

BERKELEY-HAAS CONSULTING CLUB

INTERVIEW PREPARATION GUIDE AND CASE BOOK



The Berkeley MBA
Haas Consulting Club

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Before you begin...



- This guide is meant to **supplement** and help you structure your thinking about the consulting recruiting process. The contents of this guide reflect the authors' best thinking but **do not claim to be universal truths** held by all firms and all interviewers everywhere.
- While studying how to do cases and identifying best practices is helpful, you must **develop your own style** to succeed. For example, interviewers can easily identify “canned” frameworks.
- When using this guide (and other resources), always ask yourself **if this makes sense for you**. It is best to take in information from a variety of resources and synthesize.

Contents

- 1) Management consulting recruiting process
- 2) The case interview
- 3) The behavioral interview
- 4) Practice cases

Recruiting for consulting has two critical workstreams

1

Get the interview

- Building consulting-tailored **resume & cover letter** that highlight the right skills and characteristics
- **Networking** to show interest and gain insights into firm cultures
- **Research** to see which firms / offices / practices to apply to

2

Ace the interview

- Prepare for the **case interview**
- Prepare for the **behavioral interview**
- Prepare for **other assessments** as necessary



-
- There is a lot to do, but **there are resources to help**; use them!
 - **Do these workstreams simultaneously**, not sequentially
 - Don't wait until you have an interview invite before you start preparing. Regular preparation starting in Fall will be far more fruitful and allow you time to incorporate feedback.
 - **Case interview preparation (typically) is the most time-intensive item** and requires a fair amount of lead-time

Knowing what the firms are looking for helps you prepare

High-level assessment areas:

Value addition

Solving problems

- Structured thinking
- Analytics / quant
- Reasoning / problem solving
- Creativity

Communications

Sharing information

- Crystalizing the message
- Delivering information effectively
- Client relationship manager and mentor

Team

Working with others

- Cultural fit
- “Airport Test”
- Effective team player
- Peer mentor

-
- Get clarity on each firm’s focus areas by talking to people from that firm; there are a lot of similarities but **each firm has its own flavor** best uncovered through networking conversations and to a lesser extent, marketing materials (e.g. website)
 - When preparing for interviews and drafting your resume, ask yourself “am I highlighting consulting-relevant skills?”

Getting the interview

Getting the interview

1 Resume & Cover Letter

- Invest time tailoring to consulting
- Look at the career center's resume book
- Prepare for multiple (5+) revisions
- Put yourself in the reviewer's shoes and ask: am I conveying the brand I want?

2 Research

- Key items to research:
 - Firm-specific: How do firms differ, both technically (e.g., staffing, travel) and culturally?
 - Office-specific: What is the work mix among functions and industries?
- Go beyond the web – use networking

3 Networking

- Above all be genuine in your interactions
- Don't ask questions that you can find answers to on the web
- Demonstrate interest by asking questions that show you did your homework
- This portion of the process can be as evaluative as the interview – be yourself!

So what exactly is “Networking”?

Networking is more art than science - not hard to be good, but easy to be bad!

- At its core, networking is the **act of building connections** with others
- Networking does not mean trying to build lifelong relationships in 10 minutes; rather networking accomplishes two things:
 - Get “insider” information about the firm, which may be helpful in crafting your answer to “Why this firm?”
 - Show initiative and interest in a firm, which also facilitates name recognition during initial resume screens

DOs

- Start off with simple questions: How long have you been at X? Why did you choose X? What types of projects have you worked on?
- Ask for a business card at the end – this is a natural way to bring a conversation to a close
- Send a thank you note if you made had a meaningful conversation! It shows that you appreciate their time, and this is an opportunity to implant your name.

DON'Ts

- Corner a recruiter/partner/etc. and monopolize the conversation. This is just as awkward for them as it is for your peers.
- Ask obvious questions or bring up inappropriate topics (compensation, projected hiring, competitors)
- Spend too much time with one individual. Even if the conversation is going great – end on a high note, meet some other people, and give your peers a chance to move around

Acing the interview

- **Case:** Practice, practice, practice
 - Structured approach to problem solving
- **Behavioral / Experience Interview: PARs***
 - Identify typical questions
 - Identify your best stories
 - Prepare answers to the questions
- **Other:** Keeping up with pleasantries
 - Questions for them
 - Chitchat



* Note: PAR = “Problem Action Result”. PAR is framework for sequencing answers to behavioral questions

Internship recruiting timeline

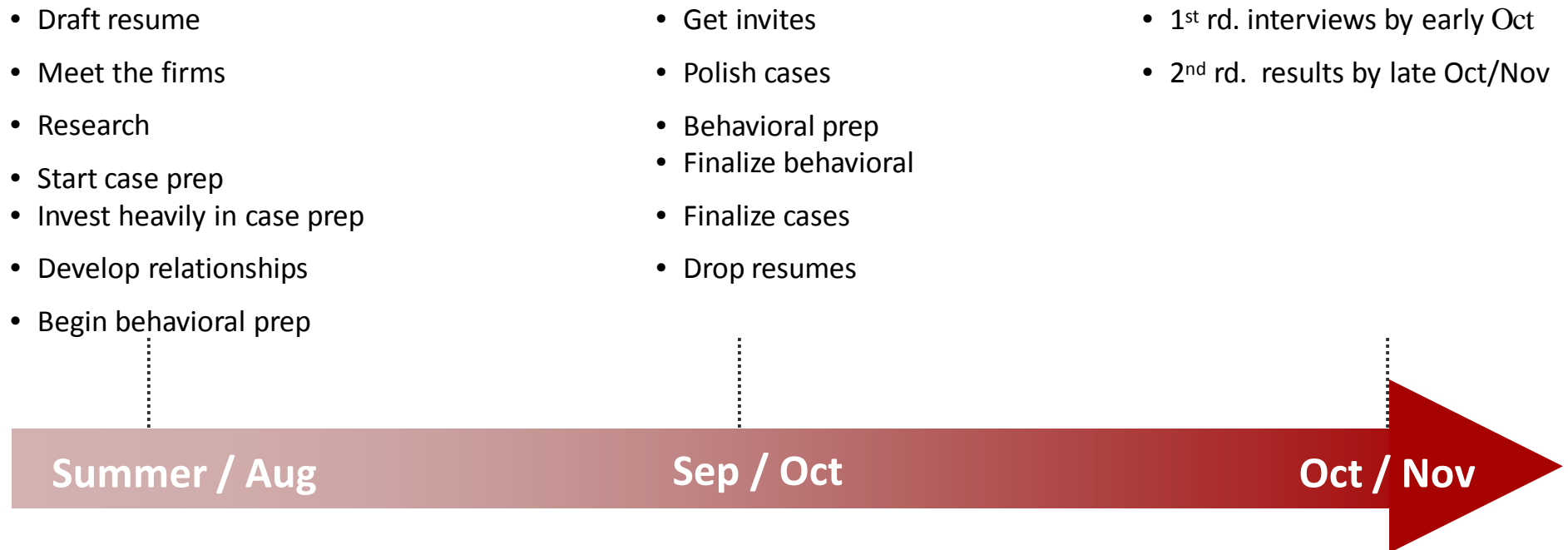
Indicative internship recruiting & preparation timeline



- This is a long-term project; **invest time upfront** designing a good plan!
- Procrastination takes a heavy toll. Think about making an “interview prep” buddy, as peer pressure is a great way to keep each other on track.

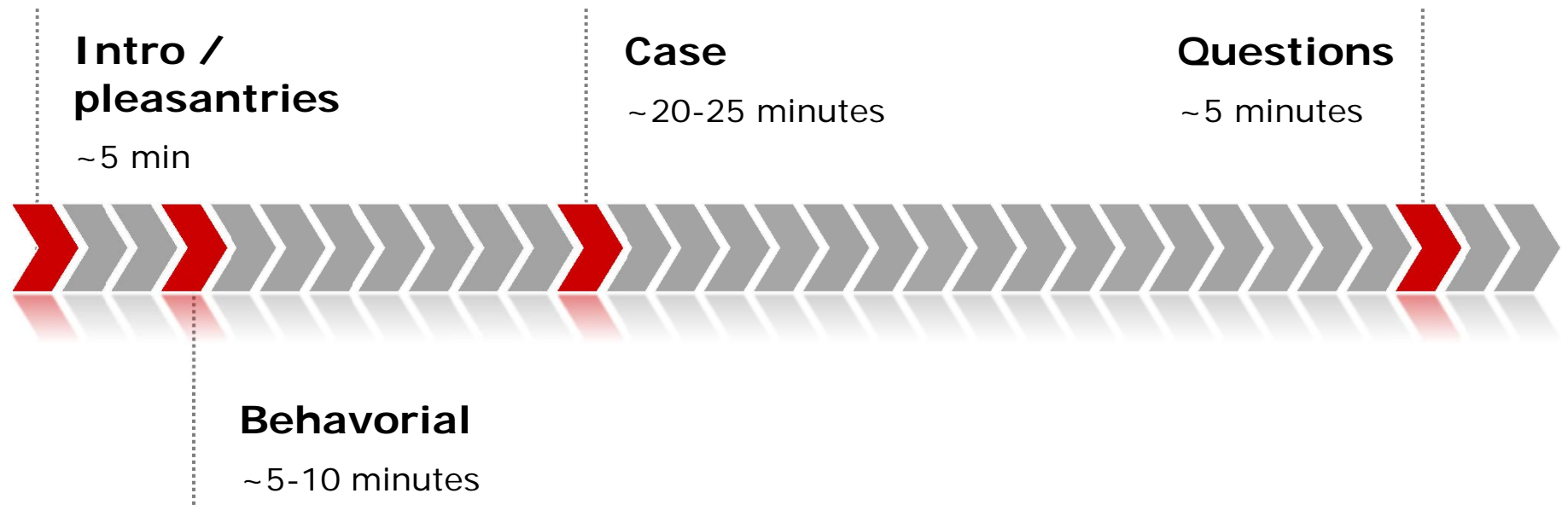
Full-time recruiting timeline

Indicative full-time recruiting & preparation timeline



- This is an aggressive timeline!
- To be successful you should decide early if consulting is for you and fully commit to the OCR process.

Interviews are ~45 minutes & have behavioral and case components



- This is the most common interview format, but there are firm and interview round variations
- Cases that end early could be normal for that case, a good sign that it went really well, or a sign that it didn't go so well, so don't read too much into it

A framework for a successful job search

1 PRIORITIES: Know what you want

- Haas is full of awesome, worthwhile ways to spend your time and you can't do all (or even most) of them
- If you don't have your priorities straight you'll wind up over committed, overstretched, and you might not reach your goals
- Give yourself permission to say no to things so you can focus

2 PEOPLE: Recruiting is a team sport

- Your job search is too important to leave managing it exclusively to yourself!
- Leverage your fellow classmates who are consulting job seekers to share resources, hone your thinking (e.g. debate the ideal profitability framework), and practice interviews
- Cultivate coaches who have gone through the process and can guide you

3 PLAN: Know what you need to do

- Consulting recruiting is a "solved problem" – before you draft your plan, ask several people who were successful what they did
- Draft a rigorous plan that will get you to success and continuously revisit it as you learn more

4 PERSISTENCE: Work hard

- For most people, the consulting job search is a lot of work; accept it, plan for it, and do it
- Think marathon, not a sprint – much better to chip away every day than cram right before the interview
- The work pays off – on average, people who (intelligently) put the time in do better than those who invest less time

Common pitfalls – and solutions

1 Starting late

- Many people fall into the trap of starting prep late, often thinking that they “can crank it out over winter break”
 - However, some of the best resources for effective prep (career coaches, firm “coffee chats”, other preparing students) are only really available during the semester
 - **Solution:** starting early helps!
-

2 Don't prepare effectively

- Your goal isn't to work hard preparing; it is to actually improve
 - People can get into cycle where they do a lot of “low quality” cases without learning from them
 - **Solution:** if you do a case, do it well. See a Peer Advisor early and often, seek high-value case partners, know what skills you need to focus on as you progress, and spend time after the case redoing areas that were weak the first time through (example: redesign / represent framework, redo conclusion)
-

3 Under-index on behavioral prep

- People typically “respect” the case prep process since it is a new skill, but people are often overconfident with their behavioral prep (and are more likely to go in cold). The result is a story that falls flat or annoys the interviewer.
- **Solution:** spending enough time to nail your behavioral prep is worth it! Make an effort to start every case with a behavioral question, and work on turning your “Walk me through your resume” and “Tell me about yourself” answers into real stories.

Outline

- 1) Management consulting recruiting process
- 2) The case interview
- 3) The behavioral interview
- 4) Practice cases

Case interviews require you to solve a problem

Behavioral / experience interview

- Requires you to describe **what you did or will do**
- Shows your **ability to answer questions** clearly & powerfully
- Demonstrates “**story-telling**” skills
- Typically **multiple questions**

Case interview

- Requires you to **solve a problem**
- Shows **ability to perform**
- Typically **one major question or topic**

-
- Cases interviews test your ability to take a complex problem, break it down into a reasonable approach, and then drive for a solution
 - Case interviews are often new to applicants so they typically require the lion's share of preparation time

Case interviews vary widely in format

Interviewee Led Case

- Most common
- The interviewee directs the case, with prodding from the interviewer
- Most practice cases are written in this format
- Example: Bain, BCG, Deloitte, ATK

Interviewer Led Case

- The interviewer presents the interviewee with specific stages / phases with specific questions
- Similar to, but more structured than, an interviewee led case
- Example: McK

Written Case

- Requires you to quickly analyze a large amount of written information, answer questions, then present / defend the results to interviewers
- Example: Bain, LEK, ATK

Other

- Deloitte / Monitor: Group written case
- Typically reserved for second round

-
- While the formats vary, the skills tested are the largely the same. That said, it is still worth your while to get comfortable with each format you expect to encounter

Typical differences between first round & second round cases

First Round

























- Interviewer: managers
- Standardized cases
- More handouts
- More often “typical” case topics

Second Round









- Partners, senior partners
- Less standardized cases
- Less handouts
- More often “oddball” case topics

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- Cases tend to be less structured in second round interviews (but not always)
 - Still need to show breadth and depth of thinking & apply structured thinking to problems









Interviews tend to differ by firm

| | Regular case | Solely behavioral | Presentation | Comments |
|---------------------|---|---|---|---|
| McKinsey&Company |  |  |  | <ul style="list-style-type: none"> • Interviewer-led • Some use iPads |
| BCG |  |  |  | <ul style="list-style-type: none"> • Interviewee-led |
| BAIN & COMPANY |  |  |  | <ul style="list-style-type: none"> • Interviewee-led |
| Deloitte. |  |  |  | <ul style="list-style-type: none"> • Can use group case for presentation |
| pwc |  |  |  | <ul style="list-style-type: none"> • Five behavioral interviews |
| THE PARTHENON GROUP |  |  |  | <ul style="list-style-type: none"> • - |
| L.E.K. |  |  |  | <ul style="list-style-type: none"> • Phone interviews at Round 1 |
| accenture |  |  |  | <ul style="list-style-type: none"> • Uses brain teasers |

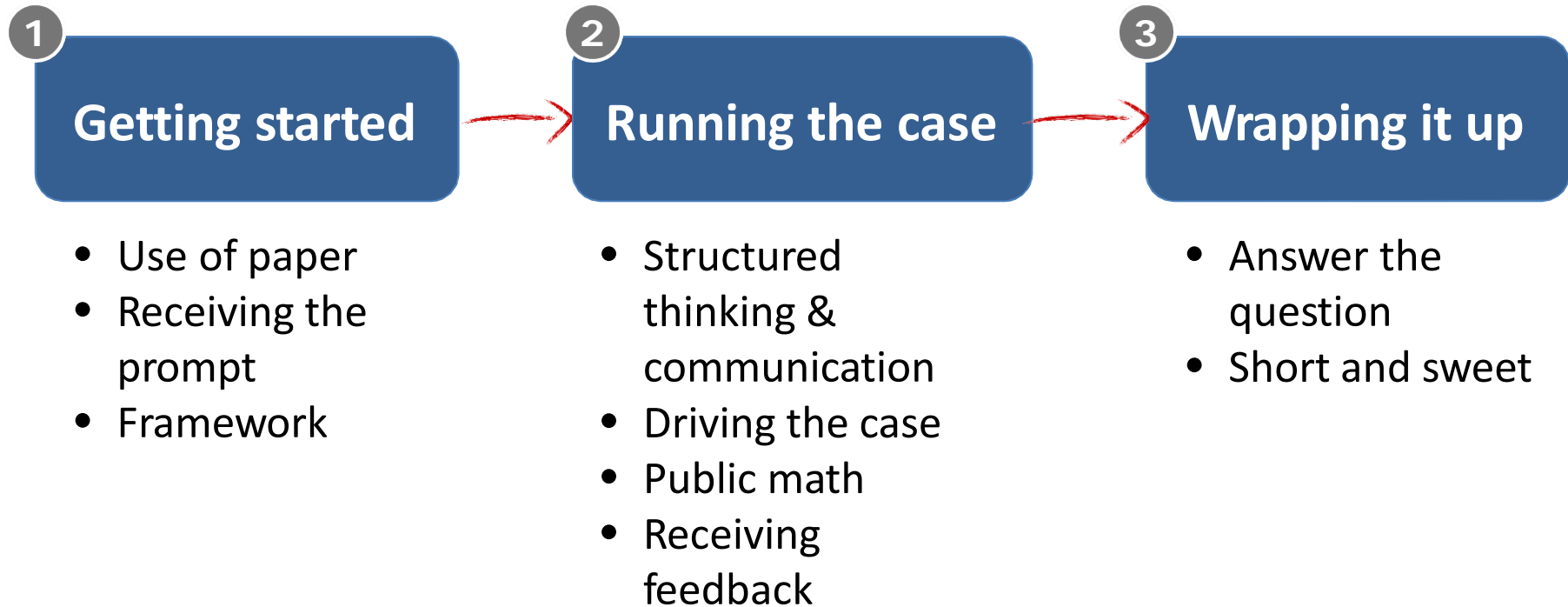
Internship interview round specifics by top firms

| | Round 1 | | Round 2 | |
|---|---|---|---|--|
| | Types/Numbers | Specifics | Types/Numbers | Specifics |
|  | <ul style="list-style-type: none"> 2 interviews 60 min each (15+45) | <ul style="list-style-type: none"> Do care about behavioral (lots of follow-up questions) | <ul style="list-style-type: none"> 3 interviews 60 min each (15+45) | <ul style="list-style-type: none"> Regular cases Stronger behavioral |
|  | <ul style="list-style-type: none"> 2 interviews 45 min each (5+40) | <ul style="list-style-type: none"> Charts heavy (up to 5 dense charts per case) | <ul style="list-style-type: none"> 2 interviews 45 min each (5+40) | <ul style="list-style-type: none"> Lots of brainstorm Little behavioral |
|  | <ul style="list-style-type: none"> 2 interviews 40 min each (5+35) | <ul style="list-style-type: none"> Charts heavy (up to 3 charts per case) Written prompt | <ul style="list-style-type: none"> 4 interviews 60+40+40+40 | <ul style="list-style-type: none"> Written (60 min) Presentation (40 min) Solely behavioral (40) Regular case (40) |
|  | <ul style="list-style-type: none"> 2 interviews 30 min each | <ul style="list-style-type: none"> One solely behavioral Chart heavy (up to 5 slides w 2-3 charts each) | <ul style="list-style-type: none"> 3 interviews 45 min each | <ul style="list-style-type: none"> Group interview Solely behavioral Charts heavy case |
|  | <ul style="list-style-type: none"> 2 interviews 45 min each | <ul style="list-style-type: none"> Solely behavioral only | <ul style="list-style-type: none"> 3 interviews 45+45+100 | <ul style="list-style-type: none"> Two solely behavioral Presentation (60 for prep, 40 to present) |
|  | <ul style="list-style-type: none"> 2 interviews 30 min each (5+25) | <ul style="list-style-type: none"> One on market sizing One on mini-case | <ul style="list-style-type: none"> 2 interviews 100+30 | <ul style="list-style-type: none"> Presentation (60 for prep, 40 to present) Regular case (30) |
|  | <ul style="list-style-type: none"> 2 interviews 30 min each (5+25) | <ul style="list-style-type: none"> One on Math One on mini-case Phone interviews | <ul style="list-style-type: none"> 3 interviews 45+45+100 | <ul style="list-style-type: none"> Presentation (60 for prep, 40 to present) Regular case (45) Market sizing and mini-case (45) |
|  | <ul style="list-style-type: none"> 2 interviews 45 min each (5+25) | <ul style="list-style-type: none"> Regular cases Little to zero behavioral | <ul style="list-style-type: none"> 2 interviews 60 min each | <ul style="list-style-type: none"> Regular case Brain teaser |

Presentation interviews by top firms

| | Preparation | Presentation |
|---|---|--|
|  | <ul style="list-style-type: none"> • N/A | <ul style="list-style-type: none"> • N/A |
|  | <ul style="list-style-type: none"> • N/A | <ul style="list-style-type: none"> • N/A |
|  | <ul style="list-style-type: none"> • You are provided with deck of 40-50 slides, prompt, templates and questions • 1 hour to get ready | <ul style="list-style-type: none"> • You are to build 7-10 slides (pick some from deck + create some own ones) • 45 min to present to a partner (not client) |
|  | <ul style="list-style-type: none"> • Group of 4-5 candidates get 4-5 roles (e.g. financial, ops, strategy) and deck • 30 min to get ready on your workstream | <ul style="list-style-type: none"> • Each team-member presents its part • 15-20 min to present to two partners/clients, 25-30 min for Q&A on the firm |
|  | <ul style="list-style-type: none"> • 2 days in advance you receive a several page case with lots of text and data • At interview you get questions and 1 hour | <ul style="list-style-type: none"> • You are to draw your own 4-7 slides • 40 min to present to a partner who plays role of a client |
|  | <ul style="list-style-type: none"> • You are provided with deck of 70 slides • 1 hour to get ready | <ul style="list-style-type: none"> • You are to structure the case, have hypotheses, no slide production needed • 40 min for a partner-led discussion |
|  | <ul style="list-style-type: none"> • You are provided with deck of 15-20 slides without tags • 1 hour to get prepared | <ul style="list-style-type: none"> • You are to make a presentation of 7-10 slides (mainly from deck), fulfill the tags • 40 min to present to a partner |
|  | <ul style="list-style-type: none"> • N/A | <ul style="list-style-type: none"> • N/A |

Components of a case



Example case: “Carlos’ Rafting Business”

The goal of this section is to demonstrate what a case interview looks like and call out focus areas. See example mock case interview video [here](#)* and track with comments below.

| Section & Timestamp | Comments |
|---------------------------------------|---|
| Receiving the prompt – 0:41 | <ul style="list-style-type: none">You will have a lot of information thrown at you, so make sure you effectively use your paper and take concise notes. Develop your own short handConsulting skills highlighted: taking in a lot of information effectively |
| Summarize & clarify the prompt – 1:12 | <ul style="list-style-type: none">Summarize: You need to make sure you know exactly what you are being asked; it is surprisingly easy to answer the wrong question! Make sure you understand the question by briefly restating it back to the interviewer. “Brief” means ~1-2 sentencesClarify: You can ask a few questions before developing your framework. These should be focused on giving you enough info to develop a framework, not enough for solving the whole case. Keep these questions at the appropriate level (if you need them)Consulting skills highlighted: honing in on the key issue, asking relevant questions |
| Draft your framework – 1:46 | <ul style="list-style-type: none">Signal you are ready to draft your approach to the problem and take some time to do so. Good to be under 60 seconds (and better to be under 45 seconds).Consulting skills highlighted: working quickly, structured thinking & problem solving, being MECE |

* URL: <http://youtu.be/hudXW7nv4sA>. Original source: Tuck Case Book 2009, “Carlos’ Rafting Business”

Example case: “Carlos’ Rafting Business” (cont’d)

Section & Timestamp

Comments

Presenting your framework – 2:55

- Now you get to present your approach to the case. Note that the paper you just drew out only exists to help your communication with the interviewer, so don’t spend your time looking down at it. Similarly, it is ok to speak to things that aren’t explicitly written down, as long as it “fits” with what you have on paper
- As a rough rule of thumb, try to present your framework in under 90 seconds (excluding questions the interviewer asks you)
- If your interviewer provides comments or feedback, it is a good idea to incorporate this into your approach (but don’t need to redraft your framework)
- It is good idea to set the initial framework slide paper somewhere off to the side where you can refer back to it throughout the case
- Once you’ve presented the framework and checked it with your interviewer, it is good to show initiative by picking where you want to start (ideally, it will be the first area in your framework)
- **Consulting skills highlighted:** structured communication and general communication skills, taking feedback, taking initiative

Driving the case – 4:22

- This section of the case (i.e. everything after presenting the framework and before presenting the conclusion) is case-specific. However, some best practices are highlighted and time-stamped where applicable
- **“Give first then ask”:** sometimes you want to get more information from the interviewer. Instead of just asking for specific data-points, lay out your approach to a particular problem then ask for specific pieces of information

Example case: “Carlos’ Rafting Business” (cont’d)

| Section & Timestamp | Comments |
|---------------------------------|--|
| Public math / case math – 5:40 | <ul style="list-style-type: none">• Don’t sit in silence while you do your calculations. Instead, talk through your steps (unless something is trivially easy). Your interviewer will most likely help you if you make a mistake!• Consulting skills highlighted: structured communication, analytic skills, making reasonable estimates, rounding |
| Clarify level of detail – 11:45 | <ul style="list-style-type: none">• Case interviews are often pretty high level – in a ~20 minute interview you can’t go into full detail on everything. If you identify some analysis that you think may be too much detail, ask the interviewer before wasting valuable time. This also highlights your thinking without actually having to go through it.• Consulting skills highlighted: asking the right questions, driving to a solution |
| Make smart assumptions – 13:00 | <ul style="list-style-type: none">• In this case, the interviewee is valuing the business using the “Perpetuity Growth Method”, where $\text{Value} = \text{Cashflow} / (\text{Discount Rate} - \text{Growth Rate})$. Given the interviewer told him that the growth rate was 3%, assuming the business’s discount rate / cost of capital is 13% simplifies his math substantially• Consulting skills highlighted: comfort with numbers |
| Take the hint – 16:20 | <ul style="list-style-type: none">• Your interviewer may drop you a hint when they are looking for more information or insights. Detect this and respond accordingly• Consulting skills highlighted: people skills / reading the situation |

Example case: “Carlos’ Rafting Business” (cont’d)

