
- Two (including our client) use the all \$1 strategy offering a limited selection of items, and two use the broader low-price strategy, pricing from \$1-\$5, allowing for greater product variety
- The largest cost area for the firm is COGS, which represents ~80% of sales on average, although this differs by product
- The top 5 SKUs make up 80% of the firm's revenues and effectively all of its profits, once overhead is allocated by product line

Guide to Handouts/Exhibits (given if asked after structure)

Let the candidate ask some clarifying questions and outline a structure to solve the case. Discuss the business model of dollar stores, then once they start asking about the profitability of specific SKUs, give them Exhibit 1.

Exhibit 1: Cost and Volume Review of Top 5 SKUs

Show when candidate asks for profitability of specific SKUs

Analysis:

This exhibit shows the variable cost and unit sales volume on the two y-axes. The latter can be easily missed, so give the candidate a chance to find the information, then point them to it. The first thing the candidate should notice is Product B's variable cost exceeds its price, and its inclusion in the store should be examined. Ask them to calculate the firm's current total profit (\$20.5M), then move to follow-up questions 1 and 2 about considering different pricing strategies.

Case 1: Too Dollar Store

Analysis

Exhibit Calculations

The candidate should read the exhibit then notice two things. (1) Product B is unprofitable because its variable cost exceeds its price (2) Product D is extremely profitable because its variable cost is only \$0.20. Then ask the candidate to calculate the firm's total profit.

Calculations

	Product A	Product B	Product C	Product D	Product E
Unit sales	40,000,000	25,000,000	15,000,000	10,000,000	10,000,000
Revenue/unit	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00
Cost/unit	\$0.80	\$1.10	\$0.60	\$0.20	\$0.90
Profit/unit	\$0.20	-\$0.10	\$0.40	\$0.80	\$0.10
Net profits	\$8,000,000	- \$2,500,000	\$6,000,000	\$8,000,000	\$1,000,000
Total profit	\$20,500,000				



Case 1: Too Dollar Store

Analysis

Follow-up Question

Ask the candidate: “The client wants to explore other pricing strategies. The first strategy is moving away from pricing everything at \$1 and instead having a variety of prices to reflect costs. Under this strategy, the prices of A, B and E will be raised to \$1.50 and the price of D will be lowered to \$0.50. Unit sales of A are expected to fall by 25%, B by 20%, and E by 10%, unit sales of D will rise by 50%”

Calculations

	Product A	Product B	Product C	Product D	Product E
Unit sales	30,000,000	20,000,000	15,000,000	15,000,000	9,000,000
Revenue/unit	\$1.50	\$1.50	\$1.00	\$0.50	\$1.50
Cost/unit	\$0.80	\$1.10	\$0.60	\$0.20	\$0.90
Profit/unit	\$0.70	\$0.40	\$0.40	\$0.30	\$0.60
Net profits	\$21,000,000	\$8,000,000	\$6,000,000	\$4,500,000	\$5,400,000
Total profit	\$44,900,000				



Case 1: Too Dollar Store

Analysis

Follow-up Question

Now tell them: “The other idea was to cut the least profitable products out, with the hope that customers would shift their spending towards the more profitable units. Under this strategy, Products B and E would be eliminated, leading to a 50% increase in sales of A, 40% increase in sales of C and a doubling in sales of D”

Calculations

	Product A	Product B	Product C	Product D	Product E
Unit sales	60,000,000		21,000,000	20,000,000	
Revenue/unit	\$1.00		\$1.00	\$1.00	
Cost/unit	\$0.80		\$0.60	\$0.20	
Profit/unit	\$0.20		\$0.40	\$0.80	
Net profits	\$12,000,000		\$8,400,000	\$16,000,000	
Total profit	\$36,400,000				

Case 1: Too Dollar Store

Recommendation

Recommendation

1. The best strategy is to move towards a cost-based pricing strategy, raising the price of the most expensive products and lowering the prices of the cheapest products, which will raise profits by more than 100%
2. We found this by identifying that the major constraint on profits is that prices for products are not aligned with their cost of goods sold, including some products that are sold below cost

Risks or Considerations

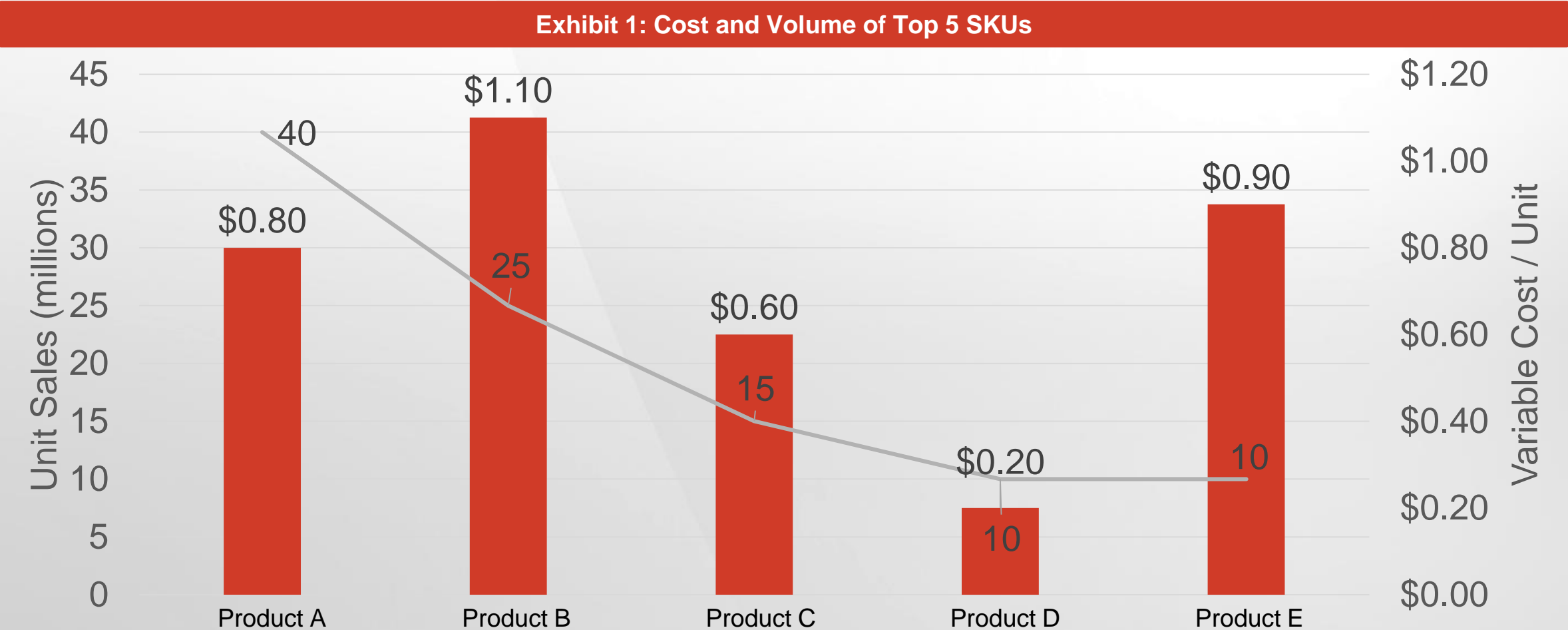
1. Customers may choose our client because of the pricing model. Therefore, raising prices may cause customers to be indifferent between the client and its two similar competitors
2. We also explored eliminating the two least profitable products, but this was not chosen because it only increased profits by 80%. A combination of the two scenarios tested may move the best option and should be analyzed as well

Next Steps

1. The client could test the suggested new pricing model at some of its stores first, instead of rolling it out immediately
2. A large re-brand will be necessary to convey the new pricing scheme to customers, possibly emphasizing greater product quality and variety

Case 1: Too Dollar Store

Exhibit 1



Case 2: Unprofitable Potash

Prompt

Case Prompt

*“Your client is the Potash Corporation of Saskatchewan, which mines potash, phosphate, nitrogen and other fertilizer products. In the past year, sales volumes have hit an all-time high, but profits have slipped in the most recent quarter. **What happened and how will you fix this?**”*

Notes for Interviewer

The case is essentially the basic profitability framework. Since the candidate knows that volumes are at an all-time high, the profit decline must either be from prices or costs. Once told that no costs have increased, they should see that prices must be the problem. The key insight is that while no individual prices have changed, the product mix changed towards lower price products. From this, the candidate should look at the substantial drop in the highest margin products. They should notice that production has increased of the lower cost version, yet margins haven’t increased, leading the candidate to the final conclusion that the lower price is hurting sales.



Quant



Qual



Profitability

Case 2: Unprofitable Potash

Gathering Information

Clarifying information to be given (if asked)

- Potash is a potassium-rich salt that is mined from underground deposits formed from evaporated sea beds millions of years ago
- The client is the largest producer of fertilizer products in Canada
- Industry is highly fragmented (commoditized), no competitor large enough to have affected sales
- Company recently began switching to offshore potash (vs. North American potash) as it can be produced more cheaply
- Offshore potash is projected to grow 50% from 2012 to 2013
- Industry standard for potash is to have the customer pay their own freight with whomever they wish to have transport the product
- Due to higher freight costs customers face, the sale price of offshore potash is heavily discounted versus North American potash
- Prices and costs of individual products are unchanged
- Gross margins: Potash: \$250/tonne, Nitrogen: \$150/tonne and Phosphate:\$100/tonne

Guide to Handouts/Exhibits (given if asked after structure)

Exhibit 1: Sales Mix for Potash Corp.

Show when the candidate asks about the product mix changes (after they realize overall volumes, price and cost are not a problem). This exhibit, along with the gross margin data on the left lets the candidate calculate the average gross margin in 2012 and 2013, which has declined 10%.

Exhibit 2: Sales Volumes of Potash

Show when candidate asks about changes in the potash market that would have caused the sales decline. They should immediately solve for the 2013 figures (if not, prompt them to do so).

Final question: once the candidate asks about eliminating the freight charge to increase the sales price, give the assumptions and question under 'Question 3'.

Case 2: Unprofitable Potash

Analysis

Question 1

Using Exhibit 1 and the gross margin data, calculate the gross margin change 2012 to 2013

Calculations

In 2012:
40% at \$250 margin + 30% at \$150 margin + 30% at \$100 margin =
Average \$175/tonne

In 2013:
30% at \$250 margin + 25% at \$150 margin + 45% at \$100 margin =
Average \$157.5/tonne

→ Decrease of 10% in average margin

Question 2

Exhibit 2 has unknown values for 2013, calculate these using Exhibit 1, Exhibit 2 and the 50% offshore potash growth value.

Calculations

In 2013, offshore will grow by 50%, thus there will be 2700 thousand tonnes sold in 2013 (1800 value in 2012 x1.5). Next, since overall volumes across all product lines are the same from the note below Exhibit 2 and the two years potash percentage of sales are 40% and 30% of the same total from Exhibit 1. Thus, combined potash sales in 2013 must be 3/4 of 2012, which means total sales are 4500 thousand tonnes, of which 1800 thousand are North American potash (1800+2700=4500).