Section & Timestamp

Comments

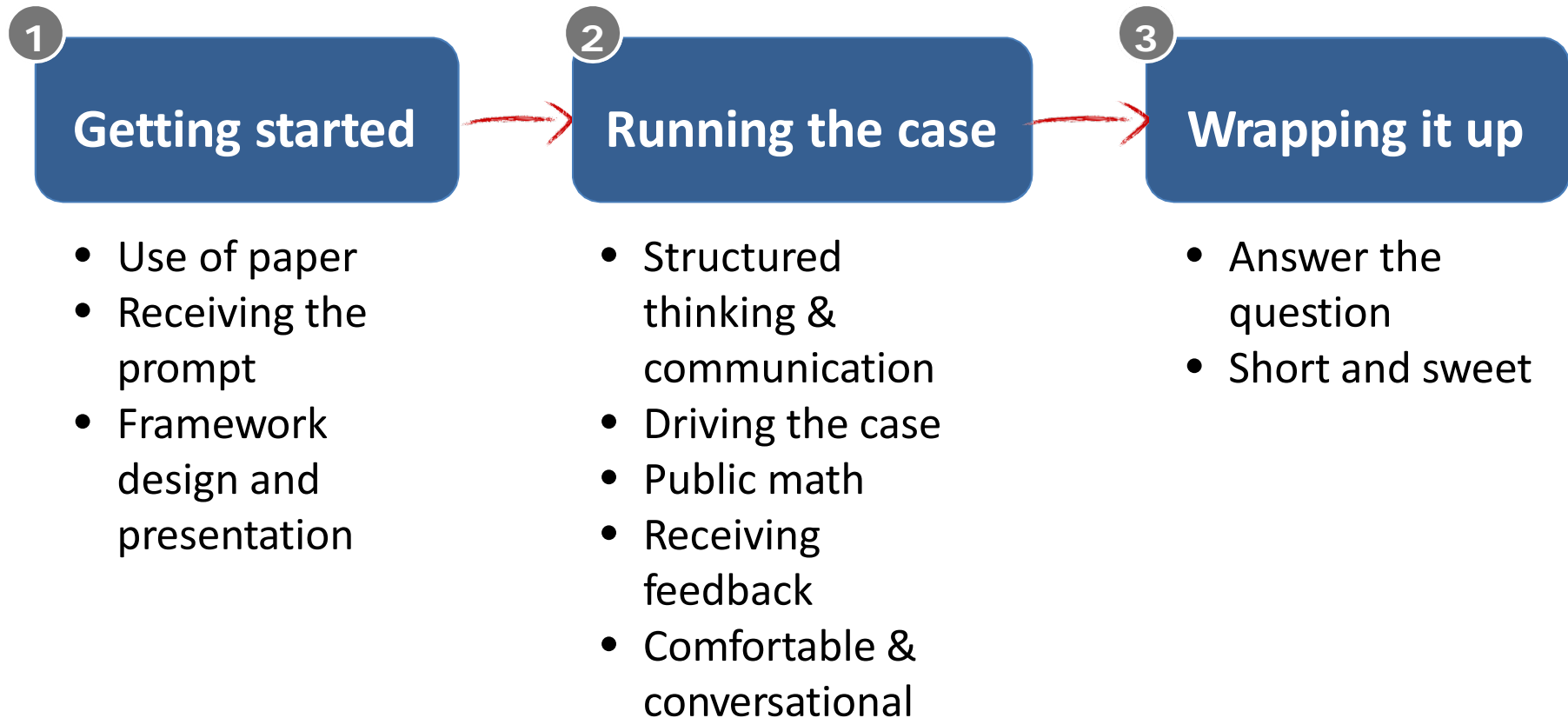
Conclusion – 17:10

- When you have enough information and feel reasonably confident you have gone through the entire case, offer to present your conclusion. Try to have it be “answer first” – based on what you did, lead with the answer. Then backup with data, and conclude with areas for follow up (hint – this is a good place to highlight creativity)
 - As a very rough rule of thumb, target ~45 seconds for the conclusion. You want this crisp and punchy, but don’t skip crucial facts just to shorten it
 - **Consulting skills highlighted:** structured communication, problem solving, big-picture thinking
-

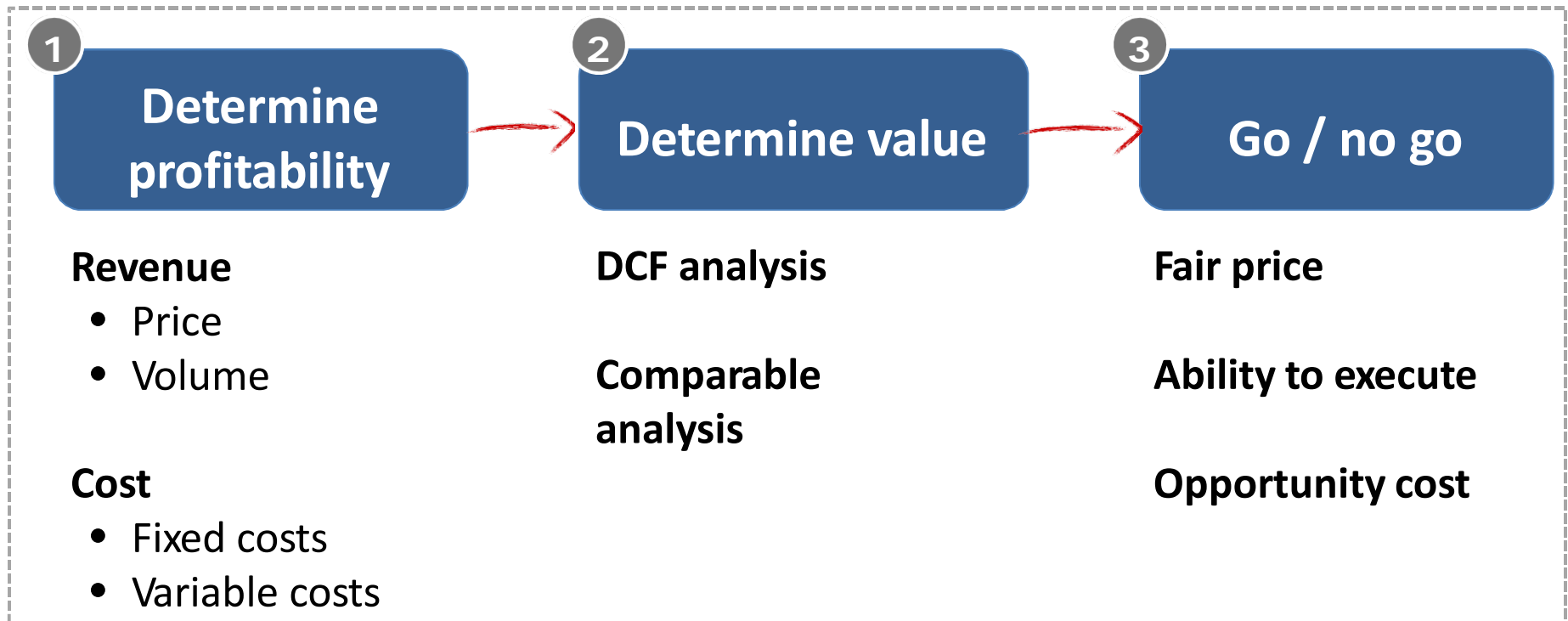
Highlight your personality (appropriately) – 18:10

- Remember that consulting is a client services business, and that you will be the product. Where appropriate, humor can be an effective way to put both you and the interviewer at ease. However, if you are unsure if something is appropriate, don’t say it.
- **Consulting skills highlighted:** “team” skills, building rapport

Example case: what was good about this case?



Example case: why was the framework good?



Coherent structure
(reason for the order)

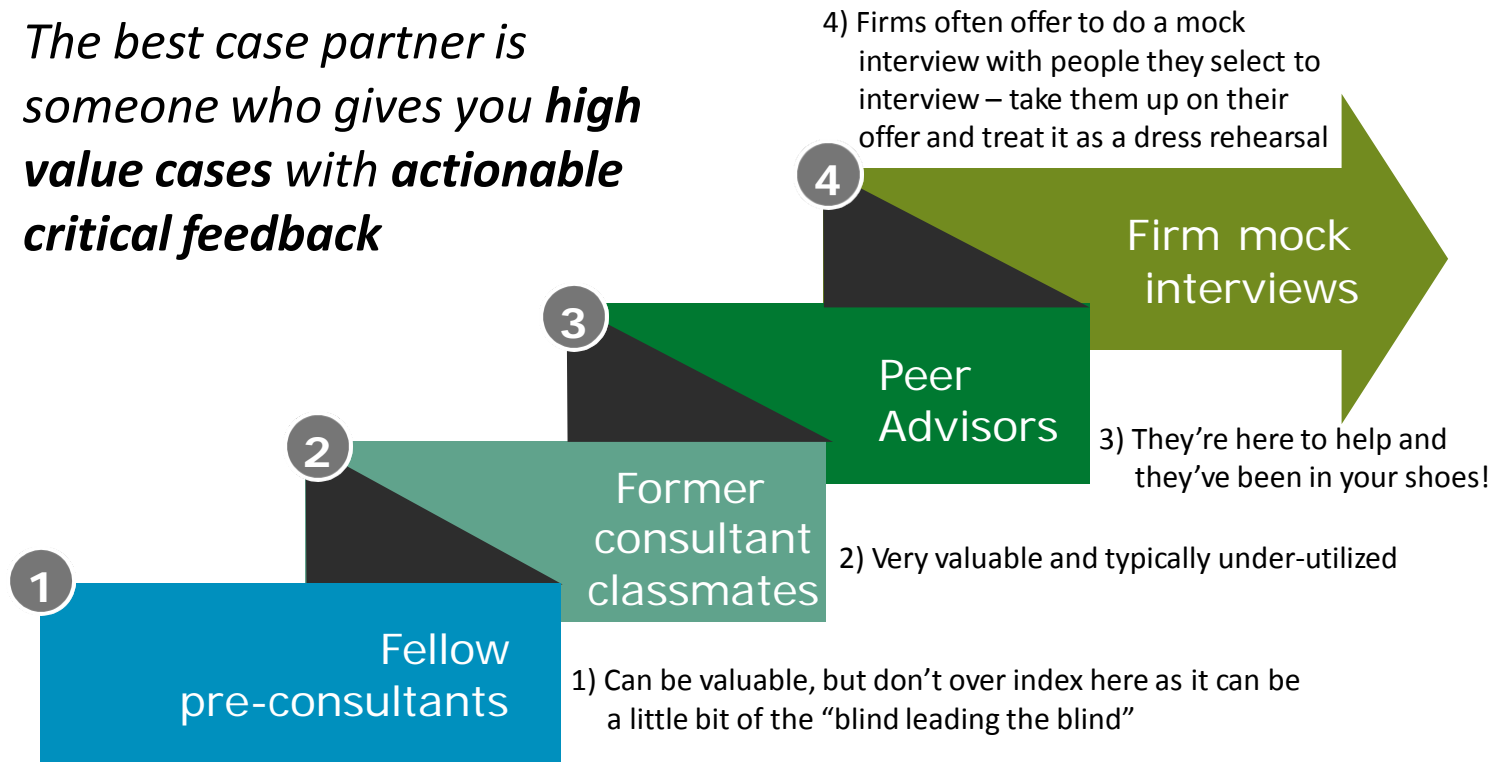
Moderately MECE
(mutually exclusive,
collectively exhaustive)

**On topic and
appropriate depth**

There are resources available to you to help with case prep

Who to practice with?

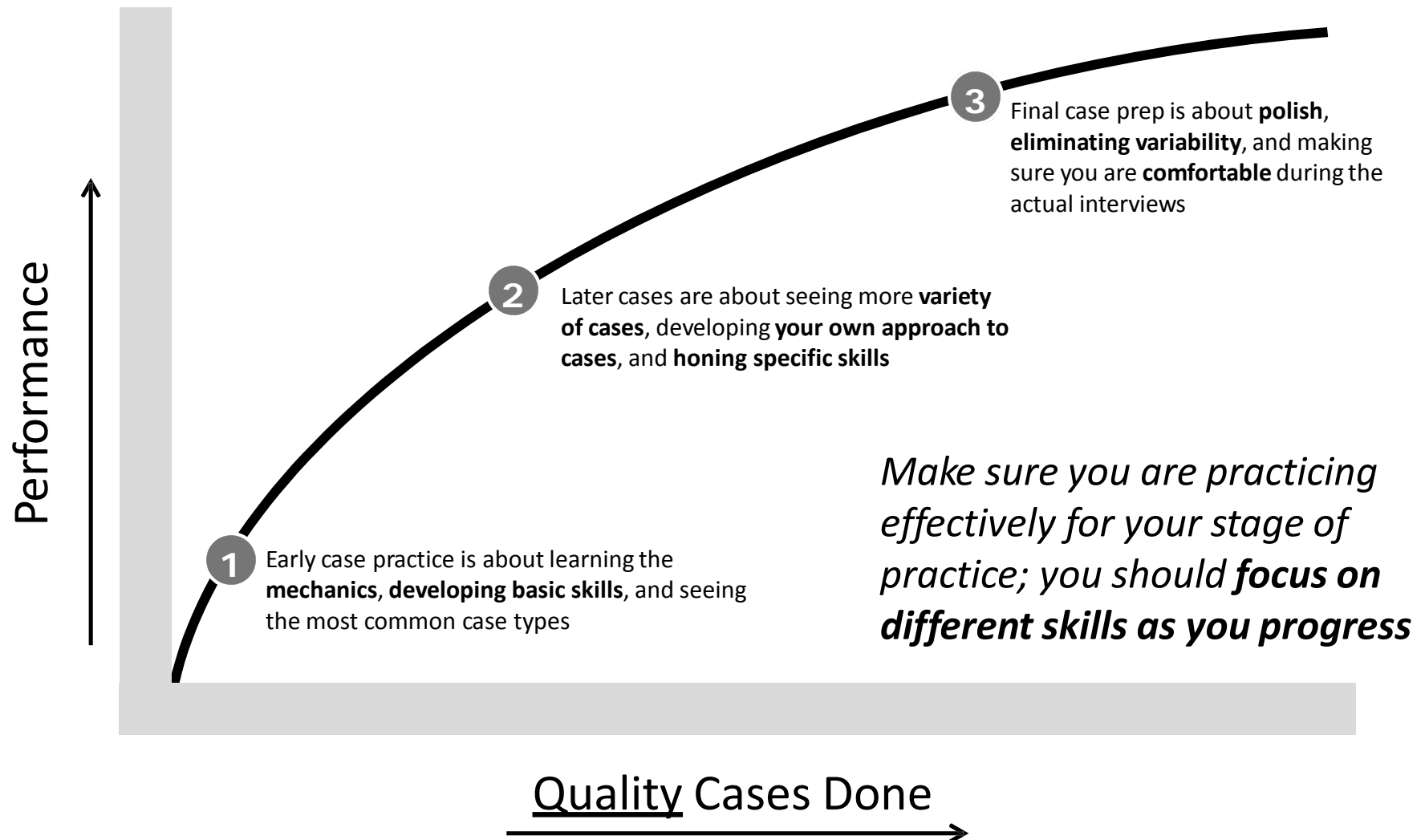
*The best case partner is someone who gives you **high value cases with actionable critical feedback***



Where to get cases?

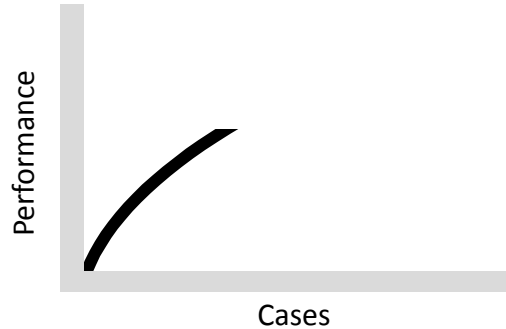
- **School case books (HCC Website)**
- Firm websites
- Prep books (*Crack the Case*, *Case in Point*)
- Make your own mini-cases or case parts ("what is Café Strada's daily revenue?") → great for framework drills

Case prep: relationship of practice and performance



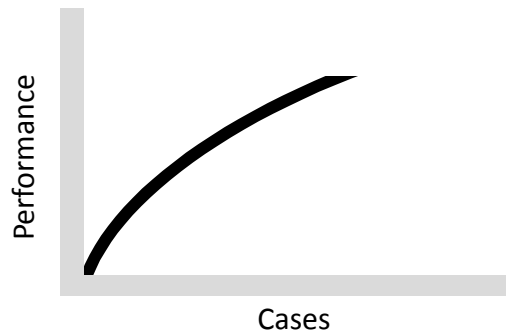
Case prep: common issues illustrated

Not
enough
case prep



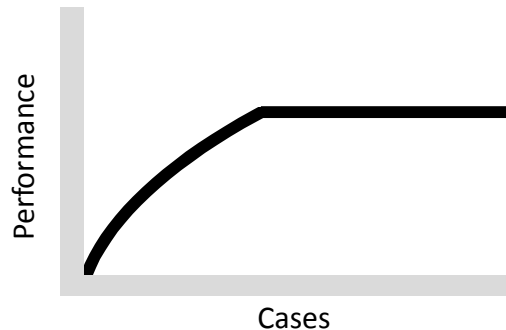
- Some people get started late and don't have time to get past the basics
- **Be sure to give yourself enough time to prepare**

Missing the
final polish



- Some people have invested a lot in case prep but leave off the final polish
- They know cases cold but sometimes nerves get them in the actual interview
- **Practice enough so that you won't get nervous; the final stage reduces variability in your performance**

Flatlining



- Some people do a ton of cases – but do low value cases (i.e. aren't focused on learning / incremental improvement at each stage of prep)
- They often flat line after a while, with limited incremental improvement per case
- **Don't just practice; practice consciously, with specific goals in mind**

Case prep: how to practice

*Read this slide
carefully!*

Case
skill

=

Number of cases

*

Avg. improvement / learning per case

Have a structured approach

- Set a goal for the number of cases you will do and by when
- Block off time for case practice early – time disappears later in the semester

Depth

- Some case types (like market sizing and profitability) are seen over and over again. Know these cold

Breadth

- See a large variety of case types to develop your pattern recognition

Have a structured approach

- Use a case log to keep track of which cases you do, your performance level, and areas for improvement
- Seek out high-value case interviewers
- Seek to give cases as well – you learn a lot by seeing things from an interviewers perspective
- Keep a case / framework journal to remember interesting approaches to problems

Get the most from every case

- Before: Setup enough time to do the case well and get good feedback (i.e. no less than 45 min total)
- Before: Be aware of what your top areas for improvement are so you can focus on them during the case
- After: Always redo and represent your framework and your conclusion to your interviewer, even if it was pretty good the first time. You will need to show these components in most cases so you need to get really good at each
- After: Log the feedback you get and record your framework you came up with (if it is interesting)

Always remember what you are solving for

- You don't get "credit" for doing more cases if they don't help you; you need to always ask "am I getting better in the areas the firms will be evaluating me on?"
- Focus on "deliberate practice" with specific sub-goals in mind

Case prep: use a case log to keep track of your feedback

Why use a case log?

- Helps you keep track of your performance over time
- Helps you identify focus areas later (“wow, my conclusions have been weak – let’s focus there”)
- Helps you track what case types you do so you can get breadth

Example Excel-based case log

Cases Received

55

| | | | | | | Feedback | | |
|---------|------------------------|--------------------|----------------------------------|----------------|--|---------------------------------|---------------------------|--------|
| Date | Case | Source | Case Type | Interviewer | Performance | Item 1 | Item 2 | Item 3 |
| 9/7/11 | VieTire | HBS case book | Market entry, operations | | 2 | | | |
| 9/14/11 | Chicken Pox | Tuck Case Book | Market sizing | | 3 | | | |
| 9/21/11 | Fine China | Tuck Case Book | Operations | | 4 | | | |
| 9/21/11 | Chateau | Tuck Case Book | Investment (Operations & Sizing) | | 2 Finance was off | | | |
| 9/23/11 | Chemical Manufacturer | HBS case book | Operations & Profitability | Dave Felts | 3 | | | |
| 9/28/11 | Book Retailer | Michigan Case Book | | | 1 Mental math | Missed | | |
| 9/28/11 | Sheep Auction | Michigan Case Book | Market sizing | Bryan Rieber | 3 Write too small - use mor | Got tripped up on mental math | | |
| 10/5/11 | Cement It | Tuck Case Book | Acquisition & Monopoly | Bryan Rieber | 3 Write too small - use mor | Left out "Market" from framwork | | |
| 11/1/11 | Rafting | Tuck Case Book | Acquisition | Bryan Rieber | 3 Get to the point quicker | Getting the whole cost st | Don't walk through ment | |
| 11/2/11 | | McKinsey Case Book | Profitability | Nikita Kiselev | 4 Overall, good, smooth an | Make sure to understand | Understand precisely wha | |
| 11/2/11 | New York Taxi Driver | Tuck Case Book | Profitability | Bryan Rieber | 3 Framework was too detaile | Draw line, don't do dotte | Strong assumptions | |
| 11/2/11 | Great Burger | McKinsey Case Book | Acquisition & Profitability | Kota Fukasaw | 4 Good communication & s | Take time to walk through | Look relaxed - don't jump | |
| 11/3/11 | Footloose | Monitor Website | Market sizing, Segment an | Dan Tavares | 2 ? | | | |
| 11/3/11 | Switching Cost | Tuck Case Book | Profitability | Bryan Rieber | 3 Good overall | Forgot competitors!!!! | Summary should be tigher | |
| 11/4/11 | RetailCo | Jay Beerman | Human Capital | Jay Beerman | 4 Good - see journal | | | |
| 11/4/11 | Turnover in Oil Cmpany | Jay Beerman | Human Capital | Jay Beerman | 4 Good - see journal | | | |
| 11/4/11 | Wrapping Paper | | | Minnie Fong | 3 Got tricked - the sheet was not all of the info I should have asked for | | | |
| 11/4/11 | Got Gas? | Tuck Case Book | Market Sizing | Bryan Rieber | 4 Overall good - could have been amazing by tying in some other outside know | | | |
| 11/8/11 | Liquor Packaging | Adi | Marketing, Profit, Operati | Adi | 3 Use paper more effective | Comprehensive frameworks | | |

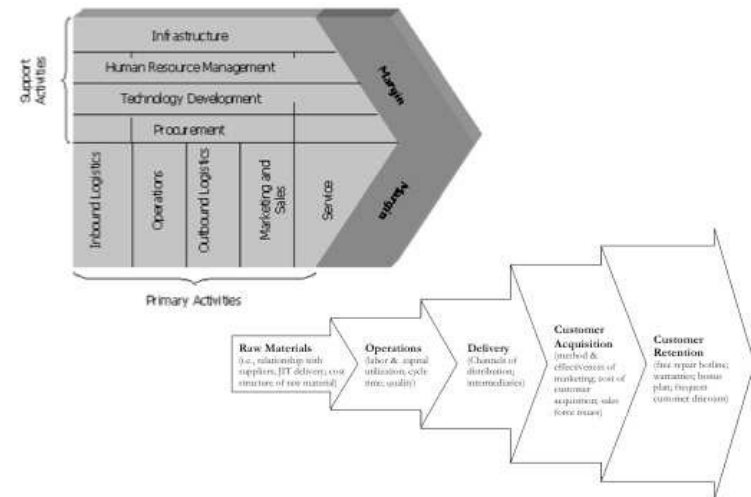
Case prep: use a framework journal to remember good ideas

- You are going to come up with good ideas when you do (or give) practice cases – this helps you remember what worked well, and more importantly, why it worked well
- A little thinking and cleaning up after doing a case helps you learn more overall
- Also a good repository for other related concepts – can just paste screenshots from lecture slides and other sources into a file

Miscellaneous Framework Roadmaps

| Turnaround | Launch Biz Go / No Go | Profitability Variant | Profitability vs. Competition |
|--|--|--|--|
| <ul style="list-style-type: none"> • What wasn't working (i.e. symptoms) • Why wasn't it working (i.e. issues) • How to fix it (i.e. solutions) | <p>Options</p> <ul style="list-style-type: none"> • Yes (sub options) • No (sub options) <p>Criteria</p> <ul style="list-style-type: none"> • Startup Costs • Profit when Operational • Evaluation Criteria (DCF, Payback, capital constraints) | <p>Econ / Market</p> <ul style="list-style-type: none"> • Econ Trends • Size • Growth • Segments <p>Operational</p> <ul style="list-style-type: none"> • Revenue • Costs <p>Non-Operational</p> <ul style="list-style-type: none"> • K-Structure | <p>Financial Differences</p> <ul style="list-style-type: none"> • $TI = R - C$ <ul style="list-style-type: none"> • $R = \# * \text{Price}$ <ul style="list-style-type: none"> • $\#$ (Mix) • $C = F + V + \text{Other}$ <ul style="list-style-type: none"> • $V (\# * V\%)$ • $\text{Other} = K + \text{Taxes}$ <p>Operational Differences</p> <ul style="list-style-type: none"> • Revenue Related <ul style="list-style-type: none"> • Market Segments • Sales / Marketing • Pricing • Expenses <ul style="list-style-type: none"> • Cost of Doing Business • Operational Efficiency • Cost of Capital • Tax rate |

Firm Value Chain



Frameworks: the “framework game” is a way to practice coming up with frameworks quickly and efficiently

1

Pick a question

- Any topic (not exclusively business)
- Newspapers, politics, classes, etc.

2

Devise & present a framework

- Give yourself time limits (20-60 sec)
- Go through the presentation process and keep to ~30-60 seconds

3

Evaluate framework

- What's it missing?
- Where is it not tight?
- How can it be better?