Case 2: Unprofitable Potash

Analysis

Question 3

Finally, once the candidate suggests eliminating the freight discount and moving distribution in-house to avoid discounting the sale price, have them do the following calculations:

Calculations

Assumptions: the freight discount on offshore potash is \$80/tonne and can be eliminated by moving distribution in-house at a cost of \$50 variable per tonne, with the rest is a fixed depreciation charge on an investment depreciated over 10 years, what is the most we would be willing to invest?

Answer: Since we earn \$80 more per tonne and incur \$50 variable cost per tonne, we would be willing to incur as much as a \$30 depreciation charge per tonne. At 2700 thousand tonnes, the annual depreciation charge can be as much as \$81 million. Since the investment is depreciated over 10 years, we should invest no more than \$810 million.

*An astute candidate may make mention that we might be willing to pay more if this also leads to an increase in North American potash revenues – ignore for purposes of calculations.

Case 2: Unprofitable Potash

Recommendation

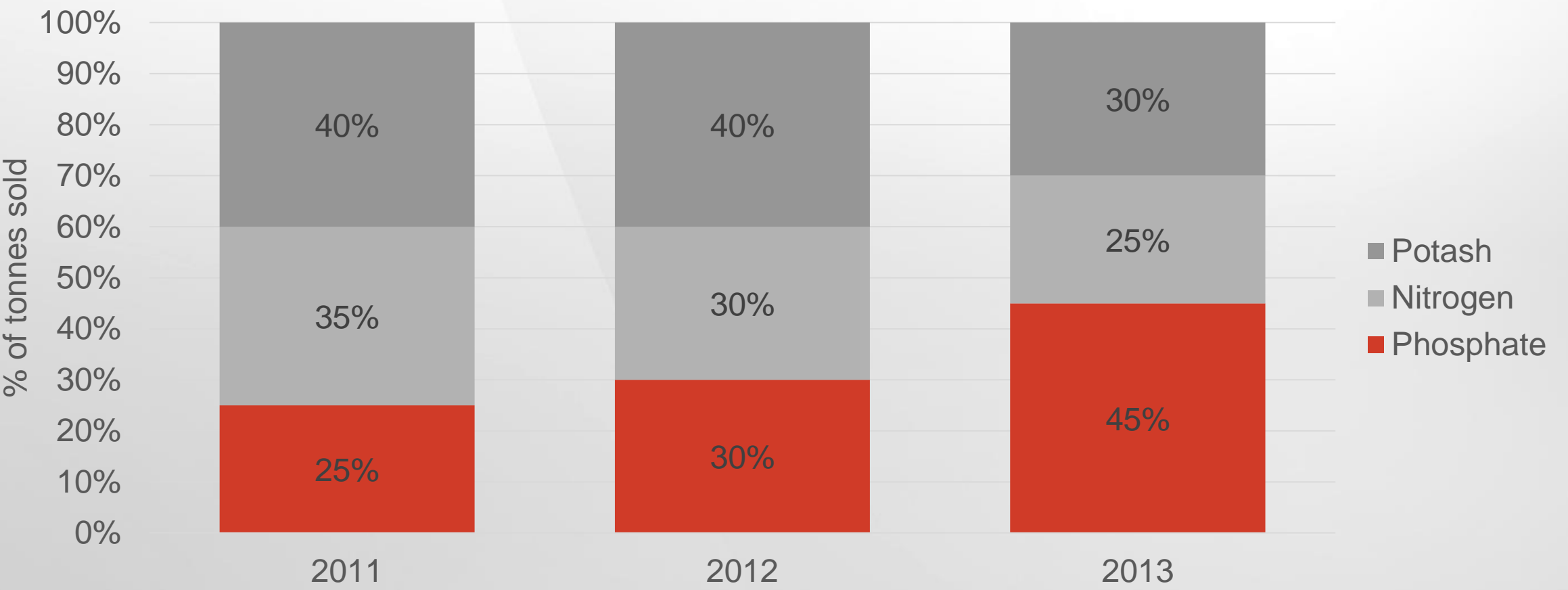
Recommendation	<ol style="list-style-type: none">1. The major cause of the decline in profits is due to a movement away from high margin potash, towards lower margin products, such as phosphate. In total, this switch costs us 10% of our gross margins.2. The decline in potash sales is because sales of lower priced offshore potash are cannibalizing sales of the higher priced North American potash due to the freight discount.3. If we were to eliminate this discount, we could profitably invest as much as \$540 million to build the distribution channel needed to bring freight in-house, justifying the higher price.
Risks or Considerations	<ul style="list-style-type: none">• Potash, phosphate, nitrogen and other fertilizer products are commoditized. This means the price may fluctuate and is not within our control, which will create risk given the client is making a large fixed investment
Next Steps	<ul style="list-style-type: none">• Explore the long-term price expectations for potash and other fertilizers and adapt investment decision to expected trends.



Case 2: Unprofitable Potash

Exhibit 1

Exhibit 1: Sales Mix for Potash Corp



Case 2: Unprofitable Potash

Exhibit 2

Exhibit 2: Sales Volumes of Potash (000s of tonnes)

	2011	2012	2013
North American Potash	4900	4200	?
Offshore Potash	500	1800	?

*Total sales volumes for 2012 and 2013 for all products combined are the same

Case 3: The Value of Loyalty

Prompt

Case Prompt

“Your client is Southwest Air. The CEO wants to institute a loyalty program to boost the number of deluxe seats sold on a given flight. He believes that this strategy will be a good way to capture market share from competitors. How would you evaluate this proposal?”

Case Prompt

Although the introduction sounds like a marketing-style case, the core of this is comparing the incremental revenues to the incremental costs of the policy. Once they reach the answer from this, there is a brief creative portion to brainstorm how to improve the policy.



Quant



Qual



Growth

Case 3: The Value of Loyalty

Gathering Information

Clarifying information to be given (if asked)

- Policy is designed so that each mile flown in a deluxe seat per year earns 1 point
- Points can be redeemed for free flights at a rate of 10,000 points per flight in a deluxe seat
- Deluxe seats cost \$500, plus \$2 per mile
- Regular seats are \$300, plus \$1 per mile
- Instituting this program will cause business travelers to take deluxe seats 75% of the time and recreational travelers to take deluxe 50% of the time.

Guide to Handouts/Exhibits (given if asked after structure)

Exhibit 1: Customer Segmentation

Show this exhibit to the candidate when they ask for customer segmentation, customer/flight behavior, flights flown per year, etc.

Analysis: *The candidate should recognize that Business travellers fly much more frequently than recreational travellers, and should be able to explain why. They should also be able to determine the number of flights per year (B: 10,000 miles per year/250 miles per flight = 40 flights per year; R: 4,000 miles per year/1,000 miles per flight = 4 flights per year). They can also determine total Deluxe flights using the percentages given. The candidate should first rationalize the data given then proceed to analysis.*

Case 3: The Value of Loyalty

Analysis

Revenue of Business Travellers

The candidate should recognize they need to calculate the revenues prior to the loyalty program and after the program to determine the incremental revenue change

Answers/Information

BEFORE:

Business 40 flights @ 250 miles per flight
*Formula = Flights * (price/flight + (miles * cost/mile))*
20 deluxe: $20 * (\$500 + (250 * \$2)) = \$20,000$
20 regular: $20 * (\$300 + (250 * \$1)) = \$11,000$
Total = \$31,000/year

AFTER:

Business travelers will take 10 more deluxe flights and 10 fewer regular flights, so revenues change to $30,000 + 5500 = \$35,500$ and thus the incremental revenues are **\$4,500**.

Revenue of Recreational Travellers

The candidate should recognize they need to calculate the revenues prior to the loyalty program and after the program to determine the incremental revenue change

Answers/Information

BEFORE:

Recreational 4 flights @ 1000 miles per flight
*Formula = Flights * (price/flight + (miles * cost/mile))*
1 deluxe: $1 * (\$500 + (1000 * \$2)) = \$2,500$
3 regular: $3 * (\$300 + (1000 * \$1)) = \$3,900$
Total = \$6,400/year

AFTER:

Recreational travelers take 1 more deluxe flight and 1 fewer regular flight, so revenues change to $5000 + 2600 = \$7600$ and the incremental revenues are **\$1,200**.



Case 3: The Value of Loyalty

Analysis

Cost of Business Travellers

The candidate should now recognize they should calculate the cost of the loyalty program to determine if it is profitable

Answers/Information

Business

- Fly 7,500 miles per year in deluxe (30 flights * 250 miles/flight)
- Because 1 mile = 1 point, this earns them 7,500 points
- 7,500 points is $\frac{3}{4}$ of a free flight (10,000 is a full free flight)
- This means the cost of the program $\frac{3}{4}$ of a deluxe seat
- Therefore, the cost is \$750 (total deluxe = \$1000 * 0.75)

Profit = \$4,500 - \$750 = \$3,750 per person per year

Cost of Recreational Travellers

The candidate should now recognize they should calculate the cost of the loyalty program to determine if it is profitable

Answers/Information

Recreational

- Fly 2,000 miles per year in deluxe
- Because 1 mile = 1 point, this earns them 2,000 points
- 2,000 points is $\frac{1}{5}$ of a free deluxe seat
- This means the cost is $\frac{1}{5}$ of a deluxe seat
- Therefore, cost is \$500 (total deluxe = 2,500 * 0.2)

Profit = 1,200 – 500 = \$700 per person per year



Case 3: The Value of Loyalty

Additional Analysis

Follow-up Question

Ask the candidate if there is anything missing in the analysis

Calculations

They should come up with two things: First, this does not directly account for any new customers taken from competitors. Second, it assumes that all free flights are taken on open seats on existing flights. If the program causes the company to need to have entire new flights to accommodate the free flights, profits will be far lower

Follow-up Question

Ask what ways the program could be improved

Calculations

Any suggestion if well justified is acceptable at this point. IE: The company could offer other prizes at lower point levels that cost less than the free flights. Since some customers will choose to cash in their points early, especially in the recreational segment where they only earn a free flight once every 5 years, the client will have higher profits since they will save the cost of giving away a deluxe seat.



Case 3: The Value of Loyalty

Recommendation

Recommendation	Based on our analysis, the loyalty plan will be a profitable investment for the client. It will increase profits by \$3750 per person per year in the business segment and increase profits by \$700 per person per year in the recreational segment.
Risks or Considerations	Risks include if the client has sufficient capacity to manage increase volumes, the ability for competitor's clients to switch, as well as the marketing efforts required to drive expected demand changes.
Next Steps	Moving forward, the client should look at marketing strategies to grow the loyalty program and assess potential switching costs through a sensitivity analysis.