4

Redesign & represent

- Doing it over again reinforces “proper behavior”

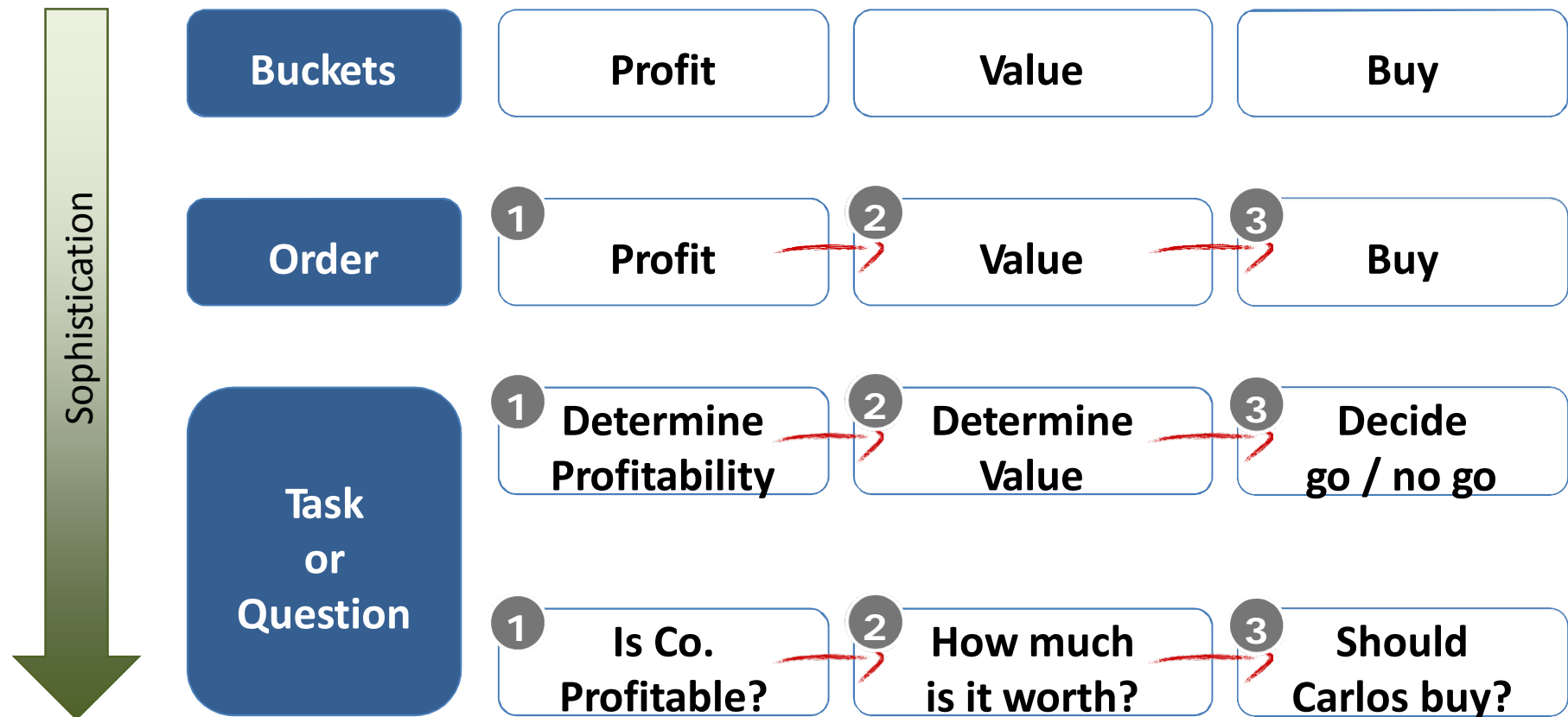
Can be done
alone,
better with
a partner

Frameworks: example “framework game” prompts

Try making a MECE framework to approach the following questions

- 1) Your classmate Julie doesn’t know how to approach her career search. Build Julie a framework that will help her decide which career paths she should pursue.
- 2) You are deciding where to eat for dinner Saturday night. How should you think about this?
- 3) Your client, a Singapore-based private equity firm, recently acquired a Vietnamese shoe manufacturer (“ShoeCo”). ShoeCo has experienced declining profitability over the past several years. Your client would like to know what has driven the decline in profitability and what can be done to address it.
- 4) Your client, a US-based apparel company, has experienced slowing revenue domestic growth and wants to know how to combat this trend. How should your client think about increasing revenue?
- 5) Your client, a Japan-based automaker, has recently experienced a sharp decrease in profitability. Management thinks it has a good handle on how to increase revenues and wants you to focus on costs. What is your plan?
- 6) Your client, a US drug store chain, has seen a sharp decline in profit margin over the past two years. What is going wrong and what would you advise they do?
- 7) Your client, a global hard-disk drive manufacturer, is evaluating acquiring a competitor and would like your recommendation on how to proceed. How should they look at this?
- 8) Your friend has just invented an everlasting car battery. She is a brilliant scientist but doesn’t know the first thing about business. How much is this idea worth and what should she do?

Frameworks: you can make frameworks more sophisticated by highlighting order and the question



Frameworks: one good way to present a framework is to first go across, then go down

1

Restate question

2

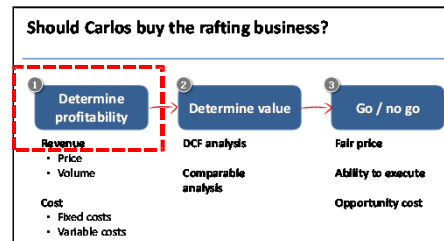
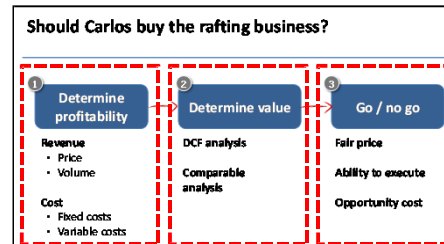
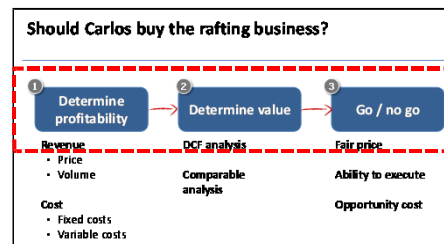
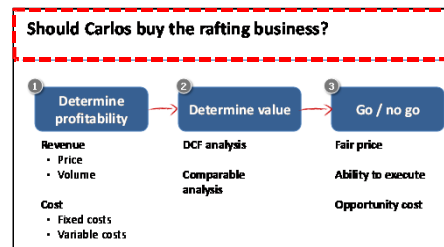
Show structure

3

Show depth

4

Pick starting place



- Paraphrase, don't repeat
- “I'd like to approach this in three ways...”
- “To assess profitability, I'd like to focus on...”
- “I'd like to begin by addressing revenue”

Math: a few thoughts on case math

Your goal

- Your goal is to show that you can reason with numbers and can communicate effectively with them
- Don't need to be a math genius, do need to be numerate
- Vast majority of cases involve numbers to some degree

Common mistakes

- Don't show thinking
- Don't approximate / use units
- Take too long

A good approach to calculations

1

Lay out your approach

- Use paper
- Make sure you are speaking

2

Walk through your steps

- Use paper (unless calcs are very easy)

3

Sanity check the results

- Does the answer make sense?

A few good math tips

1

Approximations

- Use round numbers
- Use approx. calcs

2

Math tricks

- Easy to manipulate 10s and halves
- **Use scientific notation!** Losing zeros is the most common math mistake.

3

Structure data

- Put large lists of numbers into tables

Math: quick review of the income statement

| IS Item | Margin | Drivers |
|---------------------------------------|---|---|
| Sales | NA | Volume, price, mix (product, geography, etc.) |
| Less Cost of Goods Sold (COGS) | COGS Margin | Cost to produce (raw goods, labor, etc.) |
| = Gross Profit | Gross Margin | All of the above |
| Less Operating Expenses (OpEx) | OpEx Margin | Cost to operate business (sales, G&A, etc.) |
| = Operating Profit | Operating Margin | All of the above |
| Less Non-Operating Expense | Non-Operating Expense Margin [Rarely seen] | Other items (interest income, interest expense, etc.) |
| = Pre-Tax Income | Pre-Tax Margin | All of the above |
| Taxes | Tax Rate (Taxes / Pre-Tax Income) | Tax rates |
| = Net Income | Profit Margin | All of the above |

Math: some math drills

- 1) Estimate the number of men age 40-49 in the US that have prostate cancer assuming:
 - 309M people in US
 - Life span of ~80 years w/ even distribution across that span
 - 150 / 100K incidence rate in men 40-49 years of age
- 2) Calculate total company net income given the following information:
 - Hair dressing segment has revenue of \$502M and GM of 29.2%
 - Enterprise software segment has revenue of \$1.05B and GM of 71.4%
 - Auto segment has revenue of \$2.98B and GM of 18.9%
 - Corporate overhead of 3% of total sales
 - Tax-rate of 35% of pre-tax income
- 3) Calculate auto manufacturer segment profit given the following:

| Company | Segment | Sales | Margin |
|-----------|----------|--------|--------|
| Company A | Auto Man | \$4.9B | 5% |
| Company B | Supplier | \$2.7B | 10% |
| Company C | Auto Man | \$6.1B | 6% |
| Company D | Supplier | \$3.3B | 11% |
| Company E | Auto Man | \$3.0B | 4% |

Presentation: A few thoughts on communicating and presenting

Interviewer's internal monologue

- Can this person communicate in a structured, well organized fashion?
- Will this person work well within a case team?
- Can we put this person in front of a client?

Areas to focus on

- Professionalism
- Response to feedback
- Communication skills
- Body language
- Eye contact

Areas to highlight within a case

Presenting your framework

- Good timing?
- Reasonable flow?

Presenting your conclusion

- Get to the point?
- Support with data?
- A good approach is:
 - 1)answer question
 - 2)support w/ evidence
 - 3)follow up / next step

Remember that these areas (like all parts of the case) are about both *Content* and *Presentation*. Evaluate yourself on both these dimensions. Get really good at presenting frameworks and conclusions

Giving cases: some pointers

Give real feedback

- Your partner needs to improve – tell them where you think they should focus
- You aren't helping anyone by holding back valuable feedback

Learn from others

- What looks good that you aren't doing?
- What looks bad that you are doing?
- What innovative frameworks / approaches are there?

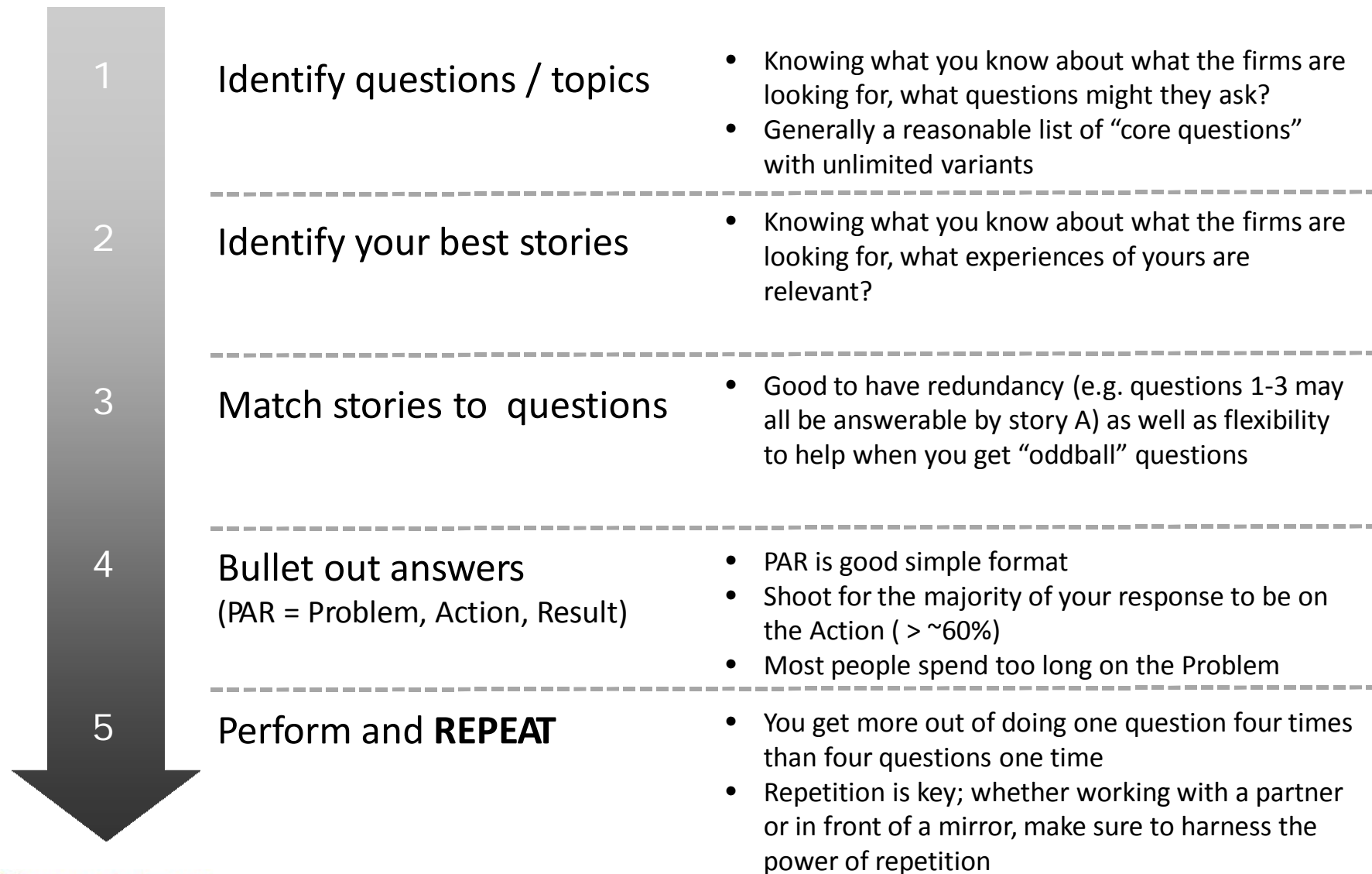
Tips for giving cases

- 1 Focus on learning, not following the case “script” – OK to deviate
- 2 Let them flail, then push on track; you want to strike the balance between being too directive and too hands off
- 3 When in doubt on what feedback to give, focus on intro (framework) and conclusion; these high value sections appear in every case interview and so are worth focusing on

Outline

- 1) Management consulting recruiting process
- 2) The case interview
- 3) The behavioral interview
- 4) Practice cases

Five steps to behavioral preparation



You can tailor one story to answer multiple experience questions

Typical questions in consulting interviews (NOT EXHAUSTIVE)

Introduction

- Tell me about yourself
- Walk me through your resume

Fit

- Why are you interested in consulting?
- Why are you interested in this firm?
- What are your career goals?

Strengths / weaknesses

- What are your top strengths / weaknesses?
- What feedback did you receive at your last performance appraisal?

Problem solving

- Tell me about a time when you faced a very complex problem

Leadership

- Tell me about a time you had to lead a team / lead without authority

Personal impact & achievement

- Tell me about a time you made a significant impact
- What achievement are you most proud of?

Persuasion & conflict

- Tell me about a time you had to persuade people under challenging circumstances
- Tell me about a time when you handled conflict at work

Failure

- Tell me about a time you failed

B-school essays and interview prep are a good place to start – you've probably come up with some of these stories before

Behavioral Prep: use a “PAR Matrix” to help with behavioral answers

Why use a PAR Matrix?

- Helps you make sure you have covered all of the relevant question types
- Forces you to think through your “portfolio” of stories and judge which are the best
- Gets you thinking about how to deliver each story in a structured, thoughtful way

Example PAR Matrix

| Story Title | Relevant question types | Problem | Action | Result |
|--|-----------------------------------|---|---|--|
| Big assignment in international office | - Leadership - Personal Impact | Local team didn't trust the visitor from corporate HQ | -Listened to concerns - Met people halfway -Championed the solution | -Earned credibility with local team and built lasting friendships -Delivered HQ solution on time and under budget |
| Failure in communication | - Failure story | ... | ... | ... |
| Non-profit turnaround | - Leadership - Problem-solving | ... | ... | ... |

Additional Behavioral Questions: NOT AN EXHAUSTIVE LIST

1. Walk me through your resume.
2. Why should we hire you?
3. Why [this firm]?
4. Where else are you applying?
5. Where else do you already have an offer?
6. What would your friends and colleagues say your greatest strengths and weaknesses are?
7. Describe a situation when you failed. What did you learn from the experience?
8. Tell me about a time when you led a team through adversity. Thanks...tell me about another time.
9. Tell me about a project that didn't go well. What would you have done differently?
10. Can you describe your personal brand?
11. Tell me about a time when you were truly challenged. What did you learn?
12. What is your leadership style?
13. How has your leadership style changed over the course of your career?
14. Why consulting?
15. You've obviously been successful in [your prior career], why change now?
16. You're going to be older than many people in this role. Is that a problem for you?
17. What skills do you have that you think will translate well into consulting?
18. How do you expect your prior experience to help you in your career at [this firm]?
19. Tell me about a time when there was a difficult personality on a team you led. How did you manage the situation?
20. Where do you see yourself professionally in 5 years...in 10 years?
21. What steps have you taken to prepare yourself for the quantitative rigor of this job? [if no quant in background]
22. Why do you want to be in this city? What ties do you have to the area?
23. Why this firm over your current firm? Why didn't you apply directly rather than going through the trouble of getting an MBA?
24. Tell me about a time when you were asked to led a group in a subject matter you were not comfortable with.
25. What feedback did you receive in your last performance review?
26. Tell me about a time when you had to persuade people under challenging circumstances.
27. Tell me about a time when you had to handle conflict at work
28. Tell me about a time when you had to lead a team without authority
29. What achievement are you most proud of?
30. Tell me about a time you had a big impact.

Outline

- 1) Management consulting recruiting process
- 2) The case interview
- 3) The behavioral interview
- 4) Practice cases

Table of contents

| Cases | Format | Difficulty Level | Topic | Industry | Concepts tested |
|---------------------------|--------------------|------------------|----------------------|--------------------------|---|
| Berry Chill Frozen Yogurt | Partner | 1 | Growth | Consumer Retail | <ul style="list-style-type: none"> • Growth strategy • Product development |
| ComfortFoam | Interviewee-driven | 3 | Competitive Strategy | Manufacturing (consumer) | <ul style="list-style-type: none"> • Profitability • Market segmentation • Marketing sizing |
| CoffeeCo | Interviewer-driven | 4 | Profitability | Restaurant | <ul style="list-style-type: none"> • Market analysis • Financial analysis • Increasing sales • Decreasing costs |
| LifeRenew | Interviewee-driven | 5 | Market Entry | BioPharma | <ul style="list-style-type: none"> • Market sizing • Customer segmentation • Pricing |

Table of contents

| Cases | Format | Difficulty Level | Topic | Industry | Concepts tested |
|------------|--------------------|------------------|---------------|---------------------|--|
| Steel Corp | Interviewee-driven | 3 | Growth | Industrial (Steel) | <ul style="list-style-type: none"> • Growth strategy |
| FlyMe.com | Interviewer-driven | 2 | Profitability | Travel / e-commerce | <ul style="list-style-type: none"> • Financial analysis • Increasing sales |
| MexTell | Interviewee-driven | 3 | M&A | Telecom | <ul style="list-style-type: none"> • Financial analysis |
| SunFury | Interviewer-driven | 4 | Market Entry | Energy (Solar) | <ul style="list-style-type: none"> • Market sizing • Financial analysis |

Table of contents

| Cases | Format | Difficulty Level | Topic | Industry | Concepts tested |
|----------------|--------------------|------------------|--------------|-----------------|---|
| Camilla's Pets | Interviewee-driven | 2 | Operations | Consumer Retail | <ul style="list-style-type: none"> • Profitability |
| Hrdwr2Softwr | Interviewer-driven | 2 | Growth | Tech (Hardware) | <ul style="list-style-type: none"> • Market analysis • Financial analysis |
| AlphaAuto | Interviewee-driven | 3 | Market Entry | Auto | <ul style="list-style-type: none"> • Market analysis |

Guide to the Interviewer

- Included on the first page of every case
- Keep these in mind as you go through the case to keep the interviewee on track

- Included throughout case
- These are for tips for the interviewer on how to move the case along

- Included on the exhibit analysis pages
- Use these questions to initiate and guide the candidates thinking

- Included throughout case
- General guidelines to evaluate candidates as they progress through the case
- Push better candidates with more complex factors or questions

Interviewer Guide

- **Keys to the case:** the two or three main points that need to be covered to crack the case

- **Tips:** hints for you to use to guide interviewee

- **Intro and questions to ask:** suggested questions to direct interviewee exhibit analysis

- **Good candidate vs. Better Candidate:** identifies the differentiating characteristics of interviewee performance

Level of Difficulty

1

- Single issue case question
- Focus on qualitative, not quantitative solutions

2

- Basic case problems
- Exhibit analysis introduced
- Quantitative analysis required, but no active number crunching

3

- Additional complexity introduced
- Basic number crunching (addition, multiplication) required for quantitative part of solution

4

- Multiple exhibits and stages to determine final solution
- Quantitative aspect of solution is most important

5

- Most complex problems with several stages to find solution
- Highly quantitative in nature

Case 1: Berry Chill Frozen Yogurt

Behavioral Pre-Case Questions

- Describe a failure and what you learned from it?
- Can you give me an example of a project that didn't go as well as you had hoped and tell me what you have learned from the experience?

Case Question

Our client, Berry Chill Frozen Yogurt, is the industry's best quality frozen yogurt made from real California milk and served with a wide array of flavors and toppings. Founded in 2006, the young yogurt chain is popular partly due to its self serve format and because it is relatively inexpensive compared to other yogurt businesses such as Pinkberry. Over the past two years, the company has opened an average of 10 stores per year (currently has 25 stores) and increased revenue by an annual CAGR of 35%.

The CEO of Berry Chill has come to us to identify how to increase its current growth path.

Case Overview

- **Format:** Partner case
- **Difficulty level:** 1/5
- **Topic:** Growth
- **Industry:** Retail (Consumer)
- **Concept(s) tested:**
 - Growth strategy
 - Product development

Interviewer Guide

- **NOTE:** Case takes place in 2008
- **Keys to the case**
 - Candidate suggests and tests several strategies to growth
 - Creativity of solutions
 - Candidate proposes a short- and long-term growth strategy
- **Differentiation:** creativity of solutions, while maintaining structure

Case 1: Berry Chill Frozen Yogurt

All critical information is provided below – any additional information requested can be made up or explicitly stated as irrelevant

Additional Facts (provide if asked)

- **Company-specific:**

- One of the first in the self-serve frozen yogurt market
- Develops own proprietary flavors; toppings are generic
- Currently own and operate all 25 stores in Southern California
- Currently only sells yogurt on a per ounce basis

- **Frozen yogurt market**

- Frozen yogurt is seen as a healthier alternative to ice cream and other desserts
- Self serve style stores are gaining popularity relative to traditional full-service stores
- Major costs are fixed – variable cost is essentially yogurt and toppings

- **Competition**

- In the last year, a few competitors have begun to enter the Southern California market

Interviewer Guide

- **Tips**

- This is an open-style case: goal is to push candidate to make assumptions and come up with creative solutions
- Push candidate to focus on revenue growth
- Feel free to describe the general operations of a self serve frozen yogurt store

- **Good candidate:**

- Asks general questions regarding client
- Asks general questions regarding industry
- Does not focus on costs

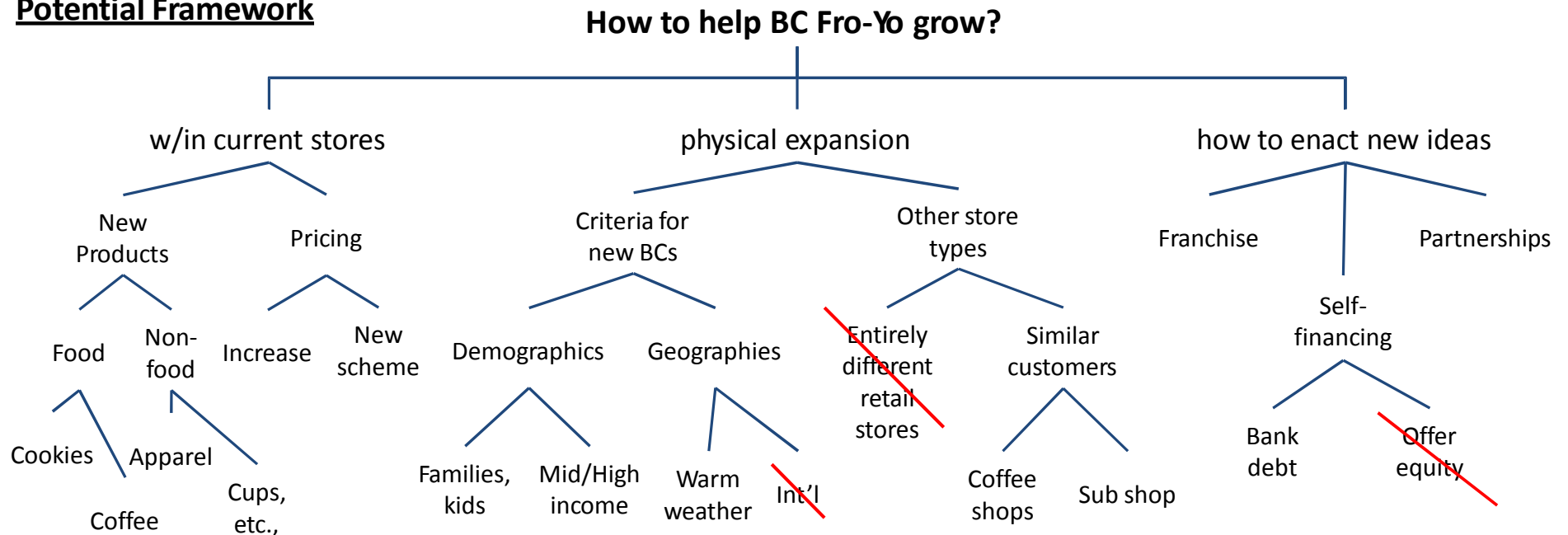
- **Better candidate:**

- Understands that business has economies of scale
- Asks if the company has considered franchising

- **NEXT STEP:** Framework evaluation

Case 1: Berry Chill Frozen Yogurt

Potential Framework



Interviewer Guide

- **Intro:** “Why don’t you go ahead and walk me through your framework”
- **Keys to section:**
 - Focus on top-line growth – do not address costs at this point
 - Identifies growth opportunities from current and new stores
- **NEXT STEP:** Prioritizing growth opportunities
- **Good candidate**
 - Presents non-canned framework in a structured manner
 - Able to talk through thought process while developing framework
- **Better candidate**
 - Unveiling hypotheses along the way and not afraid to disregard some of these
 - Thinks about “how” these will be brought to market

Case 1: Berry Chill Frozen Yogurt

Potential framework for analyzing potential growth opportunities

| Potential Strategies | Level of difficulty (Low – High) | Potential Magnitude (Small – Large) | Timing (Short – Long) | Risk (Low – High) | Go or No Go (Why) |
|---|----------------------------------|-------------------------------------|-----------------------|-------------------|---|
| Increase price a few cents per ounce | Low | Med – Large | Short-term | Low | Yes (low impact to overall cost to customer) |
| Adopt franchisee model for BC store expansion | High | Large | Med- to long term | Low | Yes (fast growth oppty, highly scalable, deters comp. from entering markets) |
| Offer new food products through bundling | Low | Med – Large | Short term | Med – High | Yes (very low risk, ability to bundle easily, high margin) |

Interviewer Guide

- **Intro:** “How would you evaluate these potential growth strategies you proposed in your framework?”
- **Follow-up questions to ask:**
Which criteria is the most important for our client to consider?
(Magnitude)
- **Good candidate:**
 - Develops a structured approach to evaluating strategies
 - Identifies some criteria related to difficulty of execution and magnitude
- **Better candidate:**
 - Able to walk through thought-process while evaluating ideas
 - Identifies timing and risk as additional criteria
- **NEXT STEP:** WRAP-UP

Case 1: Berry Chill Frozen Yogurt: Conclusion (2 minutes max)

Suggested answer:

- Short-term: increase price per ounce and begin offering additional food items (cookies, coffee, etc.,) with yogurt
- Medium- to long-term: adopt franchising model to expand within So Cal and in other warm weather geographies

Reasons to Support Recommendation

- Short-term immediate impact to bottom line w/low risk
 - Price increase: a \$0.05 increase on a 10oz order is \$0.50/customer -> with 400 customers/day -> to \$200/day -> x 365 days/year -> additional \$73,000 in profit (no additional variable cost)
 - Additional food items:: minimal additional marginal cost leads to high potential margins; can bundle
- Franchise model allows for fast, highly scalable approach to expansion w/low risk to overall company

Notes

- Risks: potential cannibalization of current stores, too rapid expansion outpacing demand, loose franchise monitoring may harm brand and reputation
- Next steps: determine approach steps to initiate franchise model

Case 1: Berry Chill Frozen Yogurt Feedback Form

Interviewer Guide

• Structure: Score (1-10)

- ☐ Clear, concise repeat back
- ☐ Good clarifying questions
- ☐ MECE framework
- ☐ Structured thinking

• Data analysis

- ☐ Correctness of analysis
- ☐ Structure of calculations
- ☐ Focus on important facts
- ☐ Identification of insights

• Closing

- ☐ Answer first
- ☐ Structure of recs
- ☐ Brevity

• Behavioral throughout

- ☐ Eye contact
- ☐ Level of comfort

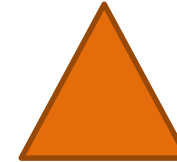
Framework Time:

Conclusion Time:

Total Case Time:

Date and
Case Giver

Selected
Focus Area



Case 2: ComfortFoam

Behavioral Pre-Case Questions

- Tell me about a time when you worked on a team that faced a particular challenge. Please focus on the role you played in this process.
- What are your long-term career goals and how do you see the time you spend at “X” firm helping you achieve these goals.