Case 3: The Value of Loyalty

Exhibit 1

Exhibit 1: Customer Segmentation

Customer Segment	Miles Flown Per Year	Average Distance of Flight	Percent of Deluxe
Business	10,000	250 miles	50%
Recreational	4,000	1,000 miles	25%



Case 4: Bird Blows Up

Prompt

Case Prompt

“Bird Construction released their quarterly reports yesterday and analysts were shocked that despite recovering industrial demand, profits had fallen substantially. The resulting sell-off of their shares wiped out nearly \$50 million of value. With their stock options at risk of falling out of the money, the executives have turned to you for help. What will you do?”

Notes for Interviewer

Since this is a profitability case, the candidate should propose looking at both revenues and costs to determine what caused the profitability decline. Once they realize that it was due to costs, they should look more deeply at what costs rose most significantly. Once they see that it is due to unusually high raw materials costs in the New Roads segment, they should propose a course of action.



Quant



Qual



Profitability

Case 4: Bird Blows Up

Gathering Information

Clarifying information to be given (if asked)

- Total revenues in 2011: \$140 million. Total revenues in 2012: \$165 million. Total revenues in 2013: \$220 million
- Revenues in the Road Work segment rose overall across all three years
- Miscellaneous work makes up a negligible portion of revenues and profits, so it is not worthwhile investigating
- There are three other companies in the industry and jobs are allocated through a competitive bidding process
- Bidding is handled through a separate department from general finance at Bird and this department is evaluated on the number of bids that they successfully win
- Assume rent on machinery is proportional to labour time and this cannot be changed
- New roads take on average three times as much time and materials to build per kilometer as maintenance
- New roads use a different mixture for the asphalt than maintenance as the mixture gives the roads the dark look people expect out of a new road.

Guide to Handouts/Exhibits (given if asked after structure)

Exhibit 1: Cost Breakdown

Show this exhibit to the candidate when they ask for cost segmentation or any breakdown of costs.

Analysis: The candidate should notice the costs differences

Exhibit 2: Asphalt Mixtures

Show this exhibit when the candidate asks for what comprises the asphalt

Analysis: The candidate should note down this information

Exhibit 3: Average Price Chart

Show this exhibit to the candidate when they ask for price or revenue information.

Analysis: the candidate should see that the issue is not with pricing as no prices have substantially declined and most have actually risen.



Case 4: Bird Blows Up

Gathering Information (2)

Guide to Handouts/Exhibits (given if asked after structure)

Exhibit 4: Construction Volumes By Year

Show this exhibit to the candidate when they ask for volume information.

Analysis: they should disregard the Buildings segment as volumes increased fairly steadily through all three years. However, in the Road Work segment, they should notice that while maintenance work has sharply declined, new road work has sharply increased. They should conclude that either the total revenues have fallen as a result of this switch or the profit margins are different across the two divisions. Once they learn that both overall revenues and road work revenues have increased, they should ask to see the costs within these segments.

Guide to Handouts/Exhibits (given if asked after structure)

Exhibit 5: Roadwork Cost Data

Show this exhibit to the candidate when they ask for additional cost data.

Analysis: they should notice two things: first, the total cost per kilometer for new roads is actually greater than the revenue earned per kilometer, which is the major driver of the fall in profitability; second, raw materials make up a larger portion of costs in new roads than in maintenance. *Ask them to estimate the amounts for the major categories before giving them the precise data.*



Case 4: Bird Blows Up

Analysis

Cost of Raw Materials for Maintenance and New Roads

The candidate should look to compare the cost of maintenance with the cost of new roads on a per unit bases – this should come from the asphalt breakdown and cost per unit data

Answers/Information

Maintenance

From Exhibit 2:

Cost per 'unit' of raw materials

$$(\$100 * 10\%) + (\$20 * 60\%) + (\$60 * 30\%) = \$40/\text{unit}$$

New Roads

From Exhibit 2:

Cost per 'unit' of raw materials

$$(\$100 * 30\%) + (\$20 * 50\%) + (\$60 * 20\%) = \$52/\text{unit}$$

This means the new road materials are more expensive and require far more raw materials.

Cost of New Roads

The candidate should identify that the costs of new roads are not proportionate to the 2013 price levels.

Answers/Information

Profit margins:

The cost of a unit of new road is \$8400 per kilometer, and its price has remained stagnant at \$8500. Leaving a profit margin of only \$100.

This is contrasted to the cost for maintenance at \$2600, relative to the price of \$3000, leaving a profit margin of \$400 (both a higher absolute value and a higher percentage).

This is a problem for Bird because from Exhibit 4, the proportion of business towards new roads is increasing.

Case 4: Bird Blows Up

Analysis

Brainstorming

Ask the candidate to propose some ways the client can reduce its costs and become more profitable

Answers/Information

The following is only an example of what the candidate can say – allows the candidate to be creative and think of new solutions as long as it fits within the case:

- Altering the bidding department to incentivise profitable bids, rather than bid low in order to win contracts
- Adjusting the mixture used for New Roads to reduce the costs associated with them (similar to maintenance)
- Raise the minimum price of a bid to at least triple the cost of maintenance given that new roads cost more than triple to build
- Looking to source raw materials from suppliers at lower costs
- Look at using contract workers assuming projects are intermittent
- Benchmarking cost against competitors to assess cost-breakdown competitiveness and adjust to industry leaders
- Etc.

Case 4: Bird Blows Up

Recommendation

Recommendation	The major driver of profit decline was the cost of New Roads, specifically the Raw Material cost. In order to reduce costs, three strategies have emerged: first, an adjustment in the bidding department to focus on profitable bids as opposed to low bidding, adjusting the mixture used for new roads to reduce the costs associated with building, and finally, raise the minimum price of a bid to triple the cost of maintenance to ensure New Roads remain profitable.
Risks or Considerations	Risks include potential issues of raw material sources the degradation of quality depending on mixture changes
Next Steps	Moving forward, the a benchmark analysis should be conducted to base cost breakdown on market leaders, as well as research into alternative mixtures for new roads.



Case 4: Bird Blows Up

Exhibit 1

Exhibit 1: Cost Breakdown

	Maintenance	New Roads
Labour	\$ 800	\$ 2,400
Raw Materials	\$ 1,000	\$ 4,000
Rent Machinery	\$ 400	\$ 1,200
Admin	\$ 200	\$ 600
Insurance	\$ 100	\$ 300
Other	\$ 100	\$ 300



Case 4: Bird Blows Up

Exhibit 2

Exhibit 2: Asphalt Mixtures

	Maintenance	New Roads
Crude Oil @ \$100	10%	30%
Gravel @ \$20	60%	50%
Concrete @ \$60	30%	20%



Case 4: Bird Blows Up

Exhibit 3

Exhibit 3: Bird Construction Average Price Chart

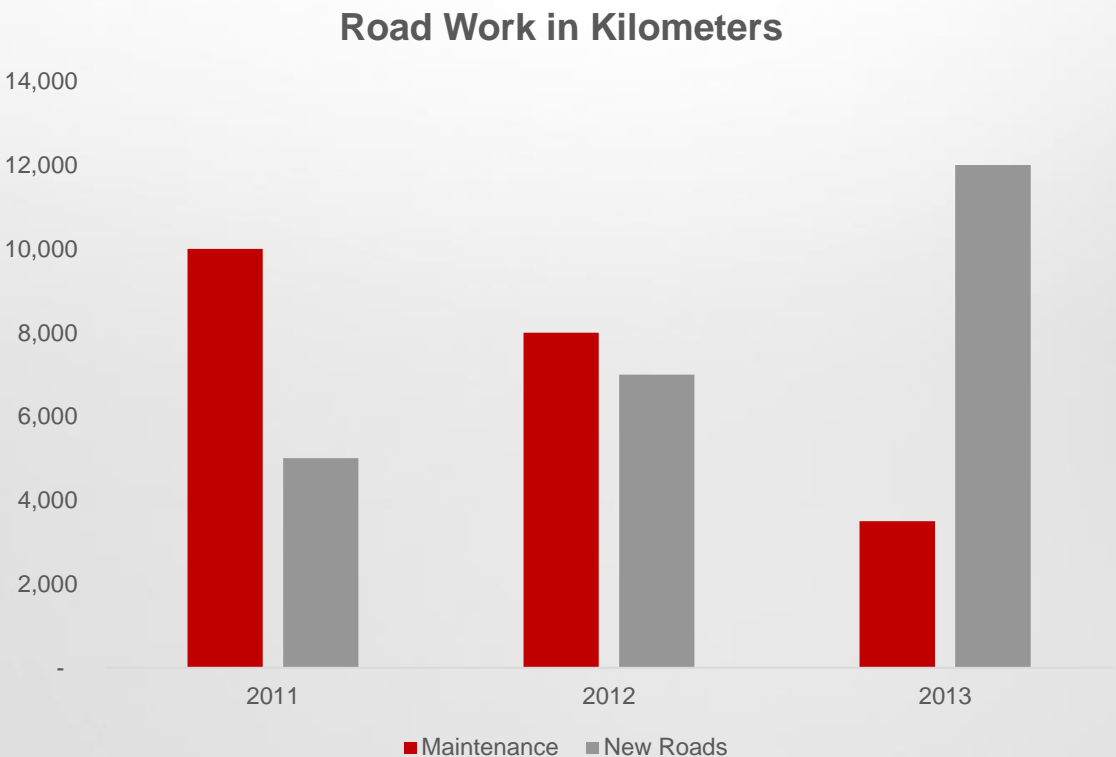
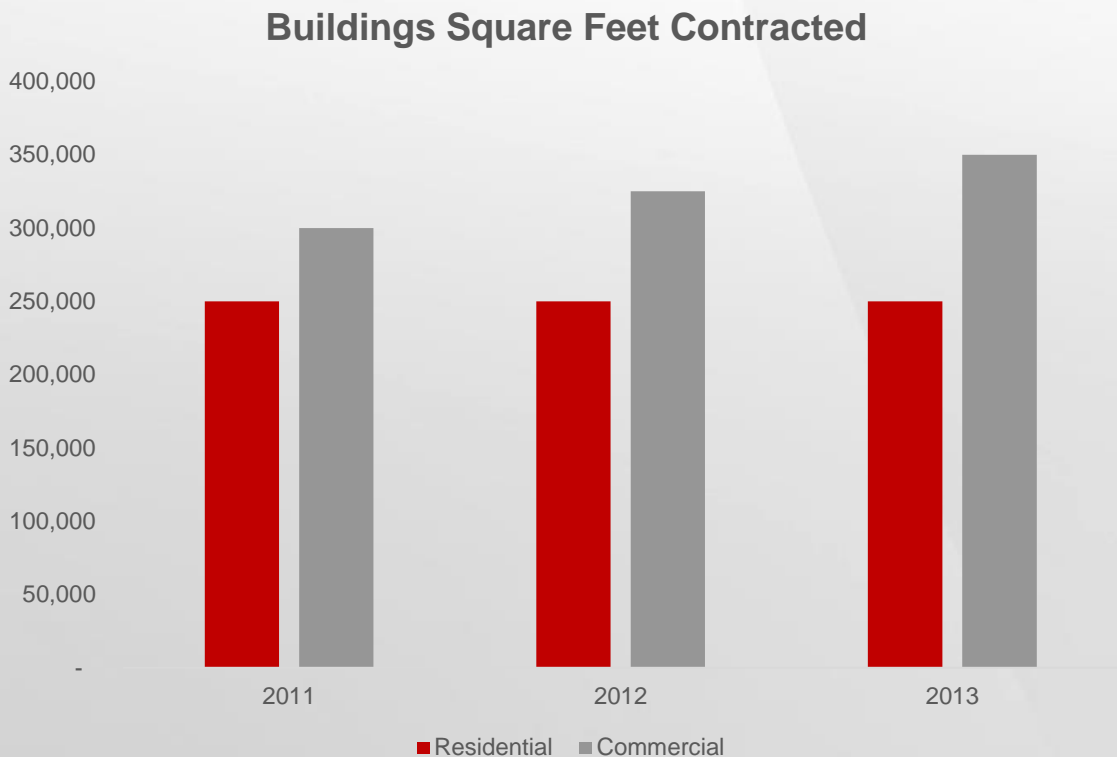
Service	2011	2012	2013
Residential Housing/sq. ft.	\$120	\$120	\$125
Roads/km			
Maintenance	\$2,000	\$2,400	\$3,000
New Roads	\$8,500	\$8,500	\$8,500
Commercial Buildings/sq. ft.	\$150	\$175	\$200
Miscellaneous/job	\$50,000	\$10,000	\$90,000



Case 4: Bird Blows Up

Exhibit 4

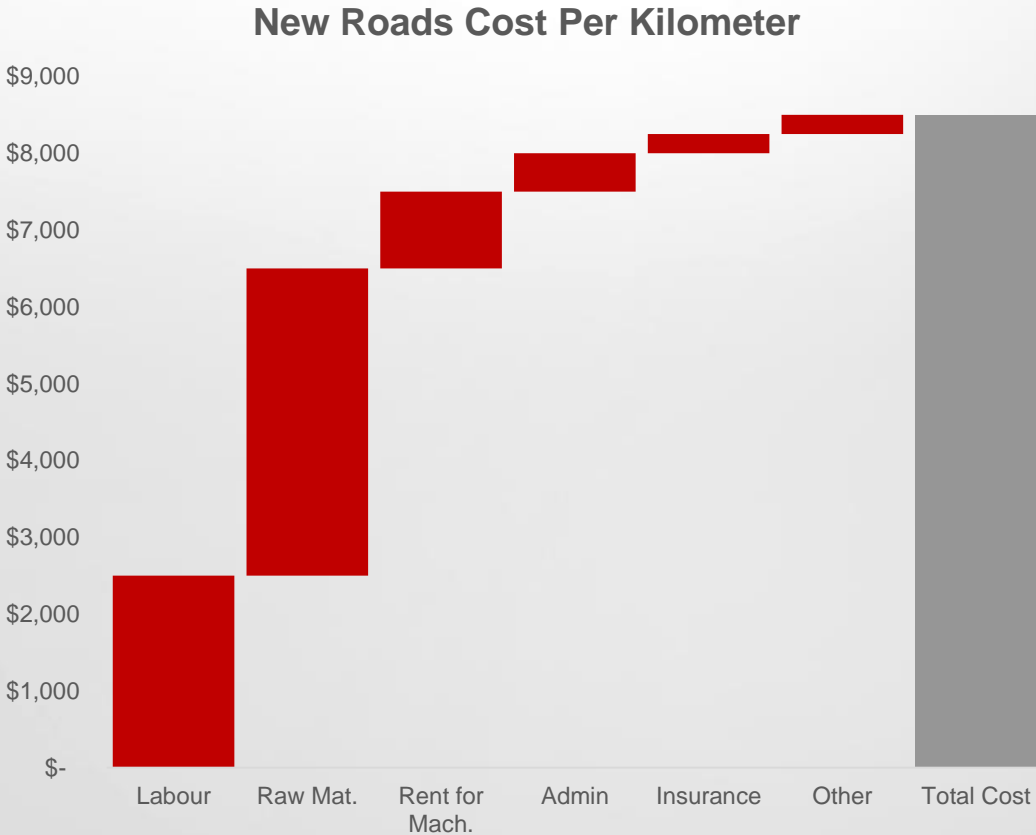
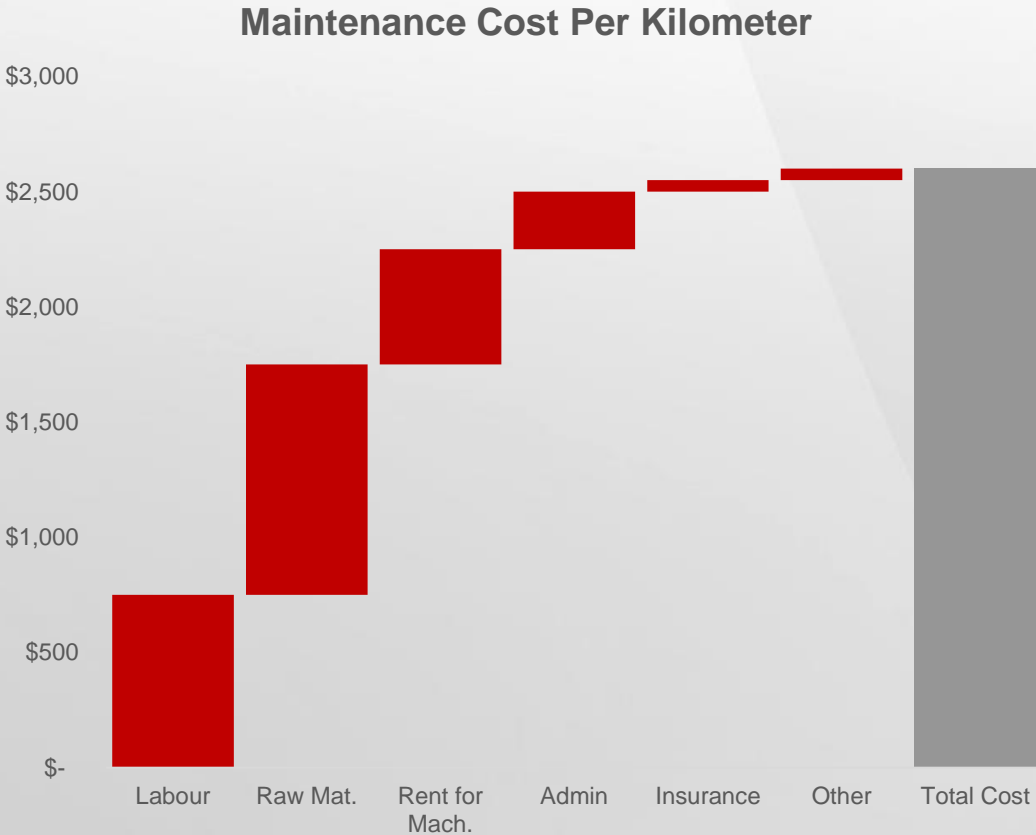
Exhibit 4: Construction Volumes by Year



Case 4: Bird Blows Up

Exhibit 5

Exhibit 5: Roadwork Cost Data



Case 5: Big Yellow Buses

Prompt

Case Prompt

“Big Yellow runs a fleet of school buses, which they run by charter for several schools in the GTA. Currently, annual revenues are \$200 million. However, during a recent shareholders’ meeting, the CEO promised to deliver revenue growth to \$300 million during the upcoming year. Since the core business is only projected to grow at about 5%, you’ve been hired to investigate other sources of growth.”

Notes for Interviewer

This is a growth strategy case. One important thing that the candidate should do is keep track of the financial impact of each of the growth strategies identified to ensure they meet the \$100 million target. Since they’ve been told their core business will grow by 5% (\$10 million), there are two primary sources of growth they should investigate to make the other \$90 million. First, they should look to grow organically by offering new services to a new market, which leads to the shuttle bus portion. Second, they should look to acquire a company to enter the coach bus market.



Quant



Qual



Market Entry

Case 5: Big Yellow Buses

Gathering Information

Clarifying information to be given (if asked)

- We are the fastest growing company in the industry (with sales above \$50 million)
- Customers are district school boards and some private schools and contracts are won through a competitive bidding process
- Assume Big Yellow cannot improve bidding strategy in any way that will push growth above 5%
- The company has up to \$50 million that it can use for investment, but cannot spend more than this amount for any reason
- School buses are used from 7AM to 10AM and 2PM to 5PM on weekdays only
- The school year is 40 weeks long
- The company will charge an average of \$70/hour to the school boards next year
- If they were to enter the senior shuttle bus industry, they could fill the remaining hours between 7AM and 5PM on weekdays at a rate of \$35/hour at no extra cost (requiring no additional buses)
- For acquisitions, Big Yellow takes into account current and future sales multiples

Guide to Handouts/Exhibits (given if asked after structure)

Exhibit 1: Charter School Bus Industry

Show this exhibit to the candidate when they ask for the competitive landscape

Analysis: *The candidate should recognize that our client is a major player in the industry, and could be considered the 3rd largest. They should also notice that the market is relatively concentrated, with 70% of the industry owned by just 3 firms. They should see some M&A opportunity within the remaining 30% of the industry.*

Exhibit 2: Acquisition Targets

Show this exhibit when the candidate when they push further in inorganic growth opportunities, or if they reference potential acquisitions

Analysis: *Candidate should evaluate the possible acquisitions, and immediately eliminate Deluxe Bus, given the capital requirement. They should then look to assess a Price/Sales multiple and judge future earnings of the remaining two targets.*

Case 5: Big Yellow Buses

Analysis

Organic Growth

The candidate should calculate the company needs \$100 million in revenue growth. The core business will grow 5%, giving \$10 million in new revenue. The company needs to earn the remaining \$90 million.

Answers/Information

Senior Shuttle Bus – Organic Growth

First, find the number of business the company owns
of buses = $\text{Revenue}/(\text{price}/\text{hour} * \text{hours}/\text{day} * \text{days}/\text{week} * \text{weeks})$
of buses = $\$210\text{M}/(\$70 * 6 * 5 * 40)$
of buses = 2,500 buses

Next, calculate new revenues given weekday senior shuttle
Buses can operate from 10AM to 2PM to work around school schedule
Revenue = $2500 * \$35 * 4 * 5 * 40$
Revenue = \$70 million

This leaves \$20 million in new revenue to be earned

Inorganic Growth

The candidate should recognize that inorganic growth is required for the remaining \$20M. The candidate should explore acquisitions using Exhibit 2.

Answers/Information

Coach Bus – Inorganic Growth

The candidate should notice that Deluxe Bus costs more than the \$50 million capital constraint, thus it cannot be bought and should be disregarded.

(See the following slide for the remaining calculations)



Case 5: Big Yellow Buses

Analysis

Inorganic Growth

The candidate should recognize that inorganic growth is required for the remaining \$20M. The candidate should explore acquisitions using Exhibit 2.