Case Question

Our client, ComfortFoam manufactures, markets and distributes, mattresses, pillows and other bedding products. In the past three years, the company has experienced declining profits and has asked your team to (1) determine what is causing profits to decline, (2) identify potential opportunities to increase overall company profitability.

Case Overview

- ☐ **Format:** Interviewee-driven
- ☐ **Difficulty level:** 3/5
- ☐ **Topic:** Competitive strategy
- ☐ **Industry:** Manufacturing (Consumer)
- **Concept(s) tested:**
 - Profitability
 - Market segmentation
 - Market sizing

Interviewer Guide

- Keys to the case
 - Competition is stealing share in premium mattress segment
 - Client must take share back from competition due to low industry growth
 - Develop creative ideas to increase profitability
- Differentiation: quality and structure of revised strategy

Case 2: ComfortFoam

All critical information is provided below – any additional information requested can be made up or explicitly stated as irrelevant

Additional Facts (provide if asked)

• Company-specific:

- 👉 Manufactures, markets, and distributes **primarily mattresses**
- 👉 Publicly traded with \$1.7 billion in annual revenues (20% market share); 12% EBITDA margin
- 👉 **Products:** primarily produces foam-based mattress (non-innersprings) and pillows
- 👉 Competes in premium market mattresses (>\$1,000), pillows, and other bedding
- 👉 Costs are on-par with industry averages

• U.S. mattress market

- 👉 Exhibit 1 (give this to interviewee during next phase of case when asked for it) – will show historical size, growth, and 1 and 3-year forecasts
- 👉 **Retail pricing:** retailers typically add a mark-up of 20%-30% to final retail price

• Competition

- 👉 Exhibit 1 – will show segmentation of market
- 👉 Some new and existing companies have recently introduced new products and technologies target at premium mattress market

Interviewer Guide

• Good candidate:

- 👉 Asks general questions regarding client
- 👉 Asks general questions regarding industry
- 👉 Understands profit is a function of revenue and costs

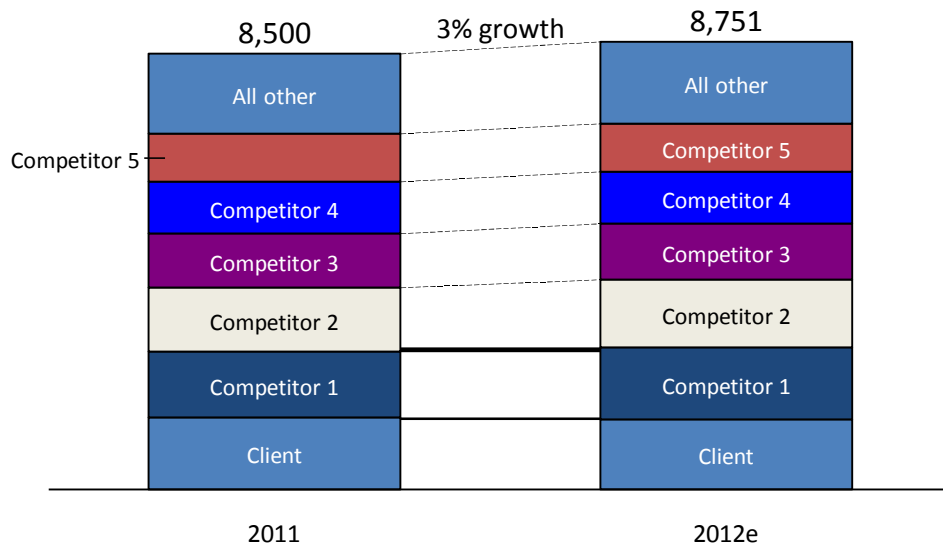
• Better candidate:

- 👉 Asks questions about changes in client's situation
- 👉 Asks questions about changes in industry environment
- 👉 Asks questions specifically about competitor actions

• NEXT STEP: MOVE TO NEXT PHASE

Case 2: ComfortFoam

Exhibit 1: U.S. Mattress Market



| Company | Market Share | Revenue Growth | EBITDA Margin | EBITDA | Market Value | Price-to-EBITDA |
|--------------|--------------|----------------|---------------|--------|--------------|-----------------|
| Competitor 5 | 11% | 9% | 18% | \$170 | \$2,074 | 12.2 |
| Competitor 4 | 14% | 2% | 8% | \$99 | \$755 | 7.6 |
| Competitor 3 | 13% | -2% | -2% | -\$25 | \$108 | N/A |
| Competitor 2 | 8% | 10% | 19% | \$125 | \$1,863 | 14.9 |
| Competitor 1 | 15% | 7% | 10% | \$127 | \$1,410 | 11.1 |
| ComfortFoam | 20% | -2% | 12% | \$210 | \$1,869 | 8.9 |

Interviewer Guide

- **Intro:** "Here is data we have on the U.S. mattress market"
- **Questions to ask:**
 - 👉 Identify key observations from data (examples to right)
 - 👉 What do you notice about our client, ComfortFoam?
 - 👉 What do you notice about the overall market? Any particular firms standout?
- **Keys to section:**
 - Identify client and overall market specific issues
 - Identify EBITDA and revenue growth as value drivers
- **NEXT STEP:** Growth opportunities

Key Observations from Data

- **Client-specific**
 - 👉 Largest share of market
 - 👉 Revenue expected to decline and result in loss of market share
 - 👉 Average profitability and p/EBITDA rating
- **Overall market**
 - 👉 Top 6 own ~80% of the market
 - 👉 Relatively low growth overall
 - 👉 Profitability varies widely (from -2% to 19% EBITDA Margin)
 - 👉 EBITDA drives Market Value (P/EBITDA varies from 1.8 to 14.6)
- 👉 **Competitors 2 and 5 are rising stars**

Case 2: ComfortFoam: Handout

Exhibit 1: 2011 U.S. Mattress Market

(values in millions)



| Company | Revenue | EBITDA | Market Value |
|--------------|---------|--------|--------------|
| Competitor 5 | \$925 | \$170 | \$1,210 |
| Competitor 4 | \$1,210 | \$99 | \$1,200 |
| Competitor 3 | \$1,072 | -\$25 | \$57 |
| Competitor 2 | \$675 | \$125 | \$1,825 |
| Competitor 1 | \$1,300 | \$127 | \$230 |
| ComfortFoam | \$1,708 | \$210 | \$1,875 |

Case 2: ComfortFoam

Potential framework for analyzing potential strategies

| Potential Strategies | Level of difficulty (Low – High) | Potential Magnitude (Small – Large) | Timing (Short – Long) | Risk (Low – High) |
|---------------------------------------|-------------------------------------|--|--------------------------|----------------------|
| Increase price | Low | Small – Med | Short-term | Medium |
| Invest in R&D | High | Medium | Long-term | High |
| Invest in direct to consumer channels | Medium | Med – Large | Mid- to Long-term | High |
| Acquire competitor | Medium | Large | Mid- to Long-term | Med – High |

Interviewer Guide

- **Intro:** “What are some of the things our client can do to address these competitive issues?”
- **Questions to ask:**
 - 👉 How would you evaluate these potential options?
 - 👉 What criteria can you use to evaluate these potential options?
 - 👉 Which criteria is the most important for our client to consider? (Magnitude)
- **Keys to section:**
 - Develop a structured approach to generate and evaluate potential strategic options
- **NEXT STEP:** WRAP-UP

Case 2: ComfortFoam: Conclusion (2 minutes max)

Suggested answer:

There is no correct answer for this case. Potential answers include: (1) acquiring a smaller growing company, (2) investing in R&D, or developing a retail chain to increase margin

Reasons to Support Recommendation

- Have to address how the recommendation will address the following issues:
 - Decline in revenue growth
 - Decrease in profitability

Notes

- Candidate must identify potential risks , test the plausibility of key assumptions, and critical analyses that will help address these risks and next steps

Case 2: ComfortFoam Feedback Form

Interviewer Guide

• Structure: Score (1-10)

- ☐ Clear, concise repeat back
- ☐ Good clarifying questions
- ☐ MECE framework
- ☐ Structured thinking

• Data analysis

- ☐ Correctness of analysis
- ☐ Structure of calculations
- ☐ Focus on important facts
- ☐ Identification of insights

• Closing

- ☐ Answer first
- ☐ Structure of recs
- ☐ Brevity

• Behavioral throughout

- ☐ Eye contact
- ☐ Level of comfort

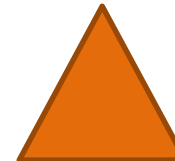
Framework Time:

Conclusion Time:

Total Case Time:

Date and
Case Giver

Selected
Focus Area



Case 3: CoffeeCo

Behavioral Pre-Case Questions

- Walk me through your resume.
- Why do you want to work for Firm X?

Case Question

Your client is small Berkeley-based café chain called CoffeeCo. CoffeeCo has four café locations in and around the UC Berkeley campus. CoffeeCo has been experiencing declining profit margins over the past several years. The owner of the store wants to know why this is happening and what they can do about it. The chain has invested a lot in store expansions, opening one new store in each of the past two years.

Case Overview

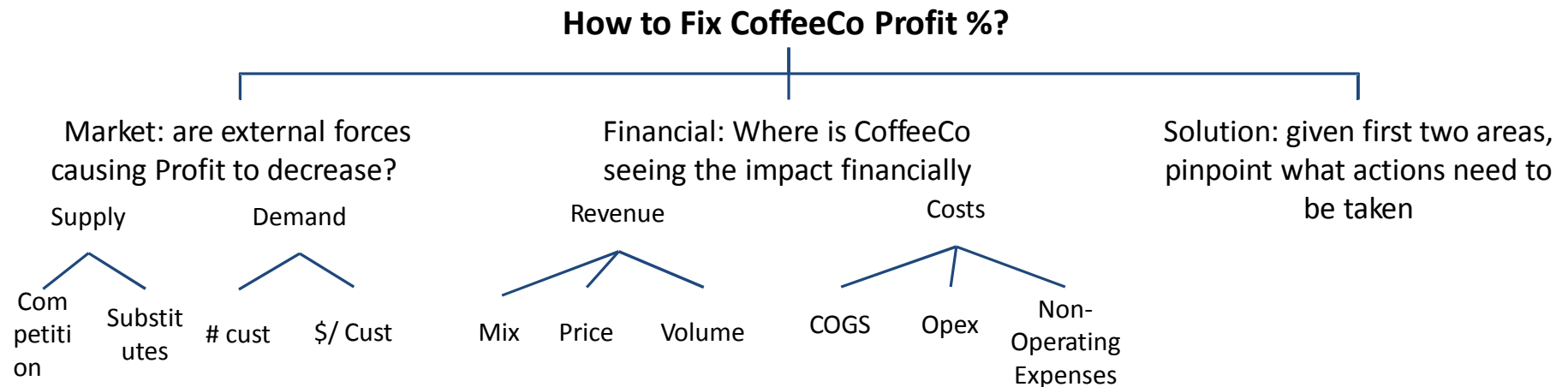
- **Format:** Interviewer-driven
- **Difficulty level:** 4/5
- **Topic:** Profitability
- **Industry:** Restaurant
- **Concept(s) tested:**
 - Market analysis
 - Financial analysis
 - Increasing sales
 - Decreasing costs
- **Length:** Long (~30 min)

Interviewer Guide

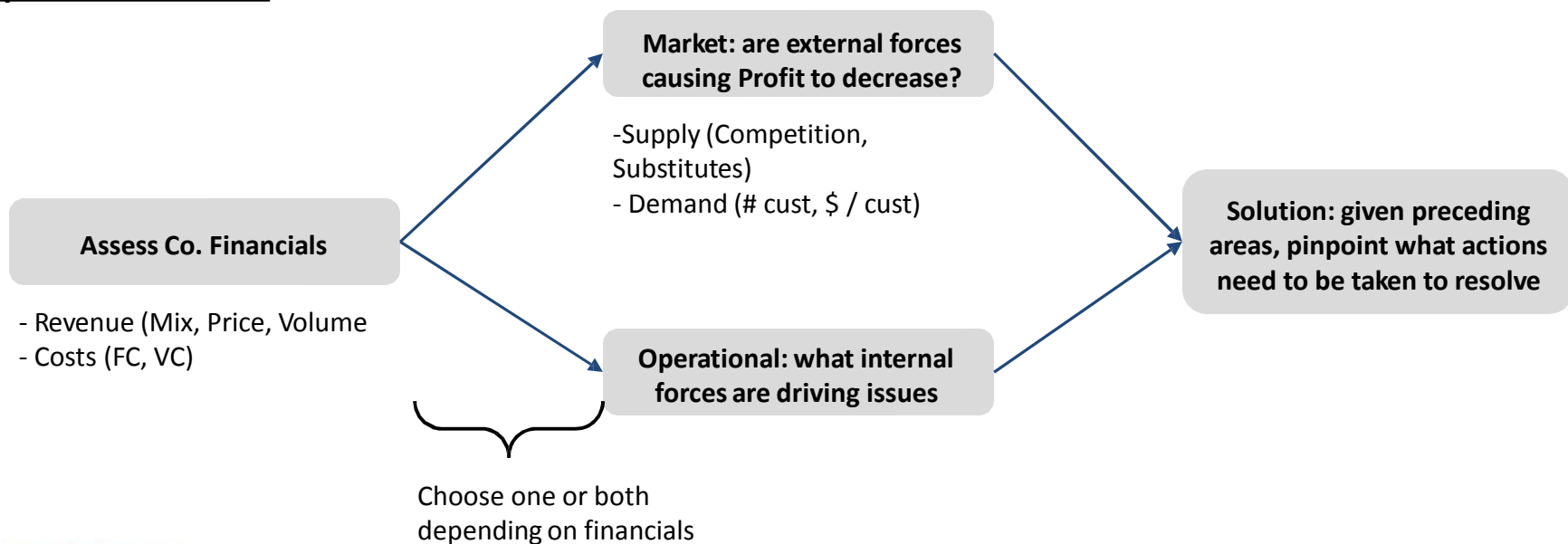
- **Keys to the case**
 - Quickly realizing that profit decrease is not due to changes in the broader market
 - Reading “between the lines” in the financial info to determine that new stores are underperforming
 - Quickly coming to correct solution for Revenue and OpEx issue
- **Keys to the case**
 - Being very quick on the uptake

Case 3: CoffeeCo

Example Framework A



Example Framework B



Case 3: CoffeeCo

Market Analysis: Regardless of where the interviewee wants to start, push them to explore if market forces impacted profitability

Case Facts (provide if asked)

• Market Demand:

- ☞ Customers: if asked by interviewee, ask them to estimate which demographics are going to be customers. Once they do, tell them since the locations are on or around campus, the customers are 80% students and 20% faculty / staff
- ☞ Population: if asked by interviewee, ask them to estimate how the population has changed over the past several years. Once they do, let them know that the population has been roughly flat
- ☞ Spend per Customer / Usage trends: if asked by interviewee, ask them to estimate how Café usage trends have changed over the past several years. Once they do, let them know that the store owner says spend per customer has been roughly flat

• Market Supply

- ☞ Competition: If asked by interviewee, ask them to estimate if they think competition has materially changed over past several years. Once they do, let them know that the Café market near UC Berkeley has always been competitive but has not become more so over past several years
- ☞ Substitutes: no major replacements for Coffee / Cafés have emerged in the Berkeley mkt

• Client

- ☞ Product mix: sells two products: Coffee and Sandwiches
- ☞ Store location: two original stores are adjacent to campus (both on Bancroft) and two new stores are on campus (one at Haas, one at Law School)

Interviewer Guide

- **Answer:** The market has not changed and market forces are not driving CoffeeCo's decrease in profitability.
- **Note:** This section does not require a full "market sizing", only a high-level understanding that the market has not materially changed in the past several years
- **Good candidate:**
 - ☞ Gets to the right answer with a little bit of guidance
- **Better candidate:**
 - ☞ Gets to the right answer with essentially no guidance
 - ☞ Presents a structured approach to the market analysis before diving in
 - ☞ Knows when they have received enough information to move on from market analysis w/o prompting
- **NEXT STEP:** Hand the interviewee the Financials exhibit and ask them to analyze

Case 3: CoffeeCo

Exhibit: Selected CoffeeCo Income Statement Items

| | Total | | | Per-Store Averages | | New vs. Old Stores in 2012 (assuming old stores stayed at 2010 level) | |
|---------------------------|-------------|---------------|---------------|--------------------|-------------|--|---------------|
| | 2010 | 2011 | 2012 | 2010 | 2012 | Old Stores | New Stores |
| Revenue (y/y growth) | \$1,000 | \$1,400 (40%) | \$1,800 (29%) | \$500 | \$450 | \$500 | \$400 |
| COGS (Margin) | \$500 (50%) | \$700 (50%) | \$900 (50%) | \$250 (50%) | \$225 (50%) | \$250 (50%) | \$200 (50%) |
| Gross Profit (Margin) | \$500 (50%) | \$700 (50%) | \$900 (50%) | \$250 (50%) | \$225 (50%) | \$250 (50%) | \$200 (50%) |
| OpEx (Margin) | \$200 (20%) | \$350 (25%) | \$500 (28%) | \$100 (20%) | \$125 (28%) | \$100 (20%) | \$150 (37.5%) |
| Operating Profit (Margin) | \$300 (30%) | \$350 (25%) | \$400 (22%) | \$150 (30%) | \$100 (22%) | \$150 (30%) | \$50 (12.5%) |
| Memo: Number of Stores | 2 | 3 | 4 | | | | |

Interviewer Guide

- **Intro:** “Here is the financial data the owner provided us”
- **Questions to ask (if interviewee needs help):**
 - ☞ Should the company be concerned about its COGS?
 - ☞ How do these figures look on a margin basis?
 - ☞ How do these figures look on a per-store basis?
- **Info to provide (if asked):** old store financial performance has stayed the same since 2010
- **Keys to section:**
 - Remembers store info from prompt (and looks at Exhibit footnote)
 - Identifies that declining revenue per store and spiking OpEx are driving the decrease in profit margin (and, conversely, that COGS are not driving it)
 - Identify that the issue is stemming from the new stores

Key Observations from Data

- Declining revenue per store (new stores contributing ~\$100K / year less than old stores)
- Gross Margin unchanged at 50%
- OpEx margin declining, driven by higher OpEx at new stores (\$150K / store at new stores vs. \$100K / at old stores)
- The “what to do next” phase of the case needs to focus on revenue and OpEx at new stores
- **NEXT STEP:** Ask interviewee to solve both Revenue and OpEx issue

Case 3: CoffeeCo: Handout

Exhibit: Selected CoffeeCo Income Statement Items*

(values in thousands)

| | 2010 | 2011 | 2012 |
|---------|-------------|-------------|-------------|
| Revenue | \$1,000 | \$1,400 | \$1,800 |
| COGS | \$500 | \$700 | \$900 |
| OpEx | \$200 | \$350 | \$500 |

* Fiscal Year Ended 12/31. All store openings occurred on Jan 1 of their corresponding fiscal year and open fully operational

Case 3: CoffeeCo

Revenue Solution: When interviewee gets to revenue issue, hand them Exhibit entitled “Menu for Old Stores vs. New Stores”

Flow of this Section

• 1) Interpreting chart:

- 👉 Interviewee should quickly be able to tell that all of the \$100K revenue deficit experienced by the New Stores
- 👉 Interviewee should read footnote and notice that the New Stores are on campus, and know this is more than a coincidence. If they miss this, direct their attention to the footnote

• 2) Brainstorming issues:

- 👉 Ask the interviewee to brainstorm why the New Stores aren't selling sandwiches. After they do so, push them to think about why the on-campus locations might not be able to (e.g. “the store owner tells us he would like to sell sandwiches on campus but he can't. Why might that be?”). Example brainstorm:
 - Issue due to Demand (i.e. on-campus customers don't want sandwiches)
 - Issue due to Supply (CoffeeCo is not selling sandwiches)
 - Chooses not to
 - Can't
 - + No staff
 - + No ingredients
 - + **No facilities** 🚫 can't make the sandwich because the campus won't give them a kitchen permit for years

- 👉 The point of this section isn't to test to see if they can guess well, but rather to see if they can brainstorm effectively and quickly hone in on key issue with some interviewer guidance

• 3) Suggest solution: CoffeeCo can fix this issue by making sandwiches off campus and bringing on campus

Interviewer Guide

- **Answer:** CoffeeCo's has lower revenue at the New Stores because it doesn't sell sandwiches at the new stores. This, in turn, is due to the fact that CoffeeCo won't get a kitchen permit on campus for years. The company can fix this by making pre-made sandwiches at its off-campus locations and bringing-on campus

• Good candidate:

- 👉 Gets to the right answer with moderate guidance

• Better candidate:

- 👉 Gets to the right answer with limited guidance
- 👉 Presents a structured approach to brainstorming
- 👉 Bonus points for additional creative revenue solutions

- **NEXT STEP:** If the interviewee has done the OpEx portion, ask them to wrap up the case with a conclusion. Otherwise, ask them to solve the OpEx issue

Case 3: CoffeeCo: Handout

Exhibit: Menu for Old Stores vs. New Stores

| | Old Stores* | New Stores* |
|------------|---------------------------|---------------------------|
| Coffee | Offered (~80% of revenue) | Offered (100% of revenue) |
| Sandwiches | Offered (~20% of revenue) | Not offered |

* Both old stores are located adjacent to campus. Both new stores are located on campus.

Case 3: CoffeeCo

OpEx Solution: When interviewee gets to OpEx issue, hand them Exhibit entitled “OpEx Breakout for Old Stores vs. New Stores”

Flow of this Section

• 1) Interpreting chart:

- 👉 Interviewee should quickly be able to tell that all of the \$50K OpEx increase in the New Stores is due to higher labor expense in the New Stores. Interviewee will need to refer back to data from the Financials exhibit
- 👉 If interviewee needs prompting, ask them “What is the \$ value of Labor Expense in the new stores vs. old stores?” (an answer: \$40K Old Stores, \$90K New Stores)

• 2) Brainstorming issues:

- 👉 Ask interviewee to break down then brainstorm the drivers of Labor expense. Example:
 $\text{Labor} = \text{hours worked} * \text{effective hourly wage per hour}$
- 👉 Info to provide when asked:
 - 👉 New stores have longer hours than the old stores but experience little traffic / business during these extra periods
 - 👉 Base hourly wage is the same at both stores, but the new stores have substantial overtime charges while old stores have not

• 3) Suggest solution

Interviewer Guide

- **Answer:** CoffeeCo’s has higher OpEx in the new stores due to the higher labor cost at the new stores. This is due to the fact that the store is open too long and does not have enough employees, causing it to pay overtime. The company should explore reducing the hours for New Stores. It should also explore adding more employees to reduce overtime.
- **Good candidate:**
 - 👉 Gets to the right answer with moderate guidance
- **Better candidate:**
 - 👉 Gets to the right answer with limited guidance
 - 👉 Presents a structured approach to brainstorming
- **NEXT STEP:** If the interviewee has done the Revenue portion, ask them to wrap up the case with a conclusion. Otherwise, ask them to solve the Revenue issue

Case 3: CoffeeCo: Handout

Exhibit: OpEx Breakout for Old Stores vs. New Stores

Presented as % of total OpEx

| | Old Stores* | New Stores* |
|----------|--------------------|--------------------|
| Overhead | 30% | 20% |
| Rent | 30% | 20% |
| Labor | 40% | 60% |

* Both old stores are located adjacent to campus. Both new stores are located on campus.

Case 3: CoffeeCo: Conclusion (2 minutes max)

Suggested answer:

(GOOD) Same as above plus: CoffeeCo's profit margin decrease is due to its new stores, which have \$100K less revenue and \$50K higher higher OpEx per store. The revenue issue stems from not being able to sell sandwiches at its new stores due to kitchen permitting issues. The company should start selling sandwiches it made off-site to resolve this. The OpEx issue is due to higher labor costs at the new stores due to unnecessarily long hours and unnecessary overtime. The company should explore reducing its store hours and hiring more employees

(BETTER) Same as above plus: Some areas for CoffeeCo to follow up on include looking into the logistics for making extra sandwiches off site and assessing the financial impact of reducing on-campus store hours

Reasons to Support Recommendation

Notes

Case 3: CoffeeCo Feedback Form

Interviewer Guide

• Structure: Score (1-10)

- ☐ Clear, concise repeat back
- ☐ Good clarifying questions
- ☐ MECE framework
- ☐ Structured thinking

• Data analysis

- ☐ Correctness of analysis
- ☐ Structure of calculations
- ☐ Focus on important facts
- ☐ Identification of insights

• Closing

- ☐ Answer first
- ☐ Structure of recs
- ☐ Brevity

• Behavioral throughout

- ☐ Eye contact
- ☐ Level of comfort

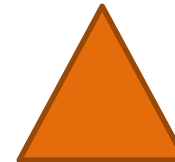
Framework Time:

Conclusion Time:

Total Case Time:

Date and
Case Giver

Selected
Focus Area



Case 4: LifeRenew

Behavioral Pre-Case Questions

- Tell me about a time when you worked on a team that faced a particular challenge. Please focus on the role you played in this process.
- What are your long-term career goals and how do you see the time you spend at “X” firm helping you achieve these goals.