Answers/Information

Coach4You

The company current sits at a 1.33x Price/Sales multiple (\$40M/\$30M)
In five years, the company is expected to grow by 40%, therefore new Price/Sales multiple = 0.95x (\$40M/\$42M)

FirstCoach

The company currently sits at a 1.43x Price/Sales multiple (\$50M/\$35M)
In five years, the company is expected to grow by 60%, therefore new Price/Sales multiple = 0.90x (\$50M/\$56M)

Decision: Either acquisition will enable the client to reach its growth needs and both can be justified. The candidate is correct in either recommendation as long as they weigh the benefits of short-term value (Coach4You) compared to long-term value (FirstCoach).



Case 5: Big Yellow Buses

Recommendation

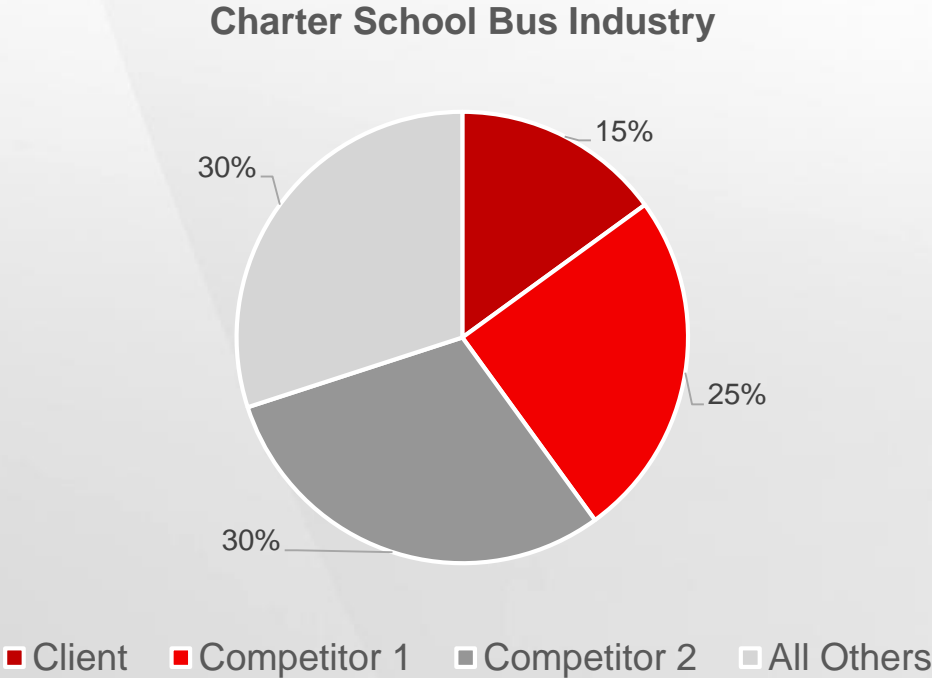
Recommendation	In order to meet the desired growth of \$100M, Big Yellow Buses should look to grow both organically and inorganically. Organically, the client should look at running buses during the downtime in the day to serve seniors, adding \$70M in revenue. Inorganically, the client should acquire FirstCoach as their project \$35M in sales will help the client reach their goals. Further, FirstCoach is projected to grow by 60% in the next five years, suggested long-term sustainability.
Risks or Considerations	Risks include potential acquisition dilution and other pain-points which may hurt next-year's sales projections. Further, the client should consider competitive response including greater market consolidation.
Next Steps	Moving forward, the client should look at post-merger integration strategies to streamline operations, cost savings from the merger, as well as assess marketing tactics to attract the senior audience.



Case 5: Big Yellow Buses

Exhibit 1

Charter School Bus Industry



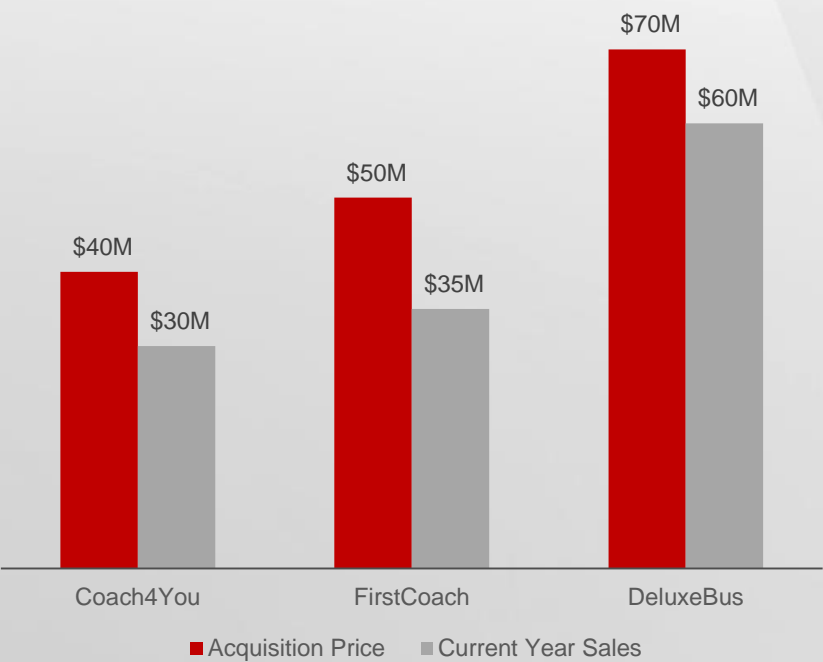
Case 5: Big Yellow Buses

Exhibit 2

Acquisition Target Information

Aggregate Data

Acquisition Targets - Current Financial Data



Firm-level Growth Data

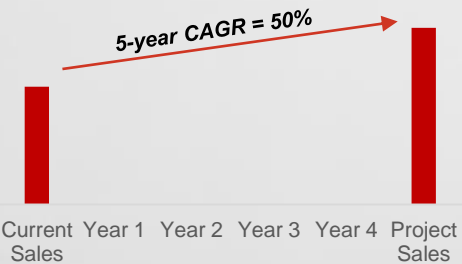
Coach4You



FirstCoach



DeluxeBus



Case 6: Who Needs Flight Simulators?

Prompt

Case Prompt

“Your client is CAE Inc., a Canadian manufacturer of flight simulators for private airlines and several countries’ militaries. However, growth in this market has begun to slow, especially in the military segment. The CEO has hired you to devise a strategy to put them back on the path of growth. The CEO wants to focus on ways to profitably grow revenues, rather than cutting costs.”

Notes for Interviewer

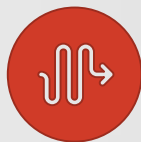
This case is a classic growth strategy case. As the candidate should state in their structure, growth can come from three areas: selling more of the same products to current customers, creating new products for existing customers and finding new customers. Once they establish that they cannot grow sales any further in the current market, they should look at both new products and new markets. In each of these categories, there is a quick calculation to solve relating to the market.



Quant



Qual



Market Entry

Case 6: Who Needs Flight Simulators?

Gathering Information

Clarifying information to be given (if asked)

- Civil flight simulators growing at 3% CAGR – CAE growing at 5%
Military flight simulators declining at -10% CAGR – CAE declining at 8% CAGR
- CAE achieves better than market growth rates because of its brand name. Market research indicates we will not be able to increase growth rates any further
- Four segments have expressed interest in simulators designed by CAE: medical, architectural, geological and electrical
- CAE has the resources to enter two of the four new segments at most. Assume that the costs of serving the segments are the same. Further, revenues are the only focus, not costs. Assume entering one segment only will cost the same as entering two.
- Current clients would be willing to pay \$500 monthly fee for training service
- Cost of training services: \$100 labour/customer/month, \$500,000 machines – depreciated over 10 years, \$100,000 for marketing and \$90,000 for administration

Guide to Handouts/Exhibits (given if asked after structure)

Exhibit 1: Projected Revenues for New Segment

Show this exhibit to the candidate if they ask new potential grows opportunities

Analysis: *The candidate should recognize they can find combined revenue sources and select the one that maximizes revenue. They should note that pairs are found as the reflection across the diagonal from top-left to bottom-right).*



Case 6: Who Needs Flight Simulators?

Analysis

Brainstorming Question

Prior to the quantitative analysis, ask the candidate to come up with possible growth opportunities for CAE. Remember, this should focus on revenue growth, not cost cutting

Answers/Information

Organic

The client can attempt to extend their technology to new fields:

- Commercial airlines
- Architecture
- Gaming
- Augmented Reality
- Other military applications
- Medical research
- Licensing technology
- Flight Training

Inorganic

The client can attempt to grow by:

- Purchasing competition
- Selling business
- M&A activity
- New technology expansions beyond simulation

Case 6: Who Needs Flight Simulators?

Analysis

New Market Growth

Using the exhibit, the candidate should select the best growth opportunity and provide rational

Answers/Information

New Market Revenue

Medical: \$1100	Geological & Electrical: \$1735
Electrical: \$1750	Medical & Architectural: \$995
Architectural: \$1720	Architectural & Geological: \$1775
Geological: \$1600	Medical & Geological: \$1565
Medical & Electrical: \$1420	Architectural & Electrical: \$1350

Breakeven Point Analysis

In the new products portion, have the candidate do a break-even calculation to find the minimum number of customers needed to break-even.

Answers/Information

New Products Revenue

Price = \$500/customer/month = \$6000/customer/year
Labour = \$100/customer/month = \$1200/customer/year
Gross Margin = \$4800/customer/year

Machines cost \$500,000 and depreciated over 10 years, so annual depreciation charge is \$50,000
Marketing = \$100,000/year
Admin = \$90,000/year
Fixed costs = \$240,000/year

$$\text{BEP} = \$240,000 / \$4800 = \underline{\underline{50 \text{ customers}}}$$



Case 6: Who Needs Flight Simulators?

Recommendation

Recommendation	In order to grow revenue, the client should pursue growth through two avenues: first, the client should pursue new products with offering aviation training, with 50 customers minimum to break even. Next, the client should pursue expansion into new markets, by entering both the architectural and geological segments, adding \$1,775,000 to annual revenues.
Risks or Considerations	Risks include internal expertise to play in new markets, as well as leveraging industry connections to meet the required break even point.
Next Steps	Moving forward, the client should look to add additional expertise to be able to compete in new markets.



Case 6: Who Needs Flight Simulators?