Case Question

Our client, LifeRenew Inc. a privately-held biopharmaceutical company, is developing animal blood substitutes. Blood substitutes are created using red blood cells from other animals and are able to carry oxygen around the body and have several characteristics that make it more attractive than the current supply channel. LifeRenew’s proprietary blood substitute for canines, Canopure, represents a brand new technology that will solve the blood availability issue for the use in acute blood loss and emergency trauma surgeries. LifeRenew has just received third stage FDA approval to market and sell Canopure.

LifeRenew has asked us to determine (1) the potential penetration of Canopure into the canine blood supply, (2) which customer segment to target, and (3) how much to charge for it.

Case Overview

- **Format:** Interviewee-led
- **Difficulty level:** 5/5
- **Topic:** Market Entry
- **Industry:** BioPharma
- **Concept(s) tested:**
 - Market sizing
 - Customer segmentation
 - Pricing

Interviewer Guide

- **Keys to the case**
 - Canopure has potential to replace current products and also expand the overall market (disruptive)
 - Target market: emergency care vet practices, which treat the majority of critical trauma cases
 - Go-to-market strategy must be consistent across target customer segment -> price -> distribution
- Option to extend w/ section on distribution and profitability

Case 4: LifeRenew

All critical information is provided below – any additional information requested can be made up or explicitly stated as irrelevant

Additional Facts (provide if asked)

• Company-specific:

- 👉 **Org. structure** includes division management, scientists, manufacturing staff, and 3 dedicated sales employees
- 👉 **Capital sources:** recently received \$50 million in capital from Venture Capital
- 👉 Other products in development, but not for 2 to 4 years
- 👉 **Production capacity (units):** 300,000 units of Canopure; additional volume requires substantial investment

• Canopure-specific

- 👉 **Value proposition of Canopure:** readily available; does not require refrigeration; long shelf-life (2 years vs. 2 months); faster recovery
- 👉 **Costs:** not known at this stage

• Canine blood substitutes market

- 👉 Exhibit 1 – give this to interviewee next
- 👉 Low blood availability is the biggest limiting factor on the number of canine blood transfusions performed
- 👉 **Competition:** No company currently in FDA trials; at least 3 to 5 years out
- 👉 **Retail pricing:** Typical practice for veterinarians is to mark-up products 100% from the price they pay to the price they charge pet owners

Interviewer Guide

• Good candidate:

- 👉 Ask clarifying questions about company and/or blood substitutes
- 👉 Asks about value proposition of blood Canopure
- 👉 Asks about blood substitute market, including size, customers, and competitors
- 👉 Asks about costs of production

• Better candidate:

- 👉 Asks about production capacity
- 👉 Identifies that Canopure may be a disruptive technology that may expand the overall market
- 👉 Identifies impact of veterinarians on final price of Canopure
- 👉 Indicates understanding of implications that client is a small, private company with limited access to capital

• **NEXT STEP: MOVE ON TO SIZING THE POTENTIAL MARKET FOR CANINE BLOOD SUBSTITUTES**

Case 4: LifeRenew

Exhibit 1: Annual Canine Care Market

| Practice Type | Avg. No. | Number | Number of Transfusions | | Cost of Blood | | ABL Cases | | % of ABL Cases w/Transfusion |
|-------------------------------------|------------|---------------|------------------------|-------------------|---------------|----------------------|--------------|-------------------|------------------------------|
| | of Doctors | of Practices | Average | Total | Unit of Blood | Total | Number | Annually | |
| Primary care practice | 1.0 | 4,000 | - | - | - | - | 1,200 | 4,800,000 | 8% |
| 1 Doctor practices | | | | | | | | | |
| 2 Doctor practices | 2.0 | 4,800 | - | - | - | - | 2,400 | 11,520,000 | |
| 3+ Doctor practices | 4.6 | 6,400 | - | - | - | - | 3,600 | 23,040,000 | |
| Avg. primary care practice | 2.7 | 16,000 | 200 | 3,200,000 | \$50 | \$160,000,000 | 2,968 | 39,360,000 | |
| Emergency care practice | 4.0 | 4,000 | 2,000 | 8,000,000 | \$50 | \$400,000,000 | 3,000 | 12,000,000 | 67% |
| Avg. emergency care practice | | | | | | | | | |
| Total veterinarian practices | - | 20,000 | - | 11,200,000 | \$50 | \$560,000,000 | - | 51,360,000 | 22% |

Interviewer Guide

- **Intro:** “Here is data we collected on the canine care market”
- **Questions to ask:**
 - 👉 Identify key observations from data (examples to right)
 - 👉 Calculate the current market size (# of practices * # of transfusions * cost of blood / unit): 51M cases, or \$560M
 - 👉 Which market should LifeRenew target? **Emergency care practices**
- **Keys to section:**
 - LifeRenew has limited resources as private company – needs to target portion of market
 - Identifies market may be bigger if more transfusions are performed
- **NEXT STEP: OPTIMAL PRICE**

Key Observations from Data

- 👉 Many more primary care than emergency care practices
- 👉 Able to ignore breakout of primary care practices and focuses on average subtotal
- 👉 Emergency care conduct many more transfusions/year and see more ABL cases
- 👉 No. of transfusions and ABL cases are market drivers
- 👉 ~20% of ABL cases receive transfusions – there may be an opportunity to expand market if blood availability increases

Case 4: LifeRenew: Handout

Exhibit 1: Annual Canine Care Market

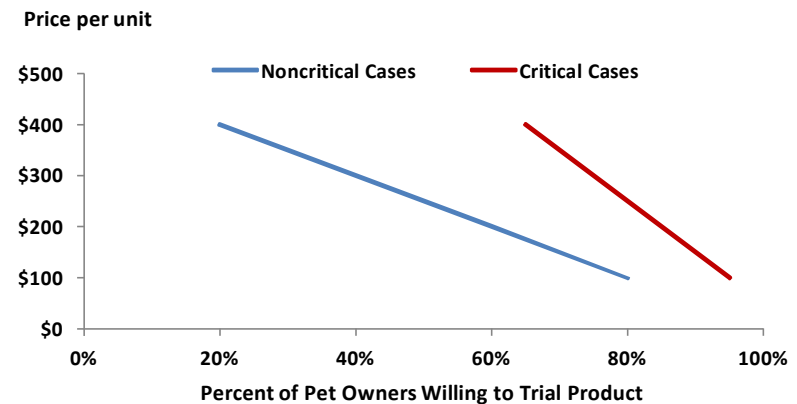
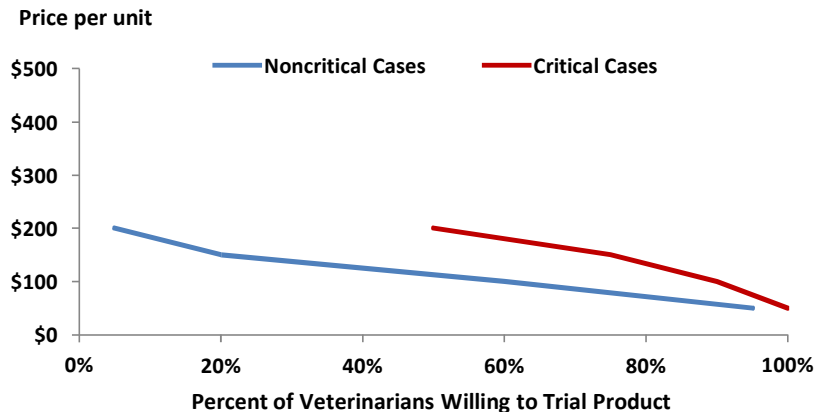
| Practice Type | Avg. No. of Doctors | Number of Practices | Avg. No. of Transfusions | Cost of Unit of Blood | Acute Blood Loss Cases | Percent of ABL Cases w/Transfusion |
|-------------------------------------|------------------------|------------------------|-----------------------------|--------------------------|---------------------------|---------------------------------------|
| Primary care practice | | | | | | |
| 1 Doctor practices | 1.0 | 4,000 | - | - | 1,200 | |
| 2 Doctor practices | 2.0 | 4,800 | - | - | 2,400 | |
| 3+ Doctor practices | 4.6 | 6,400 | - | - | 3,600 | |
| Avg. primary care practice | 2.7 | 16,000 | 200 | \$50 | 2,968 | 8% |
| Emergency care practice | | | | | | |
| Avg. emergency care practice | 4.0 | 4,000 | 2,000 | \$50 | 3,000 | 67% |
| Total veterinarian practices | - | 20,000 | - | \$50 | - | 22% |

Assumption: 1 unit of blood per transfusion

* Average cost of a unit of blood to the veterinarian

Case 4: LifeRenew

Survey question: How willing are you to trial Canopure at the following price?



Interviewer Guide

- **Intro:** “We conducted survey to determine willingness to trial the product. See results above”
- **Questions to ask:**
 - 👉 Identify key observations from data (examples to right)
 - 👉 How much should LifeRenew charge for Canopure?
- **Keys to section:**
 - Links prior target market recommendation with this section (ex., critical care, higher price)
 - Recall small size of LifeRenew limits ability to serve large number of customers
- **NEXT STEP:** WRAP-UP

Key Observations from Data

- 👉 Pet owners have higher willingness to trial
- 👉 Vets are more price sensitive overall
- 👉 Critical cases have higher willingness to trial
- 👉 Price that Vets pay will not be the same that pet owners pay (typically vets charge a 100% mark-up to their cost)

Case 4: LifeRenew: Handout

Survey question: How willing are you to trial Canopure at the following price?

Exhibit 2: Vet Willingness to Trial Canopure

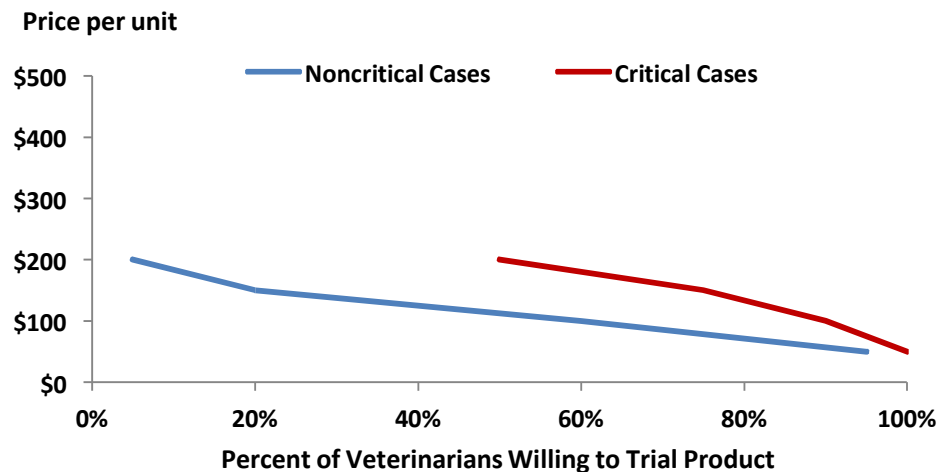
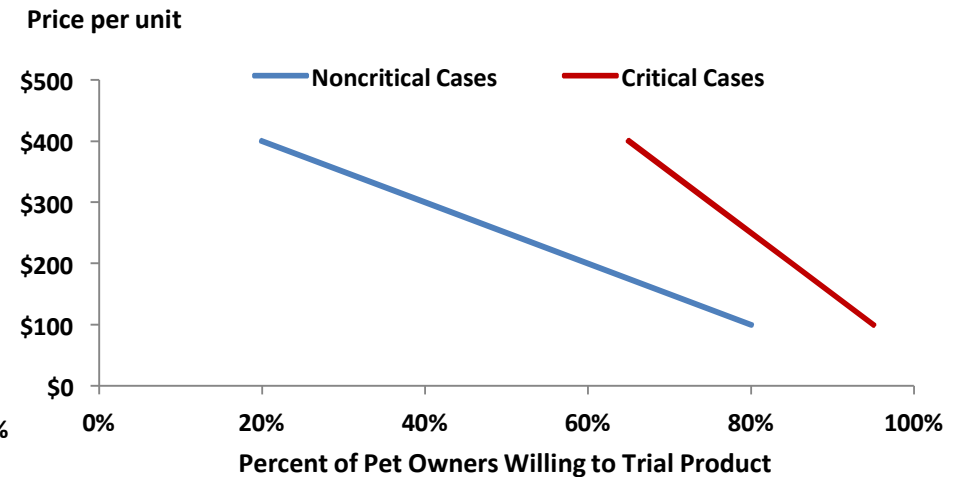


Exhibit 3: Pet Owner Willingness to Trial Canopure



Case 4: LifeRenew: Conclusion (2 minutes max)

Suggested answer:

(GOOD) LifeRenew should target market and distribute Canopure to Emergency Care Clinics

(BETTER) LifeRenew should target market and distribute Canopure to Emergency Care Clinics at a price of \$200/unit.

Reasons to Support Recommendation

- Focusing on emergency clinics will allow LifeRenew to serve the largest percent of market with the fewest amount of customers (80/20 rule)

Notes

- **Distribution:** how will this product be supplied and how will potential distribution partners affect overall pricing
- **Profitability:** want to know total cost to determine profitability of Canopure

Case 4: LifeRenew Feedback Form

Interviewer Guide

• Structure: Score (1-10)

- ☐ Clear, concise repeat back
- ☐ Good clarifying questions
- ☐ MECE framework
- ☐ Structured thinking

• Data analysis

- ☐ Correctness of analysis
- ☐ Structure of calculations
- ☐ Focus on important facts
- ☐ Identification of insights

• Closing

- ☐ Answer first
- ☐ Structure of recs
- ☐ Brevity

• Behavioral throughout

- ☐ Eye contact
- ☐ Level of comfort

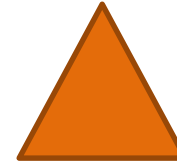
Framework Time:

Conclusion Time:

Total Case Time:

Date and
Case Giver

Selected
Focus Area



Case 5: Steel Corp

Potential Behavioral Pre-Case Questions

- Tell me about a time when you assumed a leadership role? What do you think made you a good leader?
- Looking back on your career to date, what's one thing you wish you could have done differently and why?

Case Question

Our client, Steel Corp, is a privately held automotive flat steel producer serving North American automotive OEMs. The steel industry as a whole has experienced steady growth over the last decade due to increased North American auto production. In the past, Chinese and Brazilian steel imports have taken a significant portion of North American market share, however recently the markets have seen a more stable distribution.

Steel Corp has asked us to develop a strategy that would allow them to reach 30% market share by 2025. (Currently 2015)

Case Overview

- **Format:** Interviewee-led
- **Difficulty level:** 3/5
- **Topic:** Growth Strategy
- **Industry:** Industrial (Steel)
- **Concept(s) tested:**
 - Strategy analysis

Interviewer Guide

- **Keys to the case**
 - The North American steel market is heavily tied to the Automotive industry
 - This is a commoditized market so product differentiation is very difficult
 - Organic growth would not fall within the required timeframe
- **Recommendation is that Steel Corp acquires a competitor**

Case 5: Steel Corp

All critical information is provided below – any additional information requested can be made up or explicitly stated as irrelevant

Additional Facts (provide if asked)

Steel Corp:

- Current production: 4,000,000 tons per year
- Current production capacity: 4,600,000 tons per year
- Current market share: 20%

Flat Steel Industry:

- Current price of steel is \$500 per ton and is expected to increase 20% over the next decade
- Average margin for a ton of steel is 15%
- Steel demand is expected to grow by 25% over the next decade
- Governments can impose import restrictions
- Capital projects within this industry usually have extremely long lead times, sometimes taking 10-15 years to get a new facility up and running

Competitors: (There are no production constraints for competitors)

- 1) New Steel: 15% market share (privately held) (Max Capacity: 4,000,000)
- 2) National Steel: 25% market share (publically held) (Max Capacity: 6,500,000)
- 3) HD Steel: 10% market share (privately held) (Max Capacity: 3,000,000)
- 4) Imports: 30% market share

Customer:

- OEMs typically maintain long term relationships and will rarely switch suppliers
- All OEMs are expected to grow at an equal rate (market shares will remain constant)

Interviewer Guide

• Good candidate:

- Understands that there may be production limitation for Steel Corp
- Asks probing questions about the current and future state of the steel market
- Understands that this is a commoditized good

• Better candidate:

- Builds a quick and concise framework that touches on the market, competition, customers, and capabilities
- Realizes a new facility will not fit into the timeframe
- Asks relevant questions about customer relationships
- Notes the fact that MS will remain constant in 2025

Case 5: Steel Corp

Candidate should calculate the size and breakdown of the market for both 2015 and 2025

Production Figures for 2015 and 2025

- To reach 30% market share Steel Corp would need to produce and sell 7,500,000 tons of steel per year
- To reach that number Steel Corp would need to add an additional 2,900,000 tons of production capacity
- At this point if candidate did not ask, Interviewer should note that OEMs rarely switch suppliers
- If asked, market share will stay the same in 2025 for all producers

| Producer | Market Share | Production 2015 | Production 2025 |
|----------------|--------------|-----------------|-----------------|
| Steel Corp | 20% | 4,000,000 | 5,000,000 |
| New Steel | 15% | 3,000,000 | 3,750,000 |
| National Steel | 25% | 5,000,000 | 6,250,000 |
| HD Steel | 10% | 2,000,000 | 2,500,000 |
| Imports | 30% | 6,000,000 | 7,500,000 |

Interviewer Guide

- Good candidate:**
 - Correctly calculates the 2015 and 2025 productions numbers
 - Presents the data in a organized and readable way
 - Clearly states the required production needed to reach 30% market share
- Better candidate:**
 - Recognizes the fact that Steel Corp has a production constraint and will not be able to meet future demand
 - Correctly notes the production shortfall (for 30% market share)

Case 5: Steel Corp

Candidate should come up with some potential growth options, realizing that an acquisition meets all the clients needs

Potential Solutions

Option 1: Acquire New Steel

- Potential Benefits:
 - OEMs are not likely to switch suppliers so organic growth would not get you to 30%
 - This would be the most appropriate target to meet the 2,900,000 production shortfall
 - There may be some synergies between the two companies
 - Economies of scale
- Potential Risks:
 - Acquisition price may not make economic sense
 - Antitrust issues
 - Cultural fit between the two companies
 - Raw material sourcing/long term obligation
- The two key points here are that Steel Corp does not have the capacity to meet future demand as is. In order to reach their stated goal they would need to acquire both capacity and customers.
- New Steel production facilities or new steel grades would deal with extremely long lead times and fall outside the range of the clients stated goal.
- Candidate could figure out what a reasonable price for an acquisition should be (using the additional tonnage times the margin received per ton).

Interviewer Guide

- **Good candidate:**
 - Lists out potential options and addresses some risk factors associated with those options
 - Correctly identifies an appropriate acquisition target
 - Clearly communicates thoughts and provides supporting rationale
- **Better candidate:**
 - Demonstrates an understanding of market risk factors associated with raw materials and OEMs
 - Notes the fact that equal OEM growth would result in no MS change for 2025
 - Provides a reasonable estimate for what the value of additional capacity would be

Case 5: Steel Corp

Suggested answer:

- 1) *Steel Corp should look to acquire New Steel*
- 2) *Steel Corp should look to take controlling interest in publically traded National Steel (51% ownership)*

Reasons to Support Recommendation

- New facilities would not be online quick enough to meet the customers needs
- New customers are difficult to acquire without a significant change in the market itself
- Steel Corp has a production constraint and needs to acquire additional capacity

Notes

Case 5: Steel Corp Feedback Form

Interviewer Guide

• Structure: Score (1-10)

- ☐ Clear, concise repeat back
- ☐ Good clarifying questions
- ☐ MECE framework
- ☐ Structured thinking

• Data analysis

- ☐ Correctness of analysis
- ☐ Structure of calculations
- ☐ Focus on important facts
- ☐ Identification of insights

• Closing

- ☐ Answer first
- ☐ Structure of recs
- ☐ Brevity

• Behavioral throughout

- ☐ Eye contact
- ☐ Level of comfort

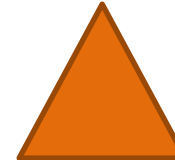
Framework Time:

Conclusion Time:

Total Case Time:

Date and
Case Giver

Selected
Focus Area



Case 6: FlyMe.com

Behavioral Pre-Case Questions

- Tell me about your most recent performance review at your pre-MBA job. Both the positive and negative aspects.
- At what point in your life or career were you the most busy or overwhelmed? How did you handle it?

Case Question

Our client, FlyMe.com is a US-based online travel agency (OTA) – similar to Expedia, Priceline, etc. They sell flights, hotel rooms, car rentals, and other travel products on their website directly to consumers. Their inventory comes from all of the major travel suppliers (airlines, hoteliers, car rental companies, etc.). Although the travel industry is large and growing, our client has recently experienced a drop in profitability.

They have hired us to (1) figure out why profits are down, and (2) what they can do to turn around the business.

Case Overview

- **Format:** Interviewer-led
- **Difficulty level:** 2/5
- **Topic:** Profitability
- **Industry:** Travel / e-commerce
- **Concept(s) tested:**
 - Profit drivers
 - Buyer/supplier power
 - Turnaround

Interviewer Guide

- **Keys to the case**
 - The issue is on the revenue side → airlines are paying less commission to OTAs for each flight sold
 - Critical to get to the root of the issue before trying to suggest ways to solve it
 - The business model of an OTA may not be totally intuitive → a strong candidate will problem solve their way through understanding

Case 6: FlyMe.com: Additional Info

Pre Framework

Interviewer: only provide these details if asked

• Industry-specific:

- **OTA business model** – ecommerce site that sells travel related content to consumers. Make money by charging a commission to content providers (airlines, hoteliers, etc.) on each sale.
- **Markets** – most OTAs are regional – a few big players in the US, Asia, Europe, South America
- Different than travel aggregators (Kayak) – aggregators don't actually sell content

• Company-specific

- **Location** – operate mostly in the US; have some subsidiaries elsewhere, but small
- **Products** – sell a broad range of products (flights, hotels, etc.) from a broad range of providers
- **Reputation** – very well known brand; household name in the US

• Competitor-specific:

- 5-6 main competitors in the US
- 2 are profitable; the rest are experiencing declines like us
- Industry has seen recent consolidation

This is a simple prompt – the candidate should quickly move into creating a profitability framework. Don't let them ask too many questions up front.

Interviewer Guide

• Good candidate:

- Recognizes this is a straightforward profitability problem
- Asks enough questions to fully understand the situation

• Better candidate:

- Engages with the interviewee during the prompt / understanding stage
- Asks 2nd level questions before jumping into framework → will help structure what the framework should contain

• NEXT STEP: Create framework (example on next slide)

Case 6: FlyMe.com: Framework (2-4 minutes)

Profitability Framework

Interviewer: examples of what to look for – not a comprehensive list

• Non-company items (*less relevant*)

- **Market / economy** – travel spend is highly correlated with the economy
- **Competition** – the consolidation is likely having an effect
- **Customers** – are purchasing behaviors or customer needs changing?
- **Suppliers** – how are airlines and hotels doing? Are they happy selling through us?

• Company profitability (*most relevant*)

- **Revenue** – $P * Q \rightarrow$ candidate should highlight this and include some extra detail
- **Cost** – Fixed + Variable \rightarrow candidate should highlight this and include some extra detail

• How to fix the issue (*relevant*)

- Candidate should at least note in the framework that a piece of the case is to recommend ways to fix the issue
- Does not need to be complete in the framework, but should be included

After presenting the framework – push the candidate to suggest where to start

Interviewer Guide

• Good candidate:

- Includes all of the standard pieces of a profitability framework
- Includes the piece about needing to provide recommendations to fix the issue within the framework

• Better candidate:

- Doesn't just put the pieces of profitability – explains the drivers
- Reads across, then down when presenting framework
- Provides a hypothesis of what is driving a drop in profit
- Says where they want to start after presenting framework

• NEXT STEP: Profitability deep dive

Case 6: FlyMe.com: Profitability Math (10 minutes)

Profitability Deep Dive

Interviewer: "Where would you like to start?"

The problem is in revenue, but they can start if cost if they'd like

- **If asked about costs**

- *Interviewer: "Overall costs have been growing ~3% year over year. Growth is happening across most key categories"*
- **NOT A COST ISSUE – PUSH THEM TOWARDS REVENUE IF THEY DON'T RECOGNIZE THIS QUICKLY**

- **Revenue**

- *Interviewer: "What do you want to know about revenue?"*
- If asked, primary sources of revenue are booking fees charged to suppliers for each sale, and for banner advertising on the website
- **WHEN THEY MENTION PRODUCT BREAKDOWN, BOOKINGS INFO, VOLUME/RATE, ETC – PROVIDE THEM WITH **EXHIBIT 1****

Interviewer Guide

- **Good candidate:**

- Recognizes it is not a cost problem
- Asks for specific information within revenue, not just "do you have revenue information"

- **Better candidate:**

- Recognizes that the cost growth is roughly inflationary growth and to be expected for a business
- Provides a rationale for the revenue data they request

- **NEXT STEP:** Revenue analysis using **Exhibit 1**

Case 6: FlyMe.com

Exhibit 1: FlyMe.com Selected Financial Data – 2013 & 2014

| | 2013 | | 2014 | |
|-------------------------------|---------------|--------------|---------------|--------------|
| | Revenue (\$M) | Bookings (M) | Revenue (\$M) | Bookings (M) |
| Product Revenue | | | | |
| Air | \$440 | 110 | \$319 | 159 |
| Hotel | \$270 | 30 | \$331 | 31 |
| Car Rental | \$75 | 15 | \$81 | 16 |
| Cruise | \$15 | 5 | \$17 | 6 |
| Banner Ad Revenue | \$150 | N/A | \$149 | N/A |
| Trip Insurance Revenue | \$50 | 2 | \$53 | 2 |

Case 6: FlyMe.com: Profitability Math

Exhibit 1: FlyMe.com Selected Financial Data – 2013 & 2014

| | 2013 | | | | 2014 | | | |
|-------------------------------|----------------|--------------|------------------|--------------------|---------------|--------------|------------------|--------------------|
| | Revenue (\$M) | Bookings (M) | Avg. Booking Fee | % of Total Revenue | Revenue (\$M) | Bookings (M) | Avg. Booking Fee | % of Total Revenue |
| Product Revenue | | | | | | | | |
| Air | \$440 | 110 | \$4 | 44% | \$319 | 159 | ~ \$2 | 34% |
| Hotel | \$270 | 30 | \$9 | 27% | \$331 | 31 | ~ \$11 | 35% |
| Car Rental | \$75 | 15 | \$5 | 8% | \$81 | 16 | ~ \$5 | 9% |
| Cruise | \$15 | 5 | \$3 | 2% | \$17 | 6 | ~ \$3 | 2% |
| Banner Ad Revenue | \$150 | N/A | N/A | 15% | \$149 | N/A | N/A | 16% |
| Trip Insurance Revenue | \$50 | 2 | \$25 | 5% | \$53 | 2 | ~ \$25 | 6% |
| Total: | \$1,000 | | | | \$950 | | | |

Interviewer Guide

- **Interviewer:** “What does this revenue data tell us?”
- **Additional Guidance for Interviewer:**
 - Have them walk through the data contained in the table
 - If they don’t recognize that booking fees could be an issue, **have them calculate average booking fee for each category**, each year (answers provided in red)
 - **2014 SHOULD BE ESTIMATES – THIS IS A TEST FOR PRACTICALITY**
 - Good candidate will also do rough % of total estimation (in red) to see which categories are most important)
 - If asked, the end ticket prices to consumers have stayed the same
- **NEXT STEP:** Brainstorm drivers to lower Air booking fee

Key Observations from Data – Interviewee should get most of these

- Air and Hotel are the largest revenue drivers
- Hotels and Insurance have the largest booking fee, and therefore relative profit margin, because it is all commission
- Air booking fees are dropping year-over-year – BAD
- Hotels and Insurance booking fees are growing even more year-over-year

THE CANDIDATE SHOULD CONCLUDE THAT THE DROP IN AIR BOOKING FEES IS THE PRIMARY DRIVER TO DECLINING REVENUE

Case 6: FlyMe.com: Brainstorm (5 minutes)

Brainstorm

Interviewer: "What could be causing this drop in Air booking fees?"

There are many potential answers. Ensure the answers make sense.

Some potential examples are:

- Airlines have strong bargaining power and are pressuring OTAs to drop fees
- Contract renewals just occurred and the new fee is lower
- Airlines are selling more flights on own websites – we had to drop fees to keep the content on our site
- Air ticket prices are dropping overall
- Mix shift of lower cost airline tickets (Spirit, Frontier) being sold vs. higher priced (Hawaiian, American)
- A competitor dropped booking fees – we had to follow suit
- Many others...

Once they provide at least 3-5 answers, tell them:

Interviewer: "A lot of factors contributed, but we had to drop the air booking fees to stay competitive – there was nothing we could do"

Interviewer Guide

•Good candidate:

- Summarizes findings from the math portion before moving on
- Writes down brainstorm ideas rather than just reciting
- Doesn't give completely illogical reasons

• Better candidate:

- Is hypothesis-driven when brainstorming
- Gives justification for each item in brainstorm

•NEXT STEP: Brainstorm ways to turn around the revenue decline

Case 6: FlyMe.com (5 minutes)

Brainstorm & Conclusion

Interviewer: "Given this, what can the client do to improve revenue?"

There are many potential answers. Ensure the answers make sense.

Some potential examples are:

- Focus on Hotel – booking fees are high and rising
- Focus on selling Trip Insurance – revenue per purchase is huge and growing
- Increase advertising to drive more traffic to the site – will increase bookings and drive up banner ad revenue
- Offer bundles Air bookings (hotel, car) – will help drive bookings to higher margin products
- Consolidate with a competitor to increase bargaining power against airlines
- Many others...

Once they provide at least 3-5 answers, drive towards a case conclusion:

Interviewer: "Ok, great. We are going to meet with the client now – what do we tell them based on what we've covered today?"

Interviewer Guide

• Good candidate:

- Writes down brainstorm ideas rather than just reciting
- Doesn't focus on the air booking fees – we said this was set

• Better candidate:

- Brings in data from in the preview section – i.e. Hotel and Insurance have large booking fees
- Think outside the box and gives creative ideas to improve revenue
- **In conclusion:**
 - Summarizes case
 - References data from case
 - Provides risks of the recommendations
 - Provides next steps past what was covered in case

Case 6: FlyMe.com: Conclusion (5 minutes max)

Suggested answer:

(GOOD) Profits are down due to revenue and the Company should focus on hotels where booking fees are higher

(BETTER) To overcome the \$50M revenue shortfall impacting profits the Company should pursue a bundling strategy with hotels and car rental companies to drive bookings to higher margin products.

Reasons to Support Recommendation

- X

Notes

- X

Case 6: FlyMe.com Feedback Form

Interviewer Guide

• Structure: Score (1-10)

- ☐ Clear, concise repeat back
- ☐ Good clarifying questions
- ☐ MECE framework
- ☐ Structured thinking

• Data analysis

- ☐ Correctness of analysis
- ☐ Structure of calculations
- ☐ Focus on important facts
- ☐ Identification of insights

• Closing

- ☐ Answer first
- ☐ Structure of recs
- ☐ Brevity

• Behavioral throughout

- ☐ Eye contact
- ☐ Level of comfort

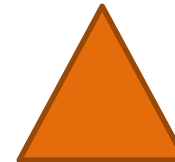
Framework Time:

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Case 7: MexTell

Potential Behavioral Pre-Case Questions

- Tell me about a time when you failed.
- Tell me about another time when you failed.

Case Question

Our client is a major U.S. cell phone service provider with \$45 billion in revenues. They have recently been buying companies in an attempt to expand their network, and have been notified of a potential window to acquire MexTell, a Mexican Cellular network. They've determined the deal will be worth the trouble likely to come from activist investors if MexTell is worth more than \$6 billion.

Should they acquire?

Case Overview

- **Format:** Interviewee led
- **Difficulty level:** 3/5
- **Topic:** Acquisition
- **Industry:** Telecommunications
- **Concept(s) tested:**
 - Math
 - Valuation

Interviewer Guide

- Keys to the case
 - This is meant to be a math heavy testing ground; candidate will have to structure and calculate quickly to keep from losing control
 - Valuation meeting the threshold is largely based on the growth and interest rates used in DCF.
- Recommendation is dependent entirely on candidate's chosen WACC and growth assumptions.

Case 7: MexTell: Framework (5 minutes max)

“Should our client acquire MexTell?” NOTE: Relevant information for candidate in **BOLD**

Suggested Framework (and answers) for determining if value is >\$6B

What does the Mexican Cellular Market look like?

- Competition is **non-existent**
- Industry growth **has been steady at 5% YOY**
- Major substitutes **don't exist**
- Prevalence of cell phones in Mexican society **has been growing at 5% per year**
- **Everything else is irrelevant**, and should be deflected

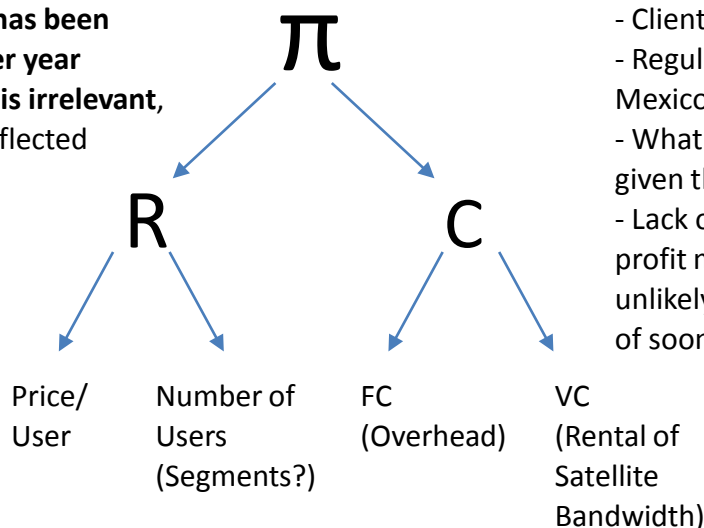
What does the MexTell Income Statement look like?

- Need to understand the major revenue and cost streams to be able to value the company:

Should we do the deal? What are the Risks and Next Steps

Valuation Methods:
DCF: Need income statement
Comps: Need other deals
Book Value: Balance Sheet

Suggested Risks:
- Client moving internationally
- Regulatory environment in Mexico is different
- What is the adjusted WACC given the move?
- Lack of competition given profit margin of 18% seems unlikely; either illegal activity of soon-to-enter competition



Interviewer Guide

- **Good candidate:**
 - Creates a framework that catches the major levers and risks to the deal
 - Ensures that valuation and risks to the deal are part of the framework
- **Better candidate:**
 - Understands from the prompt that a final number of > or < \$6B is the goal, and creates a framework based on valuation methods commonly used (DCF, Comps, Book Value)

Case 7: MexTell: Income Statement (15 minutes max)

NOTE: Number to provide are highlighted in **BOLD**

| | Basic | Premium | Ultra | SUM |
|-----------------------|----------------|------------------|---------------|------------------|
| Users | 300,000 | 1,500,000 | 50,000 | \$ 1,850,000 |
| Price | \$ 40 | \$ 100 | \$ 150 | |
| Monthly REVENUE | \$ 12,000,000 | \$ 150,000,000 | \$ 7,500,000 | \$ 169,500,000 |
| Annual REVENUE | \$ 144,000,000 | \$ 1,800,000,000 | \$ 90,000,000 | \$ 2,034,000,000 |
| VC/User | \$ 5 | \$ 10 | \$ 10 | |
| Total VC | \$ 1,500,000 | \$ 15,000,000 | \$ 500,000 | \$ 17,000,000 |
| FC as % of Rev | 40% | 60% | 60% | |
| Total FC | \$ 4,800,000 | \$ 90,000,000 | \$ 4,500,000 | \$ 99,300,000 |
| Monthly COST | \$ 6,300,000 | \$ 105,000,000 | \$ 5,000,000 | \$ 116,300,000 |
| Annual COST | \$ 75,600,000 | \$ 1,260,000,000 | \$ 60,000,000 | \$ 1,395,600,000 |
| Gross Monthly Profit | \$ 5,700,000 | \$ 45,000,000 | \$ 2,500,000 | \$ 53,200,000 |
| Gross Annual Profit | \$ 68,400,000 | \$ 540,000,000 | \$ 30,000,000 | \$ 638,400,000 |
| Tax Rate | 40% | 40% | 40% | |
| Annual Tax Burden | \$ 27,360,000 | \$ 216,000,000 | \$ 12,000,000 | \$ 255,360,000 |
| Net Annual Profit | \$ 41,040,000 | \$ 324,000,000 | \$ 18,000,000 | \$ 383,040,000 |

Interviewer Guide

• Good candidate:

- Creates a structure after realizing the volume of information they are about to get.
- Keeps a structure through most of the profit tree, asking for relevant information when needed
- Calculates numbers as they go.

• Better candidate:

- Realizes that in order to get to a Valuation they need a profit, and makes a structure to get the data
- Does math as necessary to keep the numbers flowing, but doesn't interrupt data capture
- Realizes that Basic Users << Premium users; hypothesizes that Basic price may be too high for average GDP, and flags for "opportunity review"
- Realizes that total users << pop. of Mexico since Mextell has no competition; flags as growth potential

Case 7: MexTell: Valuation (5 minutes max)

NOTE: Relevant information for candidate in **BOLD**

Three potential Valuation Methods

DCF: We have the information, so this is the way to go

Comps: "No Data in recent history"

Book Value: "We don't have their asset data"

- Competition is **non-existent**
- Industry growth **has been steady at 5% YOY**
- Major substitutes **don't exist**
- Prevalence of cell phones in Mexican society **has been growing at 5% per year**
- **Everything else is irrelevant**, and should be deflected

KEY POINTS:

- WACC decision determines deal validity
- Growth projections are also critical; is 5% forever likely? (Based on data left, answer is "Yes" but an intelligent discussion on competition is warranted here)

$$15\% \text{ WACC: DCF} = \frac{\$383,040,000}{15 - 5} = \$ 3,830,400,000.00$$

$$10\% \text{ WACC: DCF} = \frac{\$383,040,000}{10 - 5} = \$ 7,660,800,000.00$$

Interviewer Guide

• Good candidate:

- Knows all three methods, and quickly identifies that DCF is the way to go with the data we have
- Has an intelligent discussion on interest rates and growth projections

• Better candidate:

- Understands that WACC is based on risk inherent in this deal and this industry, not just on the company or client itself; when provided with 10% as the company's WACC, suggests that we use a higher WACC to capture the extra risk in this deal
- Realizes that WACC makes or breaks the deal, and suggests further due diligence on determining the right WACC

Case 7: MexTell: Conclusion (2 minutes max)

Suggested answer:

(GOOD) Our client should continue purchase of MexTell based on a \$7.6B valuation

(BETTER) We should continue our due diligence in order to determine the correct WACC to evaluate this deal with, lest we miss our target.

Reasons to Support Recommendation

- Strong profit margins of ~20% on gross revenue
- Lack of competition makes future position much more secure, even with competitive entry
- WACC changes of 5% change this from a \$2B above our benchmark to \$2B below benchmark; WACC is single most important factor here

Notes

- A star candidate will realize that Basic Users are far 5x fewer than Premium users, despite price tag. A good hypothesis is that Basic price may be too high for average GDP, and Premium users are mostly business. This is a good opportunity to adjust prices to better capture the segments.
- A star candidate will also notice that MexTell has no competition, yet holds far fewer subscribers than the population of Mexico; huge opportunity for growth, or competition, depending on the regulation.

Case 7: MexTell Feedback Form

Interviewer Guide

• Structure: Score (1-10)

- ☐ Clear, concise repeat back
- ☐ Good clarifying questions
- ☐ MECE framework
- ☐ Structured thinking

• Data analysis

- ☐ Correctness of analysis
- ☐ Structure of calculations
- ☐ Focus on important facts
- ☐ Identification of insights

• Closing

- ☐ Answer first
- ☐ Structure of recs
- ☐ Brevity

• Behavioral throughout

- ☐ Eye contact
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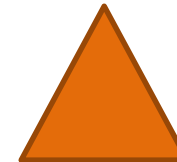
Framework Time:

Conclusion Time:

Total Case Time:

Date and
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Focus Area



Case 8: SunFury

Potential Behavioral Pre-Case Questions

- Tell me about a time when you had to give a team member unpleasant feedback. How did you approach the situation? What would you do differently?
- What's the hardest feedback you've received? How did you take it?

Case Question

Our client, SunFury, is a publically traded solar developer and the largest builder of utility scale solar projects across the US. They have experienced incredible growth over the last 6 years, due largely to the rapidly falling solar module prices from China and the consistent US tax credit for solar projects. In 2017 the Solar Investment Tax Credit (ITC) will drop from 30% for all solar to 10% for utility and 0% for residential, forcing the industry to compete more closely with cheap coal and natural gas.

It is August 2015, and SunFury has decided to expand their operations into the residential arena to better capture the ITC while it still exists. They have asked us to (1) estimate the potential value at stake, and (2) determine whether they should go ahead with their residential launch in 2016.

Case Overview

- **Format:** Interviewer-led (McKinsey style)
- **Difficulty level:** 3/5
- **Topic:** Market Entry
- **Industry:** Energy (Solar)
- **Concept(s) tested:**
 - Market sizing
 - Strategy analysis

Interviewer Guide

- Keys to the case
 - The residential solar market is a huge potential market that has only been partially tapped
 - Competition is very fierce, as many different players are trying to compete.
 - Market is unprofitable without ITC, and SunFury cannot recoup investment costs in time.
- Recommendation is that SunFury allocate resources to utility projects.

Case 8: SunFury: Market Sizing Portion (15 minutes max)

“Given that SunFury is targeting US residential solar, how many homes can we target?”

Note: If candidate starts to make a framework, redirect them to answer the question

All critical information is provided below in **bold** – any additional information requested can be made up or stated as irrelevant.
(*Information in italic brackets is suggested assumption range*)

Sequence of events and required data

TASK: Estimate number of homes in the US that have suitable roofs

- a) Assume 320M people in US and (80-100M) families
- b) Assume (40-80%) of families live single or multi-family domiciles (homes), and that others live in large apartment complexes, mobile homes, etc (not suitable for solar)

Things they should then ask:

1. “Can we build solar everywhere in the US?” (**GIVE HANDOUT 1, NEXT PAGE**)
 - a) Follow on question should be “Ok, what is population density?” or some deviation thereof (**GIVE HANDOUT 2, NEXT PAGE**)
 - b) Based on 2 handouts, acceptable estimates of population living in solar radiation zones $>5\text{kWh/m}^2/\text{day}$ is between 30-50% (CA+TX is 80M)
 - c) This yields a PAM of (9.5-40M homes) (**Give 15M once math is complete**)
2. “How many homes already have solar?” Can assume 20-50%, **then provide 40%**
 - a) This means the TAM is **9M homes**

If candidate gets stuck at any point, or work at this question passes 10 minutes, provide 9 million homes as the answer and move to question 2.

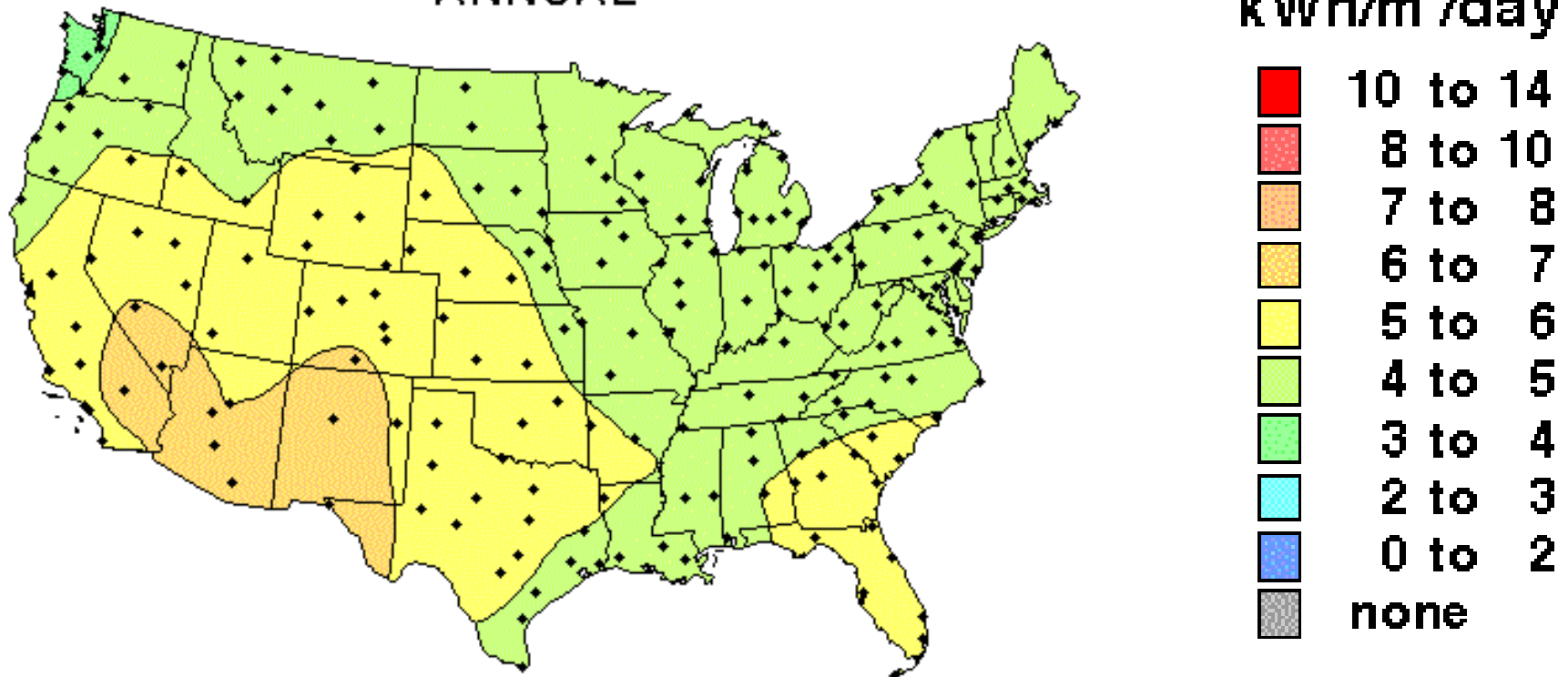
Interviewer Guide

- **Good candidate:**
 - Understands that this is a market sizing and requires no prompting
 - Makes reasonable assumptions about home ownership and population density
 - Understands what information they will need to answer the question as it comes up
- **Better candidate:**
 - Lays out the steps to the problem in advance; knows how they will get to a number and the information they need before they start
 - Reads the footnotes to find out the solar cutoff is $>5\text{ kWh/m}^2/\text{day}$

Case 8: SunFury: Handout 1

Average Daily Solar Radiation Per Month

ANNUAL

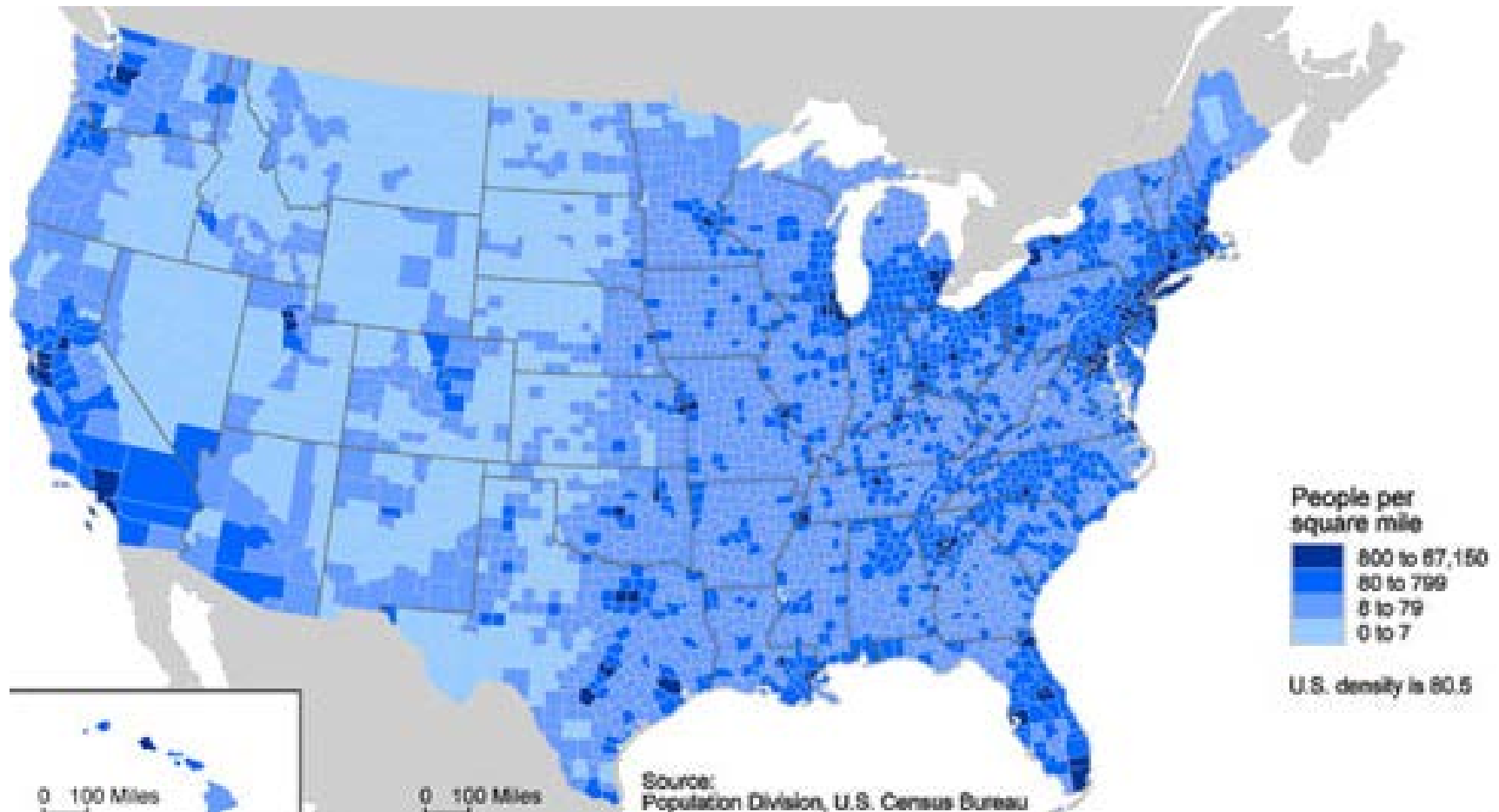


Footnote:

(1) SOURCE: National Renewable Energy Laboratory (NREL) 1961-1990

(2) Expert analysis has shown that residential solar with SunFury™ solar panels is profitable when kWh/m²/day is >5 on an annualized basis

Case 8: SunFury: Handout 2



Footnote:

(1) SOURCE: US Census Bureau

Case 8: SunFury: Market Sizing Portion (15 minutes max)

“The client would like to know how many solar panels they could sell based on your estimate of 9M homes. How would you structure this problem?”

Answer: **225M panels**: critical information is provided below in **bold**

Sequence of events and required data

Candidate should understand they will need to find the number of panels per home, which requires knowing:

1. Size of average roof:
 - a) **“The average American home is single story, and roughly 1600sqft”**
 - b) 1600sqft means that there is 40'x40' of roof
2. Size of the SunFury solar panel: **“Each solar panel is 2m x 3m”**
3. Number of panels that can fit on a roof:
 - a) The panel can be estimated to be 6'x9', which yields 54sqft/panel (55' OK)
 - b) This means that $1600' / 55' = \sim 29$ panels COULD fit on the roof

NOTE: A great candidate will recognize that you can't fit panels extending over the edge of the roof, so you can really only fit 6 wide (roof is 40' wide, so 6 panels at 6' is 36') and 4 panels tall.

The number of panels/home is therefore $6 \times 4 = 24$ panels (**tell them to round to 25**)

The final number of panels SunFury could potentially sell is 225M panels

Help candidate along if needed; if time on this question passes 10 minutes with no endpoint in sight, give them assumptions as necessary to reach 225M panels

Interviewer Guide

- **Good candidate:**
 - Given the prompting, lays out the rough structure in advance
 - Knows the information they need at each point in the process
 - Does math correctly and quickly
- **Better candidate:**
 - Lays out the correct structure in advance and knows therefore knows what information they need before they begin the math
 - Quickly realizes that the size of the roof and the size of the panels aren't perfectly divisible, and therefore need to be calculated by row x column.