Exhibit 1

Projected Annual Revenues for New Segments (000's of \$)

Revenues Expected In:	If Also Enter:				
	Medical	Architectural	Geological	Electrical	
	Medical	1,100	575	715	880
	Architectural	420	1,720	800	660
	Geological	850	975	1,600	1,075
	Electrical	540	690	660	1,750

**Top-left to bottom-right diagonal represents the total revenue gained if entering only that one segment, not two (hence it is at the intersection of one category with itself).*



Case 7: Keeping the Company Intact

Prompt

Case Prompt

*“Your client is Intact Financial, a leading Canadian insurance company. Growth in insurance premiums has been slow and with investment returns at all-time lows, they have been feeling increasing pressure. You’re working for the insurance division and have been tasked with devising a strategy to **grow the gross premiums earned by Intact.**”*

Case Prompt

This is a growth strategy case. Since the case question explicitly instructs the candidate to focus on growing insurance premiums, they should disregard the possibility of offering new products other than insurance. Therefore, there are only two possibilities to grow the amount of insurance premiums earned: selling more insurance to segments we currently serve (either through acquiring customers from competitors or raising revenue per customer) or finding new segments. Allow the candidate to explore both, but direct them to entering a new segment, particularly the specialized segment. This will lead them to the pricing calculations and a conclusion to the case.



Quant



Qual



Growth

Case 7: Keeping the Company Intact

Gathering Information

Clarifying information to be given (if asked)

- Gross premiums represent the total insurance premiums taken in by Intact Financial, thus it can be thought of as the gross revenues
- Total amount of premiums written in Canada in 2012: \$50 billion.
- Top five firms in the industry have a combined 40% market share, the top 10 have 60%
- Intact has a 15% market share, is the largest company and is twice as large as the next largest
- The insurance market is split into 5 areas: automobile (47% of market), property (19% of market), commercial (14% of market), liability (11% of market) and specialty (9% of market)
- The annual growth rates are as follows: automobile: 1%, property: 1%, commercial: 5%, liability: 8% and specialized: 10% for a combined growth rate of 3%.
- Intact currently operates in automobile, property, commercial and liability insurance.
- They have four distribution channels: independent brokers, Belairdirect (property), Grey Power (automobile) and BrokerLink (online direct sales platform).
- Customers in specialized insurance are looking for high-quality service tailored to their specific needs at a competitive price.

Guide to Handouts/Exhibits (given if asked after structure)

Exhibit 1: Proposed Pricing Strategies for Specialty Insurance

The candidate should ask to target specialty after asking about the possible areas of insurance, and learning that the client operates in all areas except specialty. Then show Exhibit 1.

Exhibit 2: Proposed Distribution Strategies for Specialty Insurance

Ask the candidate how they might enter the market (i.e. what distribution strategy). You might have discussed this already, in which case the candidate should know where to go next. If not, help them. If they mention distribution strategies, show them Exhibit 2. If not, help them along and then show them Exhibit 2.

Conclusion: The candidate will find that BrokerLink and Brokers yield the same net income. Regardless of which they pick, tell them they should have chosen the other. Either say that the nature of the product will require the expertise of brokers to sell if they want to use BrokerLink, or that outsourcing to brokers gives up too much control of the product during the market entry stage if they chose brokers.

Case 7: Keeping the Company Intact

Analysis

Exhibit 1 Question

The candidate should immediately try to calculate the total gross premiums earned for each option

Calculations

	High	Medium	Low
Price per policy	\$6,000	\$4,000	\$2,000
Policies Sold	60,000	100,000	250,000
Total	\$360M	\$400M	\$500M

Exhibit 2 Question

The candidate should immediately try to calculate the net profit for each possible situation. There are 3 potential distribution channels at three price points, but the candidate should rule out subsidiary as too expensive. Therefore, 6 total options.

Calculations

Brokers	High Price	Medium Price	Low Price
Gross Premiums	360	400	500
Commissions	90	100	125
Variable Costs	0	0	0
Fixed Costs	150	150	150
Net Profit	120	150	225

BrokerLink	High Price	Medium Price	Low Price
Gross Premiums	360	400	500
Commissions	36	40	50
Variable Costs	30	50	125
Fixed Costs	100	100	100
Net Profit	194	210	225



Case 7: Keeping the Company Intact

Recommendation

Recommendation	<ol style="list-style-type: none">1. To boost the gross premiums earned by Intact, they should enter the specialized insurance market as it is growing at 10%, compared to the average of 3% for the industry.2. They should price their product low as this will generate the highest amount of gross premiums, which can be used to earn investment returns and also the highest profits.3. Finally, they should use independent brokers to sell the product as this will allow the insurance policies to be better tailored to each customer's needs
Risks or Considerations	<ul style="list-style-type: none">• If choosing brokers: risk giving up control of the product during the vital market entry stage• If choosing BrokerLink: the nature of the product will require the expertise of brokers to sell
Next Steps	<ul style="list-style-type: none">• Intact is a large company, dominating the Canadian market. Try to get existing clients purchasing other forms of insurance to switch to Intact for their specialized insurance



Case 7: Keeping the Company Intact

Exhibit 1

Exhibit 1: Proposed Pricing Strategies for Speciality Insurance

	High	Medium	Low
Price (per year)	\$6,000	\$4,000	\$2,000
Policies Sold	60,000	100,000	250,000



Case 7: Keeping the Company Intact

Exhibit 2

Exhibit 2: Proposed Distribution Strategies for Specialty Insurance

	Brokers	Subsidiary	BrokerLink
Commission on Sales	25%	0%	10%
Variable Cost per Policy Sold	\$0	\$1,000	\$500
Annual Fixed Cost	\$150,000,000	\$250,000,000	\$100,000,000



Case 8: Credit Disunion

Prompt

Case Prompt

“Your client is a credit union which operates 120 bank branches throughout Ontario and Manitoba. In the previous year, they earned \$8B in revenues and \$500M in profits, which was an increase of 3% over the year. Recently however, they have noticed that their profitability is significantly lower than other credit unions that operate a similar number of bank branches in other regions. The client has hired our firm to identify the causes of the discrepancy in profits as well as ways to solve it.”

Notes for Interviewer

Although the underlying structure of this case is a profitability calculation, the challenge in the case comes from needing to understand the credit union business on a deeper level than usual in order to identify the correct solutions. In order to get this understanding, they should ask about the business and how it makes money, so that they have more grounding when they start looking at the drivers of profitability. In addition, they should look at what competitors are doing so that they can identify why the client is less profitable. The exhibits provide an element of quantitative difficulty, none of the calculations themselves are tough.



Quant



Qual



Profitability

Case 8: Credit Disunion

Gathering Information

Credit Unions: Clarifying information to be given (if asked)

- The overall financial services industry can be divided up into three areas: insurance banking and payments – credit unions are only licensed to operate in banking and payments
- Credit unions typically operate in a limited geographical region and offer a more community-focused banking experience than the banks (which are much larger and thus can offer a greater variety of services)
- Credit unions are semi-independent and run by their local owners, whereas a bank has full control over the actions of any branch
- The typical customer of a credit union is older and less wealthy than the typical client of a bank; they are also very likely to have grown up in the same region as they currently live
- When customers were polled about the most important reason why they chose their current bank or credit union: 27% said grew up with the bank, 22% said availability of products, 18% said fees and/or interest rates offered, 15% said customer service and bank culture, 12% said availability of ATMs and bank branches, 6% said variety of products available

This case: Clarifying information to be given (if asked)

- The banking sector makes money by making loans at a higher interest rate than their source of funding; the sector is growing at a rate of 2% annually and profit margins average 8%
- Any loans not funded by deposits need to be funded through short-term debt, which costs significantly more than deposit funding
- Any deposits in excess of loans earn a very low interest rate
- Our client's banking division manages 3M client accounts, which earns a total of \$6B in revenues and \$300M in profits
- We know that similarly-sized competitors earn \$2000 per account in banking
- The payments sector makes money from fees by facilitating payments and transfers, either through debit and credit cards or money transfer services; the sector is growing at a rate of 5% annually and profit margins average 10%
- Our client's payments division processes 2B transactions per year, earning \$2B in revenues and \$200M in profits
- We know that similarly-sized competitors earn \$1.50 per transaction in payments

Case 8: Credit Disunion

Gathering Information

Guide to Handouts/Exhibits (given if asked after structure)

Exhibit 1: Asset Funding for Independent Member Firms

Give after candidate analyzes the client's competitiveness in banking and determines that high funding costs are a likely problem

Exhibit 2: Payment Service Use Breakdown by Customer Wealth

Give after candidate analyzes the client's competitiveness in payments and determines revenue per transaction is below average

Note: the candidate may pursue these independent issues in either order (you may give out Exhibit 2 before Exhibit 1).

Case 8: Credit Disunion

Analysis

Banking Analysis

Compare client performance to similar credit unions in revenue generation and profit (banking)

Answers/Information

Revenue/account

\$6B revenue divided by 3M accounts yields \$2000/account. This is in line with competitors.

Profit margin

\$300M profit /\$6B revenue = 5%
This is lower than competitors implying costs are higher on average.

Brainstorm major costs for banking (answer is funding costs – the cost of money loaned out)
Then give them Exhibit 1

Exhibit 1

Give Exhibit 1 and ask for insights and solutions

Answers/Information

Insight: Deposits should be 100% of assets. But, the clients' deposits do not match well, so some branches are forced to fund loans with expensive short-term debt, and other banks have deposits they cannot loan out.

Solution: Even out deposits by borrowing deposits at some higher rate than what unused deposits earn, but lower than the interest rate of short-term debt otherwise paid.

Payment Analysis

Compare client performance to similar credit unions in revenue generation and profit (payments)

Answers/Information

Revenue/transaction

\$2B revenue from 2B transactions = \$1/transaction
This is below competitors (\$1.50)

Profit margin

\$200M profit/\$2B revenue = 10%
This is in line with competitors.

Give them Exhibit 2

Exhibit 2

Give Exhibit 2 and ask for insights and solutions

Answers/Information

Insight: The richest customers disproportionately use the more expensive services and credit union customers are typically less wealthy.

Info to provide

Client customer profile: 0.25% are richest 2%, 9.75% are next 18%, 90% are poorest 80%

Solution:

Try to attract more wealthy clients (candidate should think of a strategy to do so).



Case 8: Credit Disunion

Recommendation

Recommendation	<ol style="list-style-type: none">1. There were two main issues holding back profitability: high funding costs in the banking division and low revenue per transaction in the payment division.2. To reduce funding costs, we should allow bank branches to lend more easily to each other to reduce both unused deposits and reliance on short-term debt3. In the payments division, we need to attract wealthy customers who use the most expensive services. One way to do this will be to partner with credit unions in other regions to offer our services across the country.
Risks or Considerations	<ul style="list-style-type: none">• Given the semi-autonomous nature of credit union branches, managers of individual branches may be reluctant to share deposits, despite financial incentives• Credit Union use is slowing, and it will be difficult to attract wealthy clients when banks offer such a large breadth of services already
Next Steps	<ul style="list-style-type: none">• Provide corporate assistance for intra-company transfers of deposits. Financial incentives may not be enough because it will be more work for branch managers to always be moving money around.• Create unique products that will attract wealthy customers, as this is the second most cited reason someone choose a bank. We cannot combat the primary reason of growing up with the bank.