Case 8: SunFury: Strategy Portion (15 minutes max)

“The client is excited, and wants to launch immediately. What information do you still need to recommend that SunFury move into residential solar?”

Expect the candidate will make framework to structure relevant info.

Suggest framework and sequence of events

Do external conditions support?

“The residential solar market is extremely competitive right now, with 10-12 regional players, all at the same price point, in each market we want to launch in.”
“We are offering a commodity product here”

Based on the above, reasonable assumptions of the market share we can expect to get is (5-10%). Any higher, and push back for unreasonable assumptions of capturing market share so quickly in a saturated market.

Do internal conditions support?

“Business Model: SunFury sells home owners the panels at an ‘All-inclusive cost’ per panel, similar in price to the competition”
Price = \$355/panel
Material Cost= \$300/panel
Labor + Permit = \$5000/roof
 (Note: equals \$200/panel)

Total Cost/Panel is => \$500, and Tax Credit is 30%, so cost after the ITC is \$350

Profit: \$5/panel @22.5M panels (10% market share) so Potential Profit = \$112.5M

Are there relevant Risks? Next Steps?

“There is an engineering and certification process that must be completed to launch a residential solar system. Based on the reduced timeline to launch by January 2016, we expect it will cost \$35M to launch the system”
“Logistics and training will cost us \$50M to ramp up in 6 months”

Based on upper bound of market capture (10%) and startup cost of \$85, we will only be very close to breaking even: max profit ~\$25M

Interviewer Guide

• Good candidate:

- Creates a framework that catches the major levers and risks
- Determines the profit that SunFury could capture based on Profit Tree
- Comes to the conclusion competition will drive down market share to <10%
- Notices the initial negative profit, and recalls the ITC without prompting

• Better candidate:

- Looks back to their notes and remembers that the ITC goes away in one year
- Comes to the conclusion that the upper bounds are not profitable

Case 8: SunFury: Conclusion (5 minutes max)

Suggested answer:

(GOOD) SunFury should not enter the residential market.

(BETTER) SunFury should instead focus on locking in and completing utility projects before the ITC lowers by 20%, reducing their profit margin significantly .

Reasons to Support Recommendation

- The fierce competition reduces market share available to <20%
- Duration of ITC is only one year from launch date
- Startup costs make this an unprofitable endeavor, with best case profits at -\$4M.

Notes

Case 8: SunFury Feedback Form

Interviewer Guide

• Structure: Score (1-10)

- ☐ Clear, concise repeat back
- ☐ Good clarifying questions
- ☐ MECE framework
- ☐ Structured thinking

• Data analysis

- ☐ Correctness of analysis
- ☐ Structure of calculations
- ☐ Focus on important facts
- ☐ Identification of insights

• Closing

- ☐ Answer first
- ☐ Structure of recs
- ☐ Brevity

• Behavioral throughout

- ☐ Eye contact
- ☐ Level of comfort

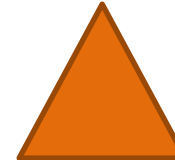
Framework Time:

Conclusion Time:

Total Case Time:

Date and
Case Giver

Selected
Focus Area



Case 9: Camilla's Pets

Potential Behavioral Pre-Case Questions

- Tell me about a time when you had to change direction on a task. What did you do?
- Tell me about a time when you tried really hard, but you still failed. What did you learn?

Case Question

Our client, Camilla's Pets is a regional pet store chain based in San Francisco. The Company's profits are \$64M and they have 400 stores. Over the last 5 years the Company has performed exceptionally well and is now interested in a chartering a national expansion. A key concern Camilla's Pets would like to address before undertaking the expansion is improving individual store performance per sq. meters. The average store has an area of 2000 sq. meters.

You and the team have been brought in to identify the factors that drive store performance and perform an analysis of how floor space is currently utilized.

Case Overview

- **Format:** Interviewee-led (McKinsey style)
- **Difficulty level:** 2/5
- **Topic:** Market Entry
- **Industry:** Retail
- **Concept(s) tested:**
 - Profitability
 - Strategic analysis

Interviewer Guide

- Keys to the case
 - Actively presenting frameworks
 - Actively ask for information
 - Remain calm if the case changes direction
 - Pay attention when reading charts

Case 9: Camilla's Pets: Profit Tree Portion (10 minutes max)

“What are the factors that should be considered with assessing store performance?”

Note: candidate may try other frameworks, but steer them towards a profit tree

All critical information is provided below in **bold** – any additional information requested can be made up or stated as irrelevant.
(*Information in italic brackets is suggested assumption range*)

Sequence of events and required data

TASK 1: Calculate the avg profit per store. The candidate should have captured the following notes:

- profits are \$64M
- 400 stores
- 2000 sq. meters per store

Answer: **\$80.00 per sq. meters**

Things they should then ask:

- Are there any major outliers: **No**
- What other locations are included in the region: **Not Relevant**
- Should anything else be included in store performance: **Only profit**

TASK 2 : Draw out a profit tree and highlight some of the major costs of a retailer

Things they should then ask about:

- Are their non-obvious expenses or revenue (e.g. special taxes)? **Not Relevant**
- Where is our client versus industry benchmarks? **Not Relevant**
- Does the pet store sell other than pets? **Yes**

Interviewer Guide

• **Good candidate:**

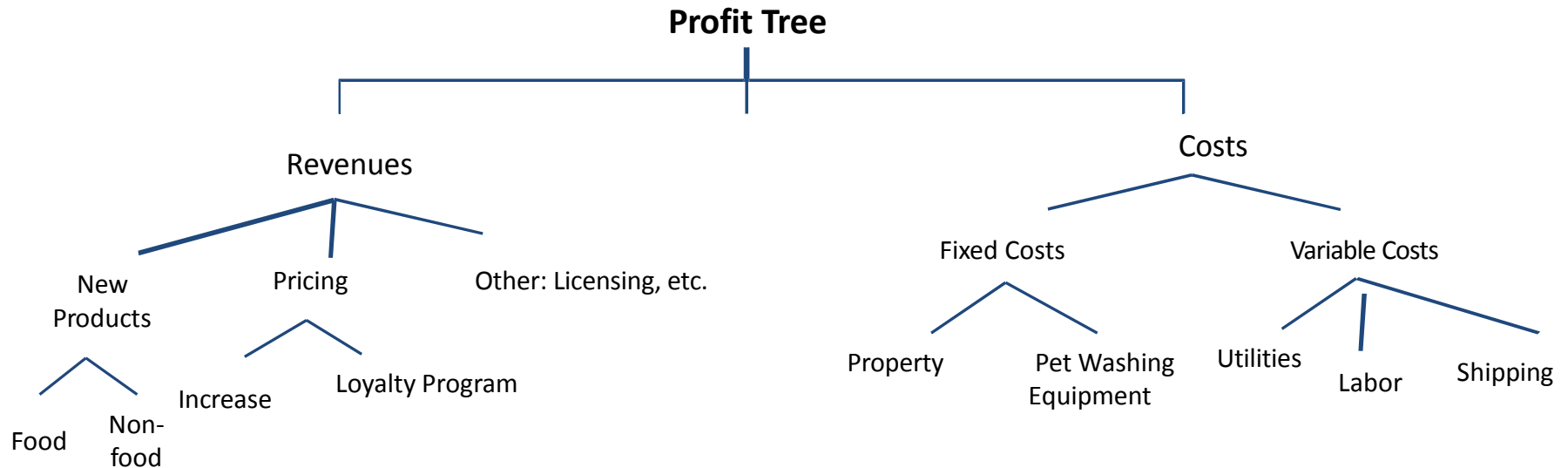
- Takes initiative, proposes a path forward and starts developing hypothesis
- Gets industry specific with the framework (e.g. retail and pet store related)
- Asks questions about the market (e.g. size and growth)

• **Better candidate:**

- Ask why the chain wants to expand
- Asks about specific targets
- Inquires about technology (i.e. online retail, social media, etc.)

Case 9: Camilla's Pets: Profit Tree Portion

Potential Framework



Interviewer Guide

- **Intro:** “Let’s step through your approach”
- **Keys to section:**
 - Discusses costs and revenue related items
 - Identifies growth opportunities from current and new stores
- **NEXT STEP:** Prioritizing opportunities
- **Good candidate**
 - ☐ Presents non-canned framework in a structured manner
 - ☐ Able to talk through thought process while developing framework
- **Better candidate**
 - ☐ Unveiling hypotheses along the way and not afraid to disregard some of these
 - ☐ Thinks about “how” areas are under performing

Case 9: Camilla's Pets: Calculations (5 minutes max)

“The client has changed their minds and now would like the team to just to focus on animal sales. They have decided they would like us to increase the floor space allocation for two types of animals. Here is the data collected by our analysts.”

Sequence of events and required data

Read the following information to the candidate: Only 5% of profits come from animal purchases. Assume floor space is equally distributed by animal types.

Task 1) Obtain additional information:

| Do NOT Give Expenses, Growth, or Charts Until Asked: | | | |
|---|-----------------|----------------|------------------------------|
| Revenues: | Expenses: | Growth %: | Answers: GP and GP% |
| Reptiles - 5895 | Reptiles - 4295 | Reptiles – 10% | Reptiles – 1600 / 27% |
| Birds - 5073 | Birds - 5073 | Birds – 15% | Birds – 2400 / 47% |
| Hamster - 4647 | Hamster - 4647 | Hamster – 10% | Hamster – 1360 / 29% |
| Gerbils - 8958 | Gerbils - 8958 | Gerbils – 10% | Gerbils – 2000 / 22% |
| Fish - 2416 | Fish - 2416 | Fish – 5% | Fish – 640 / 26% |

Once candidate has performed gross profit (GP) calculation give charts 1 and 2

***If candidate realized all information is needed give charts right away.**

Ask the candidate which animals they should recommend:

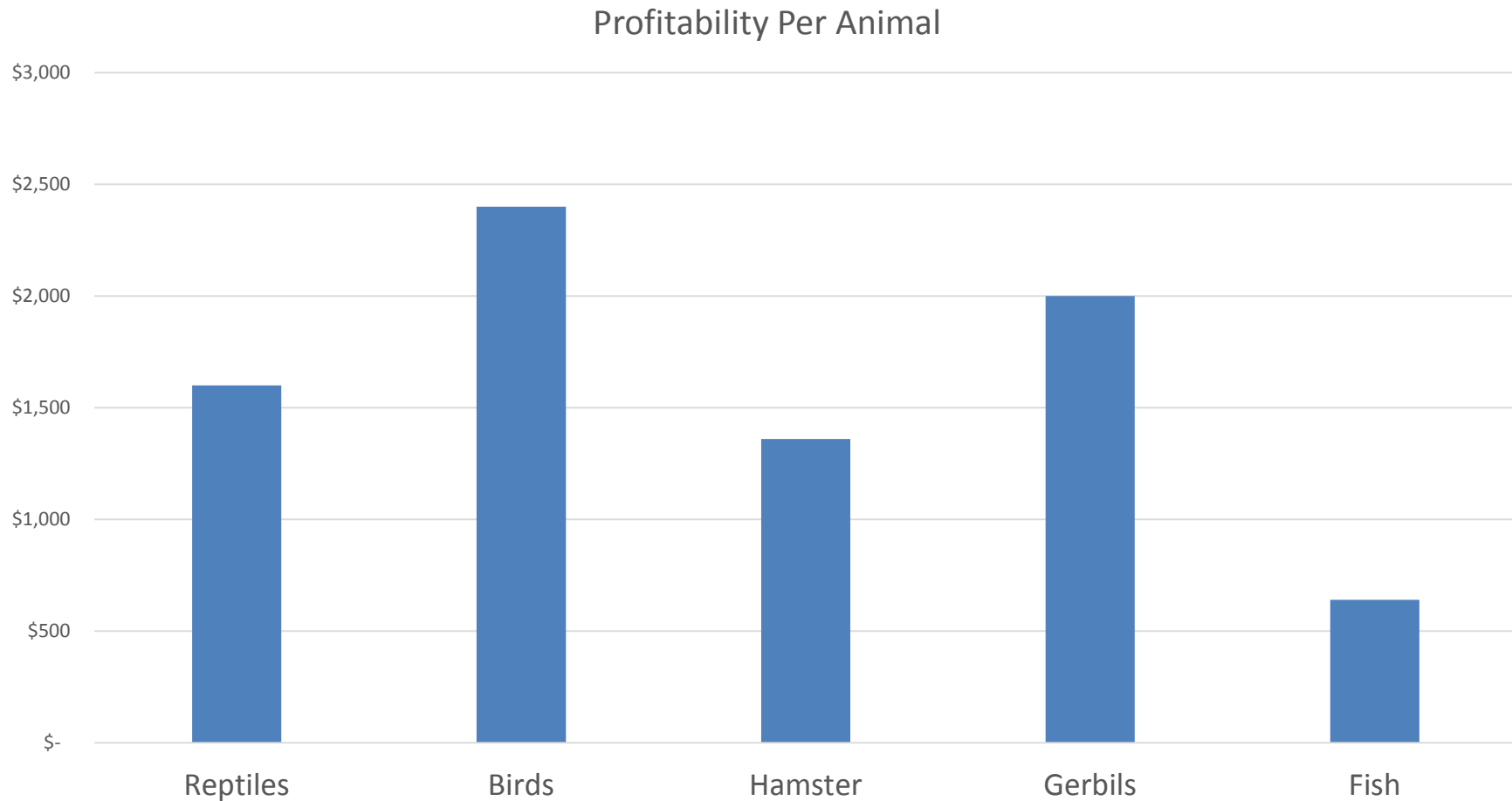
Task 2) Actively read and understand simple charts including foot notes:

Candidate should quickly recognize that birds generate the most revenue and are the most profitable animal. Reptiles and Hamsters have the second highest revenues and GPs, respectively, but fish generate significantly more ancillary services and product revenue.

Interviewer Guide

- **Good candidate:**
 - Remains calm and not thrown by the case twist
 - Understands that they need additional information, but does not actively ask or assume more information.
 - Quickly understands the chart and communicates what they see
 - Performs calculations quickly
- **Better candidate:**
 - Understands immediately that they need both costs and growth to make an informed decision

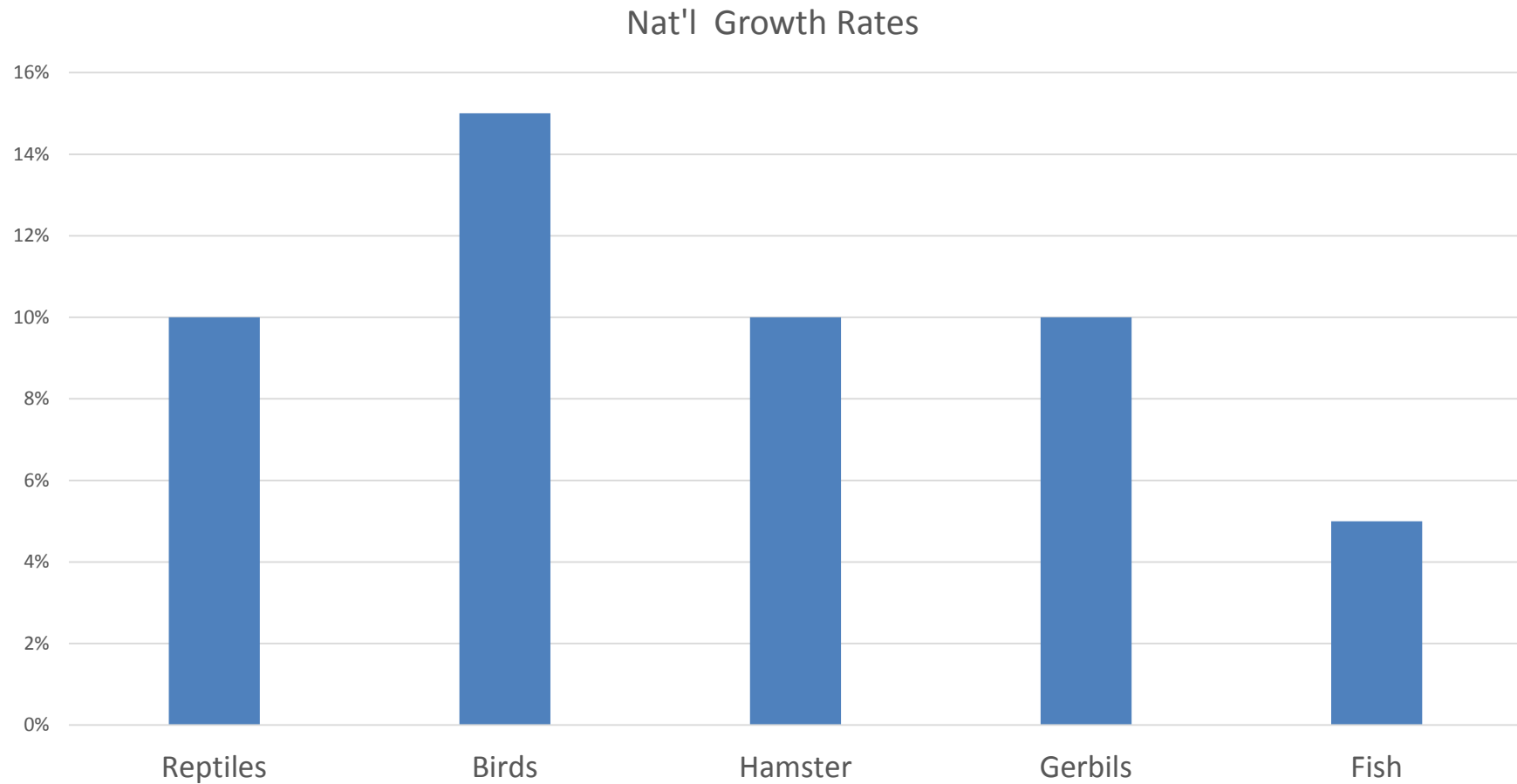
Case 9: Camilla's Pets: Handout 1



Footnote:

(1) Fish generate more ancillary product purchases than reptiles, hamsters, and gerbils combined.

Case 9: Camilla's Pets: Handout 2



Case 9: Camilla's Pets: Conclusion (2 minutes max)

Suggested answer:

(GOOD) Camilla's pets should focus on birds and fish.

(BETTER) Camilla's pets should focus on birds due to the 14% growth rate and fish due to the smaller growth rate of 5%, but massive increase to ancillary product sales.

Reasons to Support Recommendation

Notes

Case 9: Camilla's Pets Feedback Form

Interviewer Guide

• Structure: Score (1-10)

- ☐ Clear, concise repeat back
- ☐ Good clarifying questions
- ☐ MECE framework
- ☐ Structured thinking

• Data analysis

- ☐ Correctness of analysis
- ☐ Structure of calculations
- ☐ Focus on important facts
- ☐ Identification of insights

• Closing

- ☐ Answer first
- ☐ Structure of recs
- ☐ Brevity

• Behavioral throughout

- ☐ Eye contact
- ☐ Level of comfort

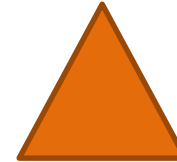
Framework Time:

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Case Giver

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Focus Area



Case 10: Hrdwr2Softwr

Behavioral Pre-Case Questions

- Tell me about a time when you had to change someone's mind
- Tell me about a time when you had to manage the interests of conflicting stakeholders

Case Question

Your client is a networking equipment provider with roughly \$2B in revenue, but sales have declined over the past few years. There is a general trend in the industry towards software-defined networking (SDN) so in response, the company acquired several software assets over the past few years with one significant acquisition this year. Although sales have been stagnant, the client set a very aggressive revenue target for the new SDN division.

The company wants to hear your recommendation on the following: 1) How does the Company need to reorganize its departments in order to successfully sell software? 2) Evaluate the go forward strategy for additional product offering.

Case Overview

- **Format:** Interviewer-driven
- **Difficulty level:** 2/5
- **Topic:** Operations, Market Entry
- **Industry:** TMT (Tech)
- **Concept(s) tested:**
 - Growth strategy
 - Operations

Interviewer Guide

- NOTE: Case takes place in 2015
- Keys to the case
 - Understanding the basic operations of a business
 - Perform moderate calculations
 - Read charts
- **Differentiation:** creativity of solutions, while maintaining structure

Case 10: Hrdwr2Softwr

All critical information is provided below – any additional information requested can be made up or explicitly stated as irrelevant

Additional Facts (provide if asked)

- **Company-specific:**

- Company is a smaller player in network hardware
- Customers include businesses of all sizes, public institutions, telecommunication companies, other service providers and individuals
- Other products include: switches, routers, servers, interfaces and modules, etc
- Company is based in Silicon Valley, CA

- **Computer networking market**

- Other major players switching to software
- Trend driven by need for increased automation, cost savings, flexibility, and application use

- **Competition**

- Competes against dozens of competitors globally
- Amongst the first to move to software

Interviewer Guide

- **Tips**

- This is an open-style case: goal is to push candidate to make assumptions and come up with creative solutions
- Feel free to describe the general operations of a network provider

- **Good candidate:**

- Asks general questions about the client
- Asks general questions about the industry

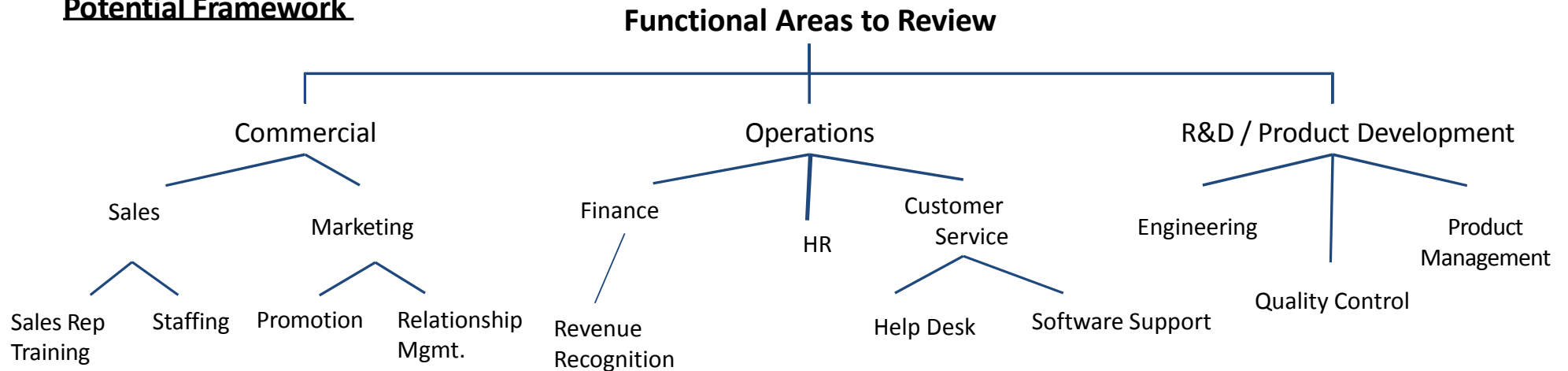
- **Better candidate:**

- Structures their thoughts
- Proposes a path forward

- **NEXT STEP:** Framework evaluation

Case 10: Hrdwr2Softwr

Potential Framework



Interviewer Guide

- **Intro:** “Why don’t you walk me through your thoughts about which department will undertake changes?”
- **Keys to section:**
 - Focus on the most significant areas changing
 - Suggest opportunities for growth or cost savings
- **NEXT STEP:** Prioritizing areas to change

- **Good candidate**
 - Presents non-canned framework in a structured manner
 - Able to talk through thought process while developing framework
- **Better candidate**
 - Unveiling hypotheses along the way and not afraid to disregard some of these
 - Thinks about “how” these will impact the existing org

Case 10: Hrdwr2Softwr

“Which product strategy should the client pursue?”

Sequence of events and required data

Task 1) Could you tell me about some of the major trends in tech that might impact the need for SDN (giving computers extra capacity, flexibility, and custom ability):

- **Let the interviewee brainstorm then present the charts**

Interviewee should comment on what they are seeing (e.g. the following):

- **Mobile and video are increasing steadily compared to others**
- **Big data and cloud have major upticks in later years**
- **Mobile has the most patents/ Video has the least**

Once the interviewee has commented then inform the interviewee that the client would like to pursue all strategies.

Task 2) As a mid-sized networking player valuation is also important. Calculate how many years will it take the software business to overtake hardware in valuation?

- Company revenue is \$2B today and declining at 5% YoY.
- Software business is \$30M today and growing 100% YoY.
- If the hardware business is valued at 5x the software business, and declining 1% YoY
- How many years will it take the software business to overtake hardware in valuation? (**Answer: year 3**)

Interviewer Guide

• **Good candidate:**

- Actively brainstorms relevant tech ideas and attempts to structure their thoughts (e.g. top 3 ideas)
- Actively read the charts and communicate about what they are observing
- Quickly understand the chart and communicate what they see
- Perform calculations quickly and accurately

• **Better candidate:**

- Is not thrown off that the client has decided on all strategies
- Demonstrates strong knowledge of the technology sector

Case 10: Hrdwr2Softwr

Survey question: Which product strategy should the client pursue?