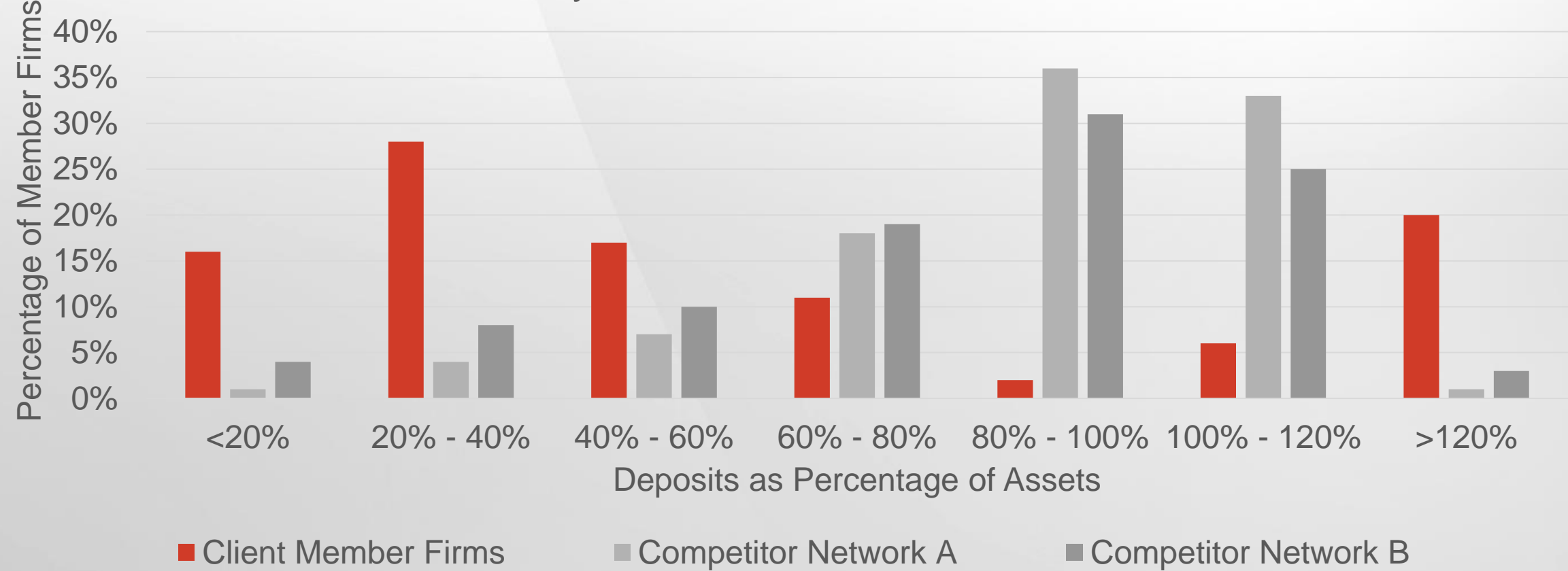


Case 8: Credit Disunion

Exhibit 1

Exhibit 1: Asset Funding for Independent Member Firms

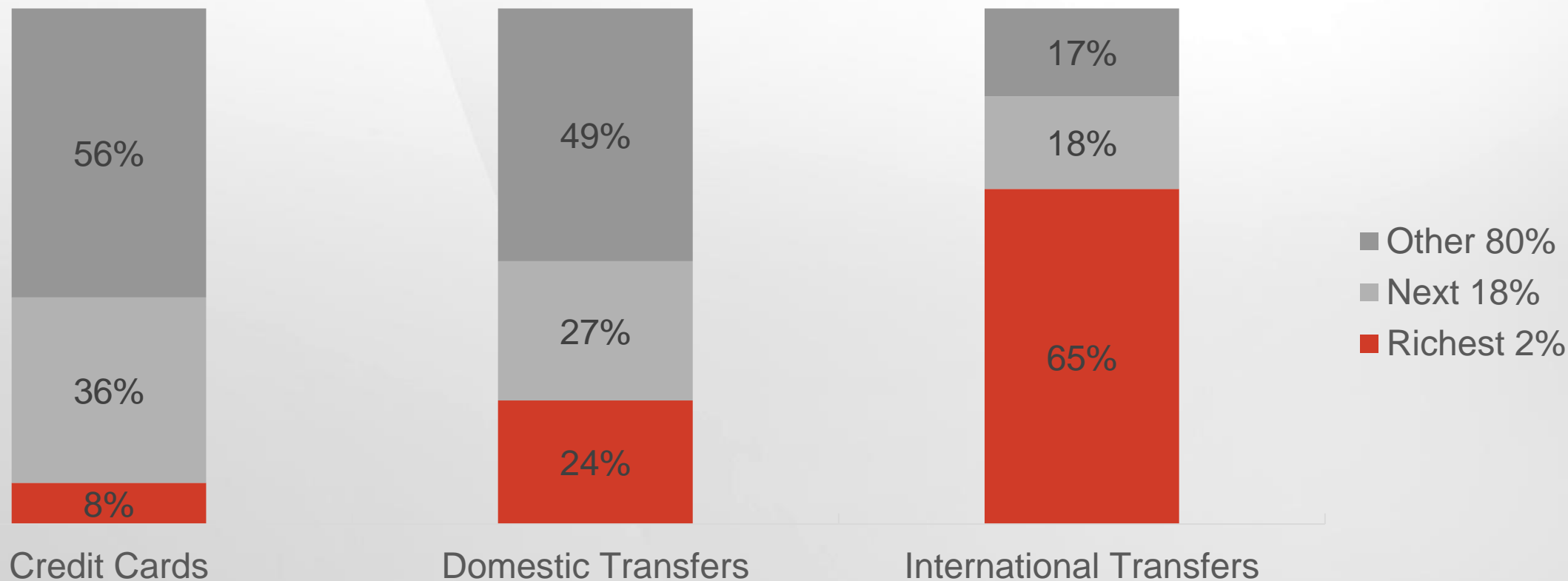
Liability Structure of Branch Networks



Case 8: Credit Disunion

Exhibit 2

Exhibit 2: Payment Service Use Breakdown by Customer Wealth



Note: Average credit card revenue per transaction is \$0.50; average domestic transfer revenue per transaction is \$1.50; and average international transfer revenue per transaction is \$5.00



Case 9: Calling the TTC

Prompt

Case Prompt

One of the main factors that drives customer retention in the telecom market is coverage: companies that can boast that they receive a signal everywhere have much lower churn than their competitors. As such, you are working for Rogers Wireless, who wants to build a wireless network that will offer full coverage in the TTC subway. How would you evaluate this proposal?

Case Prompt

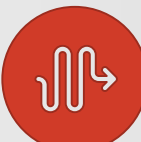
This is a market entry case with a few twists. However, the overarching structure should not be significantly different from any typical market entry. First, the candidate should get an estimate of the size of the market: in this case, the daily number of travellers on the TTC. Second, they should get a sense of the qualitative factors surrounding the market as this will help them evaluate whether customers will accept the price increase necessary to make this work. Third, they should do a break- even calculation to establish what price increase is necessary to make this move profitable. Finally, they should see if there are any operational issues and brainstorm ways to avoid them.



Quant



Qual



Market Entry

Case 9: Calling the TTC

Gathering Information

Clarifying information to be given (if asked)

Market

- Population of Toronto is 3 million people
- Market growing at 5% CAGR

Company & Customers

- Rogers has a 40% market share (Telus and Bell have about a 25% market share each).
- Rogers has 8 million Canadian subscribers
- Customers relatively price sensitive, but value coverage and service even more highly
- We can assume Rogers will fund this investment from internal cash (no debt or equity financing needed)
- Assume Rogers' market share of TTC riders is the same as its overall market share
- Companies tend to offer heavy discounts to entice people into contracts

Project/General Information

- Rogers will need to invest \$1 million in equipment per kilometer to build the wireless network
- The TTC subway is 40 km long
- Rogers must also pay a one-time fee of \$20 million and an additional annual fee of \$1 million to the TTC for the use of their property.
- Rogers is looking to pay back the investment over 4 years
- Rogers can only install its equipment during scheduled TTC track repairs

Guidance for Interviewer

Candidate should initiate a market sizing & breakeven analysis (see next slide). After reaching a conclusion for the breakeven point, the interviewer will prompt the candidate with a qualitative question concerning feasibility.

Case 9: Calling the TTC

Analysis

Market Sizing

Allow the candidate to do the market sizing however they like, but give them the correct figures below before moving on. Remember that the goal is to find the number of different people who use the subway, **not** the total number of riders in a given time period.

Sample Solution

The correct number of daily riders on the subway is about **1 million**. Assuming that each person rides the subway an average of 2.5 times per day (once to work and once home, plus some additional rides and/or transfers for some people), there will be 400,000 different people who take the subway each day

Sample Market Sizing:

I know the subway comes approximately every 4 minutes on average. So there are 15 trains each hour on one line. Let's assume that the TTC operates for 20 hours per day, which means that there will be 300 trains per line in one day. Moving on, there are 3 main lines for the subway, so there will be 900 trains in one day. Now I know one train is fairly long, let's assume that it's 20 cars long and each car seats 50 people. Thus each train transports 1000 people in one run. Therefore, there will be approximately 900,000 riders of the TTC in one day. However, most people will take the subway twice each day as they need to get into and back out of town, so the number of different people taking the subway is only 450,000.

Note that even though this candidate did not reach the precisely correct answer, they were close and their process was logical, so the answer is completely acceptable for this portion.

BEP Analysis

See below for calculations:

Sample Solution

Rogers must make two one-time payments: the equipment investment of \$40 million and the TTC fee of \$20 million. Spreading this over 4 years gives an annual charge of \$15 million. In addition, they pay \$1 million as an annual TTC fee, for total annual costs of \$16 million.

Since there are 400,000 riders of the TTC and Rogers has a 40% market share, Rogers has 160,000 users who take the subway. To break even, each of these users must pay an extra \$100 per year (\$8.33 per month).



Case 9: Calling the TTC

Additional Analysis

Part 1: Once the candidate reaches this number, ask them what they think.

They should realize this is likely too high as few consumers will pay \$8 per month. Ask them *how Rogers might reduce this figure or if there is anything we are forgetting in the analysis.*

Answers/Information

- The three things to look for are:
- 1. Partner with one of the other carriers to split the costs
 - 2. Spread the cost across all Rogers subscribers Canada-wide
 - 3. Rogers will save on the cost of acquiring subscribers as fewer customers will leave due to the better service.

Part 2: Additional information to provide after the above is discussed

Partnering with one of the other firms will cut all costs in half. For cost of acquisitions, if Rogers goes alone, it will save \$8 per user that takes the subway per month, or \$2 per user that takes the subway per month if it partners with another firm.

Answers/Information

Partnering: All costs are cut in half, Rogers can only collect revenues from its own subscribers, so volumes are unchanged, thus the break-even price falls by half to \$4.16 per month (\$50 per year).

Spreading the Cost: Total annual costs are \$16 million across 8 million subscribers, so each one must pay \$2 per year (17 cents per month).

Cost of Acquisitions: If Rogers goes alone, the savings lower the break-even price by \$8, which means prices will need to rise by only 33 cents per month (\$4 per year). If it partners, the break-even price is \$2.17 per month (\$26 per year).



Case 9: Calling the TTC

Recommendation

Recommendation	<ol style="list-style-type: none">1. There is a substantial market for wireless service in the TTC subway as 160,000 Rogers subscribers ride the subway each day.2. Although we initially thought partnering would be a good alternative, we realized that Rogers should pursue this project alone to reap the full benefits to customer loyalty.
Risks or Considerations	<ul style="list-style-type: none">• High risk of delay in project completion due to unreliability of TTC, & therefore higher costs incurred by the client.
Next Steps	<ul style="list-style-type: none">• Since Rogers can only install their equipment during track repairs, we should start the project in high-traffic areas, like downtown and expand as we are able to gain an early foothold with business users, who are likely to make heavy use of the service.



Case 10: Diamonds are Forever

Prompt

Case Prompt

“Your client, Forever Diamond, has been in the diamond industry for over 50 years. To date, all of their mining initiatives have been in Central and Southern Africa, but Forever Diamond is now looking to enter the Canadian diamond market. You have been hired to determine how this can be accomplished.”

Extra: They are looking to enter both the mining and retail sectors in the Canadian market.

Notes for the Interviewer

Although this is a market entry case, the candidate should notice from the phrasing of the question that the case is not about if they should enter the market, but rather how they should enter the market. As such, they should think about the operations of a diamond company: in particular, as prompted by the extra information, they should look at the mining portion and the retail portion. Within each portion, there is a calculation to choose the best option for the client. At the conclusion of the case, there is an open-ended branding question that should force the candidate to think creatively.



Quant



Qual



Market Entry

Case 10: Diamonds are Forever

Gathering Information

Client Objectives & Budget

What are the client’s objectives / KPIs? Do they have any financial constraints?

Information to be provided if requested:

- The goal in the mining sector is to maximize the absolute probability of finding diamonds
- The client’s goals in the retail sector are: maximize cash on hand at end of year 1, and achieve the best return on investment in terms of year 5 revenues
- They have a budget of \$250 million for the mining investment and there is no benefit to spending below this budget. They also have a budget of \$300 million for the retail market and money not spent out of this budget will be counted as cash on hand at year-end

Prospective Diamond Mines

Has the client identified potential diamond mines for purchase?

Information to be provided if requested:

- There are 3 available diamond mines that the client could purchase: The Yellowknife mine costs \$200 million and has a 50% chance of finding diamonds, the Whitehorse mine costs \$210 million and has a 55% chance of finding diamonds, and the Watson Lake mine costs \$220 million and has a 60% chance of finding diamonds.
- However, there is equipment available to help at finding diamonds: Excavators cost \$30 million and raise the probability of finding diamonds by 10% (10 percentage points), and seismic sensors cost \$50 million and raise the probability of finding diamonds by 25% (25 percentage points).

Retail Acquisition Targets

Has the client identified any retailers as potential acquisition targets?

Information to be provided if requested:

- Competition in the Canadian diamond retail market is very intense – market research shows that there isn’t room for a new retailer to enter the space: therefore **three potential acquisition targets:** People’s Diamonds, Ben Moss, and W.K. Chan.
- People’s Diamonds will cost \$250 million, has \$225 million in Y1 revenues and total sales will grow by 20% by year 5.
- Ben Moss will cost \$275 million, has \$275 million in Y1 revenues and total sales will grow by 20% by year 5.
- W.K Chan will cost \$300 million, has \$290 million in Y1 revenues and total sales will grow by 10% by year 5.



Case 10: Diamonds are Forever

Additional Analysis

Math Question 1

Which mine and/or technology presents the best option?

Calculations

First, looking at the mining segment, since the company has a \$250 million budget, it can purchase seismic sensors to complement the Yellowknife mine only, and can purchase excavators to complement any of the three mines.

	Yellowknife	Whitehorse	Watson Lake
Probability (base)	50%	55%	60%
Equipment purchased	Seismic sensors	Excavators	Excavators
Increase in probability	25%	10%	10%
Net probability of diamonds	75%	65%	70%

Therefore, the best option is to purchase seismic sensors and the Yellowknife mine.

Math Question 2

Which retailer should the client acquire?

Calculations

In the retail sector, the company wants to look at both Y1 cash on hand and the return on investment. Cash on hand = \$300 million – purchase price + Y1 revenues

	People’s	Ben Moss	W.K Chan
Cost to Acquire	\$250M	\$275M	\$300M
Y1 Revenues	\$225M	\$275M	\$290M
Cash on Hand	\$275M	\$300M	\$290M

By this first metric, Ben Moss is the best choice.

In this case, ROI = Y5 revenues / purchase price

	People’s	Ben Moss	W.K Chan
Cost to Acquire	\$250M	\$275M	\$300M
Y1 Revenues	\$225M	\$275M	\$290M
Sales Growth	20%	20%	10%
Y5 Revenues	\$270M	\$330M	\$319M
ROI	1.08% (108%)	1.2 (120%)	1.063 (106%)

Again Ben Moss is the best choice.



Case 10: Diamonds are Forever

Additional Analysis

Creative Question to Ask the Candidate:

Once the candidate arrives at the conclusion of Ben Moss being the most viable acquisition target in terms of ROI, ask the following question:

“Although Ben Moss appears to be a good partnership, there will be a branding issue. Forever Diamond is a high-end retailer and Ben Moss is a low-end brand in the Canadian market. If Forever Diamond does still acquire Ben Moss, what are some ways they could align Ben Moss with the Forever Diamond brand?”

Potential Solutions Include:

- Change the name and look of the stores
- Provide a better service (enhanced customer experience)
- Implement a marketing campaign to establish the new brand
- Establish partnerships in the community

Case 10: Diamonds are Forever

Recommendation

Recommendation

1. In the mining sector, the client should purchase the Yellowknife mine and seismic sensors, as this will give them a 75% chance of finding diamonds.
2. In the retail sector, the client should purchase Ben Moss as it has the highest cash on hand for year 1, as well as the best ROI by year 5.

Considerations & Next Steps

Because of Ben Moss’s low-end positioning in the Canadian market, the client should alter the brand by changing the Ben Moss stores to Forever Diamond stores and pursuing (**one to three** of the following) marketing tactics/strategies:

- Change the name and look of the stores
- Provide a better service (enhanced customer experience)
- Implement a marketing campaign to establish the new brand
- Establish partnerships in the community



Conclusion



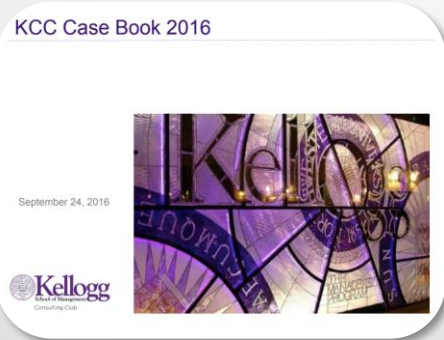
We hope you found this case book a useful starting point for your case preparation. On the final slide you can find further materials to continue your practice.

If you have any questions, comments or suggestions, please find [QCA on Facebook](#) and send us a message.

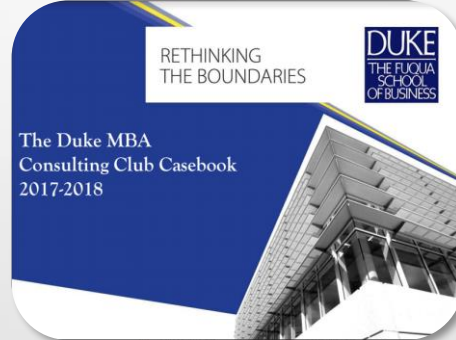
Best of luck!

Additional Materials

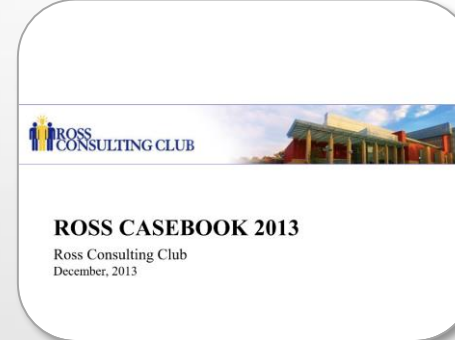
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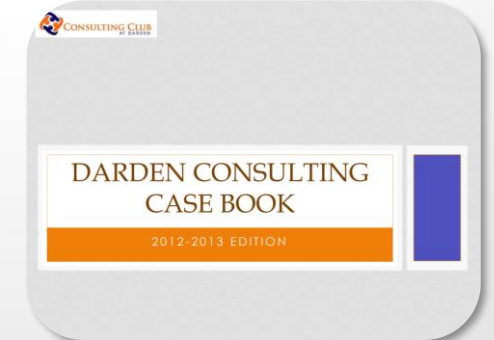
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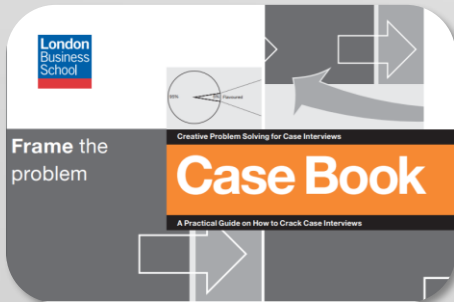
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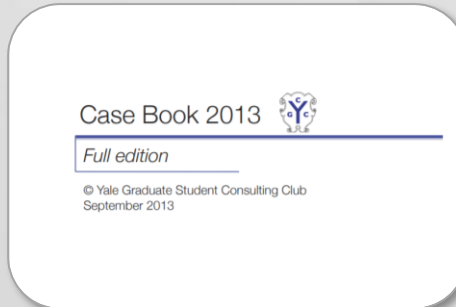
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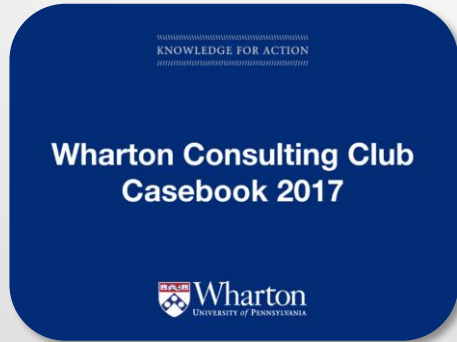
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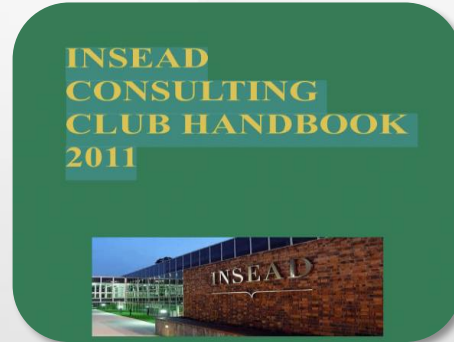
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