Exhibit 1: Cloud Revenue

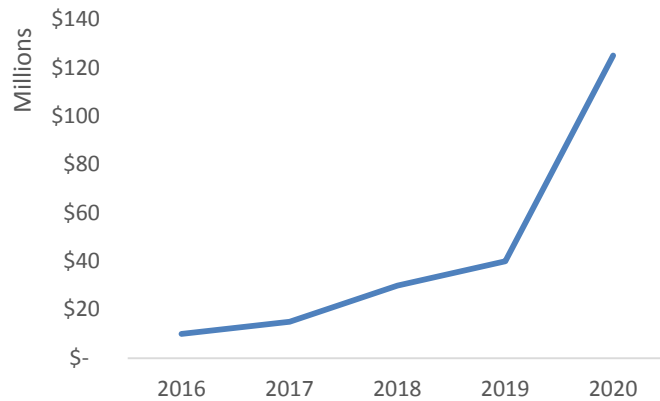


Exhibit 2: Big Data Revenue

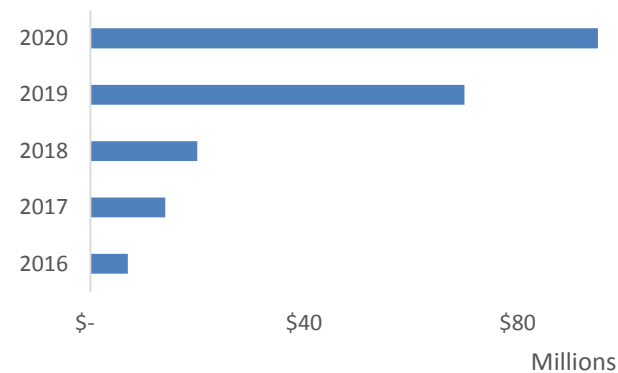


Exhibit 3: Mobile Revenue

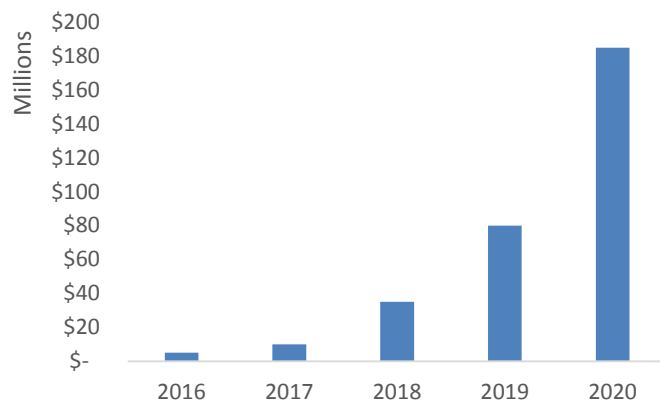
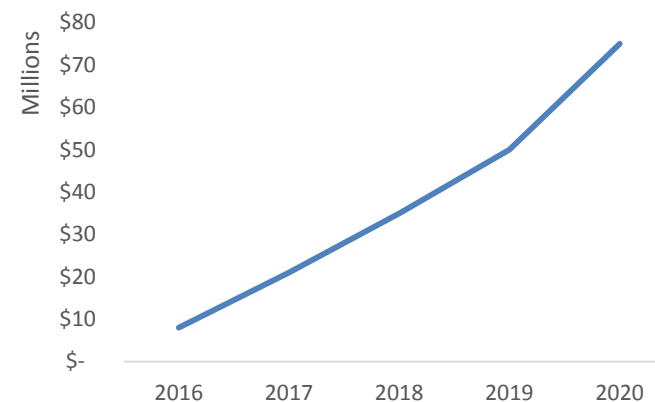
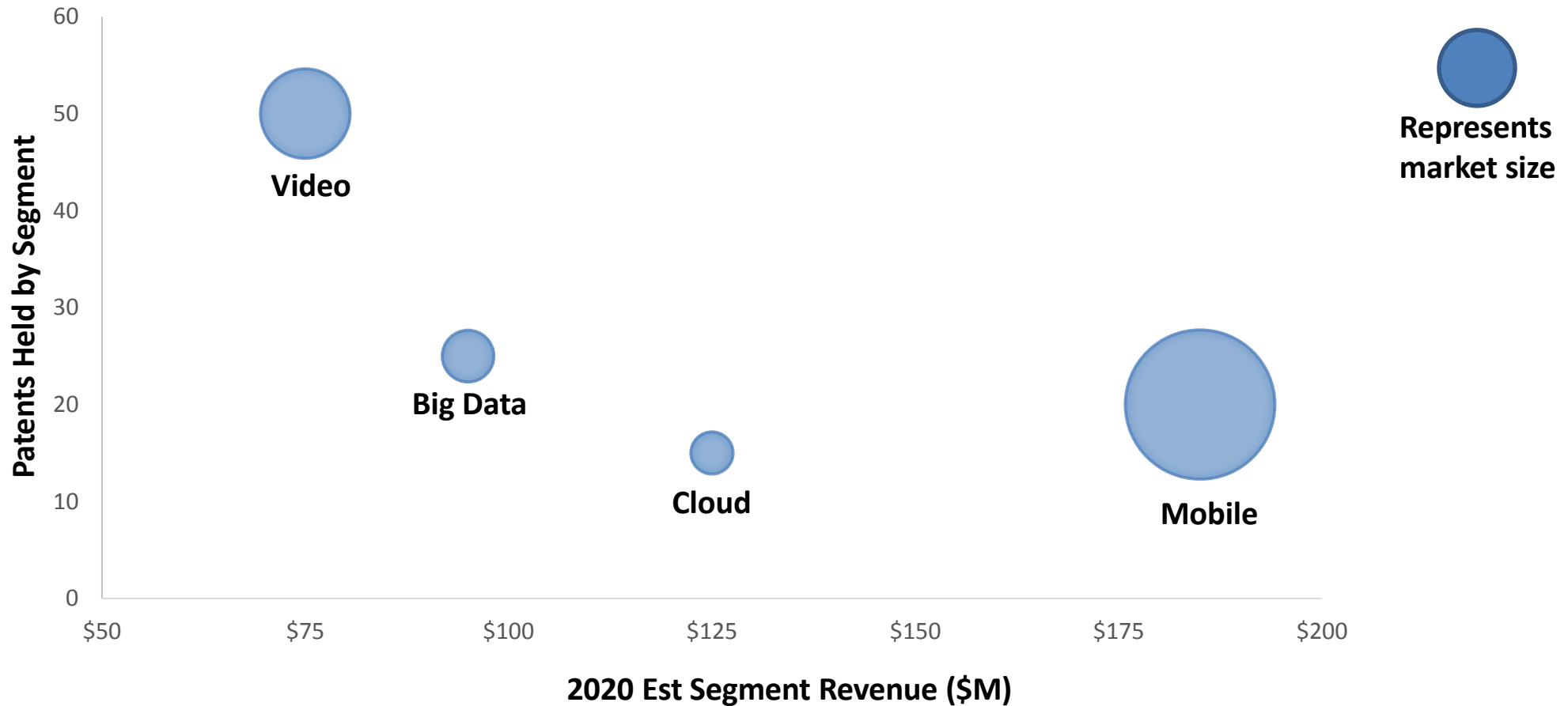


Exhibit 4: Video Revenue



Case 10: Hrdwr2Softwr

Exhibit 5: 2020 Est. Segment Revenue, Customer Base and Patent Count



Case 10: Hrdwr2Softwr: Conclusion (2 minutes max)

Suggested answer:

(GOOD) The software business will overtake hardware in 3 years and the Company should pursue product strategies in Cloud, Mobile, Video, and Big Data.

(BETTER) The software business will overtake hardware in 3 years. The Company can pursue all product strategies as they all represent growth potential. The Company should focus on Mobile since it represents the biggest market size and revenue while showing the highest rate of growth potential. Alternatively, the Company can focus on Video as they hold the most patents in this area and there's potential to monetize them as the product grows.

Reasons to Support Recommendation

Notes

Case 10: Hrdwr2Softwr

Behavioral Pre-Case Questions

- Tell me about a time when you had to change someone's mind
- Tell me about a time when you had to manage the interests of conflicting stakeholders

Case Question

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Case Overview

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- **Difficulty level:** 2/5
- **Topic:** Operations, Market Entry
- **Industry:** TMT (Tech)
- **Concept(s) tested:**
 - Growth strategy
 - Operations

Interviewer Guide

- NOTE: Case takes place in 2015
- Keys to the case
 - Understanding the basic operations of a business
 - Perform moderate calculations
 - Read charts
- **Differentiation:** creativity of solutions, while maintaining structure

Case 10: Hrdwr2Softwr Feedback Form

Interviewer Guide

• Structure: Score (1-10)

- ☐ Clear, concise repeat back
- ☐ Good clarifying questions
- ☐ MECE framework
- ☐ Structured thinking

• Data analysis

- ☐ Correctness of analysis
- ☐ Structure of calculations
- ☐ Focus on important facts
- ☐ Identification of insights

• Closing

- ☐ Answer first
- ☐ Structure of recs
- ☐ Brevity

• Behavioral throughout

- ☐ Eye contact
- ☐ Level of comfort

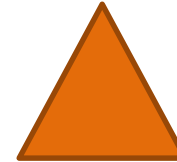
Framework Time:

Conclusion Time:

Total Case Time:

Date and
Case Giver

Selected
Focus Area



Case 11: AlphaAuto

Behavioral Pre-Case Questions

- Tell me about a time when you were in a stressful situation at work? How do you deal with stress?
- What is the biggest risk for us in hiring you?

Case Question

Our client, Alpha Auto, is a large US-based auto manufacturer that produces a broad range of vehicles from compact cars to medium-sized commercial trucks. Alpha Auto emerged from bankruptcy in 2009 and it's share in the US auto market has declined from 11.2% to 9.5% over the past 3 years.

With increasing consumer interest in electric vehicles, Alpha Auto wants to evaluate the option of expanding it's product range to offer an electric or hybrid vehicle.

The client wants our advise on how to evaluate this option.

Case Overview

- **Format:** Interviewee-led
- **Difficulty level:** 3/5
- **Topic:** New product
- **Industry:** Automotive
- **Concept(s) tested:**
 - Market entry
 - Customer segmentation
 - Pricing

Interviewer Guide

- **Keys to the case**
 - Recognize that the electric vehicle market, although growing rapidly, is still a small fraction of the overall US auto market
 - Target segment has to be aligned with client's operations and current positioning in the market
 - Internalize exhibits/data and eliminate non-viable options using strategic insights

Case 11: AlphaAuto

All critical information is provided below – any additional information requested can be made up or explicitly stated as irrelevant

Additional Facts (provide if asked)

• Company-specific:

- **Financial health:** Net income in 2014 was \$1.2 billion. Cash at year's end was \$8.4 billion
- **Current product lineup:** Consists of 3 brands
 - Astra: Low to medium end luxury sedans, convertibles and minivans
 - Neptune: Low end passenger, performance cars, crossovers and SUVs
 - Forge: Trucks and commercial vehicles
- **Technology**
 - R&D: Have developed technology to manufacture electric/hybrid power trains
 - Have commitment from battery suppliers to provide batteries at all capacities
- **Distribution:** Network of dealerships across the US

• US auto market

- **Market size in 2014**
 - Total units (cars) sold in US: 8 million
 - Electric vehicles sold as percentage of total units: 1.5%
 - Average price of vehicle in US - \$33,560
 - Average price of electric vehicle in US - \$40,025
- **Electric vehicle market growth:** provide exhibit 1
- **Electric vehicle segments:** provide exhibit 2
- **Competitors:** provide exhibit 5

Interviewer Guide

• Good candidate:

- Asks clarifying questions about Company's ability to develop EV technology
- Asks about company's current product lineup and brand
- Asks about electric vehicle market, including size, growth, segments, and competitors

• Better candidate:

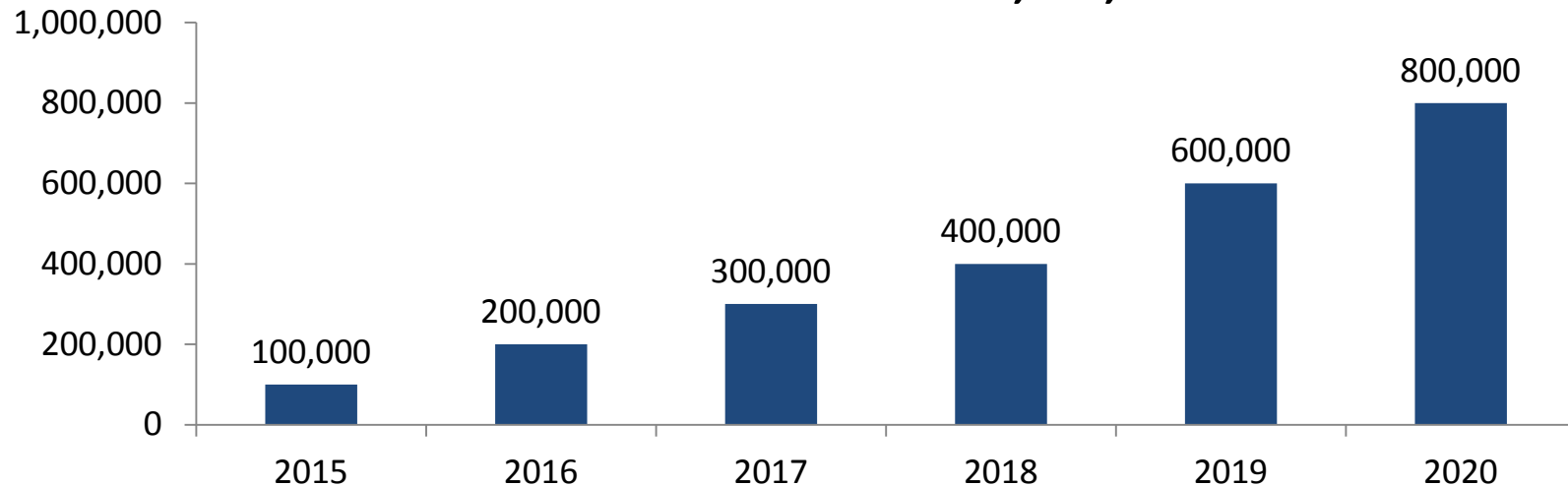
- Asks about company's financial position after bankruptcy
- Identifies that EV market is still very small and growth is subject to risks

NEXT STEP:

PROVIDE EXHIBIT 1, IF CANDIDATE HAS NOT ALREADY ASKED FOR MARKET DATA

Case 11: AlphaAuto

Electric vehicle unit sales forecast, US, 2015-2020



Assuming -

- 1) Oil prices at \$100 / barrel
- 2) Network of charging stations continues to expand at current rate

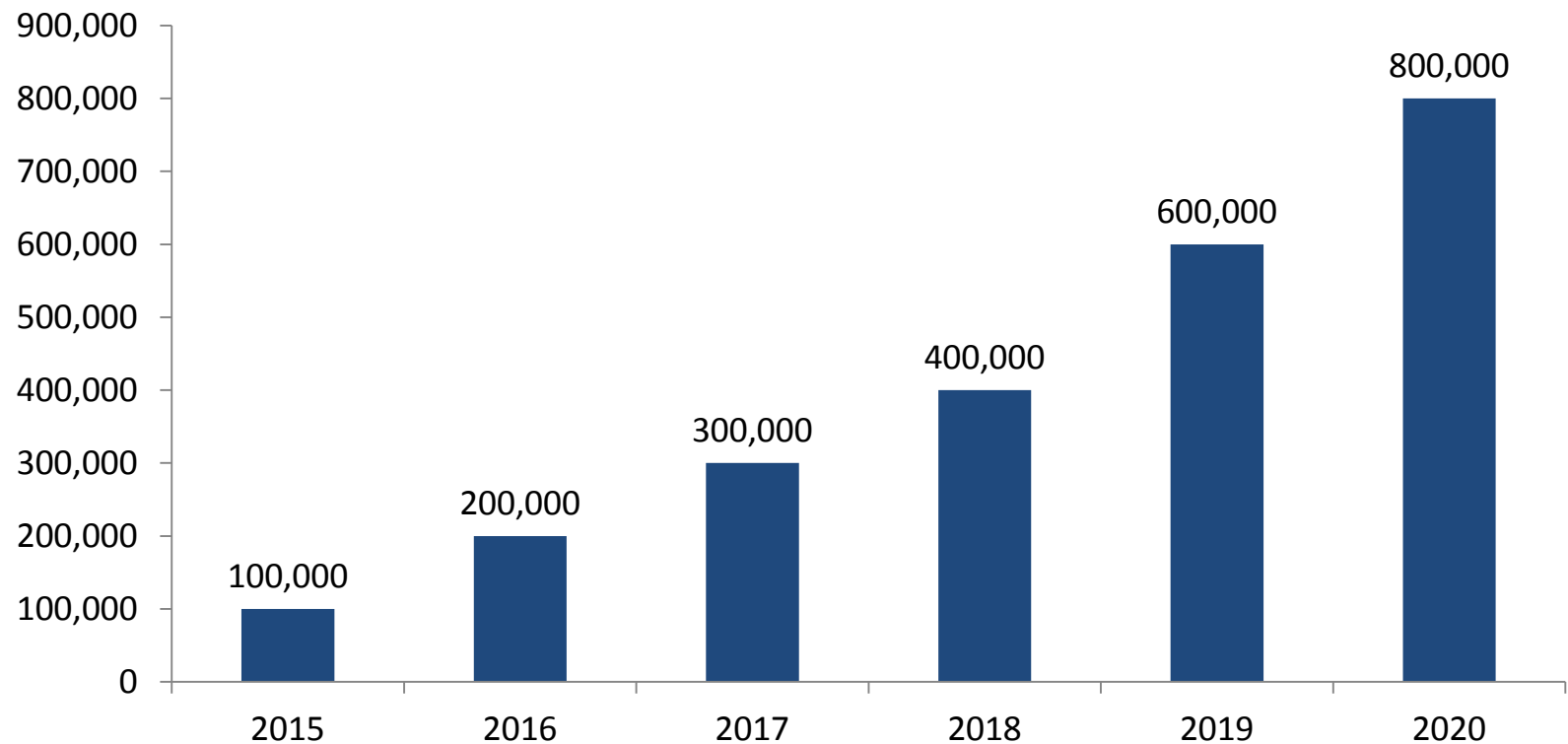
Interviewer Guide

- Candidate should identify that EV market is forecasted to grow rapidly but is subject to some risks
 - If candidate asks about impact of lower oil prices, state that some decrease in demand is expected
 - If candidate asks about charging stations, state that they're expected to grow at a constant rate

NEXT STEP: PROVIDE EXHIBIT 2

Case 11: AlphaAuto: Handout 1

Electric vehicle unit sales forecast, US, 2015-2020



Assuming -

- 1) Oil prices at \$100 / barrel
- 2) Network of charging stations continues to expand at current rate

Case 11: AlphaAuto

| Segments | | % of EV market in 2014 |
|----------|---|------------------------|
| Economy | Compact or mid-sized family cars Average price - \$32,000 | 75% |
| Luxury | Premium features, higher-end brand Average price - \$70,000 | 24% |
| Sports | High performance, usually two-door Average price - \$100,000 | 1% |

Interviewer Guide

- **Ask candidate – “What factors should the client consider in selecting the target segment?”**
- Candidate should be able to provide several factors including – segment growth, profitability, price elasticity within segment, competitor concentration, fit with client’s current brand, positioning, manufacturing capabilities and distribution channels
- Good candidate will ask if percentage share of segments is expected to change in future. Can assume no change in percentage
- Good candidate will realize that the **economy segment** is a better fit with the current brands owned by Alpha Auto which skew towards the lower end.
- **NEXT STEP: PROVIDE EXHIBIT 3**

INTERVIEWER ONLY: Handout 2 next page

Case 11: AlphaAuto: Handout 2

Electric Vehicle Segments

% of EV market in 2014

Economy

Compact or mid-sized family cars
Average price - \$32,000

75%

Luxury

Premium features, higher-end brand
Average price - \$70,000

24%

Sports

High performance, usually two-door
Average price - \$100,000

1%

Case 11: AlphaAuto

| | | Sports | Luxury | Economy |
|--------------|--------------|-----------|----------|----------|
| High pricing | Price | \$100,000 | \$70,000 | \$32,000 |
| | Market share | 2.5% | 5% | 5% |
| Low pricing | Price | \$90,000 | \$55,000 | \$30,000 |
| | Market share | 5% | 10% | 10% |

Interviewer Guide

- **Ask candidate – “The client wants to target one segment. The table shows how much market share they can capture within each segment if they set either a high price or low price. Which segment and price level do you recommend?”**
- It's important for candidate to note that market share listed above is market share within the specific segment
- Candidates can assume that market share will remain constant in subsequent years
- In order to estimate unit sales for client, candidate will have to refer to information in exhibits 1 and 2.
- Candidate should pick total forecast sales for EITHER 2018 or 2019 or 2020 to run any calculations (because production capacity will not come online until 2018 (see Exhibit 4))
- Example calculation, total forecast unit sales in 2018 = 400,000 (from exhibit 1)
 unit sales for economy segment in 2018 = 400,000 * 75% (from exhibit 2) = 300,000
 unit sales for client = 300,000 * 5% (assuming high pricing) = 15,000
- A good candidate will ask for unit costs. If not, prompt candidates to think about costs before starting any calculations.
- **NEXT STEP:** PROVIDE EXHIBIT 4 before candidate begins any calculations

INTERVIEWER ONLY

Case 11: AlphaAuto

| | | Sports | Luxury | Economy |
|--------------|--------------|-----------|----------|----------|
| High pricing | Price | \$100,000 | \$70,000 | \$32,000 |
| | Market share | 2.5% | 5% | 5% |
| Low pricing | Price | \$90,000 | \$55,000 | \$30,000 |
| | Market share | 5% | 10% | 10% |

Interviewer Guide

- Units sold calculation for interviewer's REFERENCE ONLY
- Candidates can pick one segment based on factors such as brand fit, price elasticity etc. and focus on that
- Some candidates might choose to run partial calculations across segments before deciding upon one.
- Note: candidate does **NOT** need to do these calculation for all years, but choose any ONE YEAR
- Good candidates will **eliminate** the Sports segment based on poor brand fit and low unit volume

| | Market share | 2018 | 2019 | 2020 |
|----------------------------|--------------|---------|---------|---------|
| Total units sold forecast | 100% | 400,000 | 600,000 | 800,000 |
| Sports segment units sold | 1% | 4,000 | 6,000 | 8,000 |
| Luxury segment units sold | 24% | 96,000 | 144,000 | 192,000 |
| Economy segment units sold | 75% | 300,000 | 450,000 | 600,000 |

| Company units sold forecast | Segment share | 2018 | 2019 | 2020 |
|------------------------------|---------------|--------|--------|--------|
| Sports segment (high price) | 2.5% | 100 | 150 | 200 |
| Sports segment (low price) | 5% | 200 | 300 | 400 |
| Luxury segment (high price) | 5% | 4,800 | 7,200 | 9,600 |
| Luxury segment (low price) | 10% | 9,600 | 14,400 | 19,200 |
| Economy segment (high price) | 5% | 15,000 | 22,500 | 30,000 |
| Economy segment (low price) | 10% | 30,000 | 45,000 | 60,000 |

INTERVIEWER ONLY: Handout 3 next page

Case 11: AlphaAuto: Handout 3

| Sports | Luxury | Economy |
|--------|--------|---------|
|--------|--------|---------|

| High pricing | Price | \$100,000 | \$70,000 | \$32,000 |
|--------------|------------------------------------|-----------|----------|----------|
| | Market share <u>within</u> segment | 2.5% | 5% | 5% |

| Low pricing | Price | \$90,000 | \$55,000 | \$30,000 |
|-------------|------------------------------------|----------|----------|----------|
| | Market share <u>within</u> segment | 5% | 10% | 10% |

Case 11: AlphaAuto

| | | Sports | Luxury | Economy |
|---|-------------------|------------------------|----------|----------|
| Option 1 <ul style="list-style-type: none"> Retrofit existing production facility | Investment | \$1 Billion | | |
| | Max capacity | 50,000 units per year | | |
| | Average unit cost | \$65,000 | \$50,000 | \$24,000 |
| Option 2 <ul style="list-style-type: none"> Set up new production facility | Investment | \$3 Billion | | |
| | Max capacity | 100,000 units per year | | |
| | Average unit cost | \$60,000 | \$45,000 | \$22,000 |

Interviewer Guide

- **Ask candidate – “The client has two options to manufacture these electric vehicles. Which one would you recommend? What criteria would you use?”**
- Good candidates will ask about operation expenses (OPEX) – state that OPEX will be 5% of sales in addition to the unit costs. OPEX will be same across both options.
- Good candidates will bringup qualitative factors of choosing either option before jumping to any calculations.
 - Option 1: lower capital requirements may limit exposure if EV market doesn’t realize growth expectations
 - Option 2: higher production capacity provides room to scale in the future. Lower unit costs may lead to higher return on invested capital (ROIC)
- Candidates should then proceed to calculate return on invested capital (ROIC) for either one or both production options for their chosen segment
- Good candidates will eliminate the Sports segment based on poor brand fit and low unit volume. Direct candidates to do so if they start running calculations on the sports segment

INTERVIEWER ONLY

Case 11: AlphaAuto

| | | Sports | Luxury | Economy |
|--|-------------------|------------------------|----------|----------|
| Option 1 <ul style="list-style-type: none"> Retrofit existing production facility | Investment | \$1 Billion | | |
| | Max capacity | 50,000 units per year | | |
| | Average unit cost | \$65,000 | \$50,000 | \$24,000 |
| Option 2 <ul style="list-style-type: none"> Set up new production facility | Investment | \$3 Billion | | |
| | Max capacity | 100,000 units per year | | |
| | Average unit cost | \$60,000 | \$45,000 | \$22,000 |

Interviewer Guide

- Candidates should calculate gross profits for the segment, pricing level & production option they have chosen.
- Some candidates might choose to run calculations for multiple pricing levels and options before selecting one

| | Segment share | Price | Cost | Gross margin | 2018 units sold | 2018 gross profit |
|---|---------------|----------|----------|--------------|-----------------|-------------------|
| Luxury segment (high price, production option 1) | 5% | \$70,000 | \$50,000 | \$20,000 | 4,800 | \$96,000,000 |
| Luxury segment (low price, production option 1) | 10% | \$50,000 | \$50,000 | \$0 | 9,600 | \$0 |
| Luxury segment (high price, production option 2) | 5% | \$70,000 | \$45,000 | \$25,000 | 4,800 | \$120,000,000 |
| Luxury segment (low price, production option 2) | 10% | \$50,000 | \$45,000 | \$5,000 | 9,600 | \$48,000,000 |
| Economy segment (high price, production option 1) | 5% | \$32,000 | \$24,000 | \$8,000 | 15,000 | \$120,000,000 |
| Economy segment (low price, production option 1) | 10% | \$30,000 | \$24,000 | \$6,000 | 30,000 | \$180,000,000 |
| Economy segment (high price, production option 2) | 5% | \$32,000 | \$22,000 | \$10,000 | 15,000 | \$150,000,000 |
| Economy segment (low price, production option 2) | 10% | \$30,000 | \$22,000 | \$8,000 | 30,000 | \$240,000,000 |

- Option highlighted in RED above will lead to highest ROI.
Gross profit = \$180M, Operating expenses = 5% of sales = 5% * \$900M = 45M, Net Income = \$135M
ROIC = \$135M / \$1B = 13.5% in 2018
- Option highlighted in BLUE is also an acceptable answer if candidate justifies it with strategic factors
Gross profit = \$240M, Operating expenses = \$45M, Net Income = \$195M, ROIC = \$195M / \$3B = 6.5% in 2018

INTERVIEWER ONLY: Handout 4 and 5 next page

Case 11: AlphaAuto: Handout 4

| Sports | Luxury | Economy |
|--------|--------|---------|
|--------|--------|---------|

Option 1

- Retrofit existing production facility

| | | | |
|-------------------|-----------------------|----------|----------|
| Investment | \$1 Billion | | |
| Max capacity | 60,000 units per year | | |
| Production start | Beginning of 2018 | | |
| Average unit cost | \$65,000 | \$50,000 | \$24,000 |

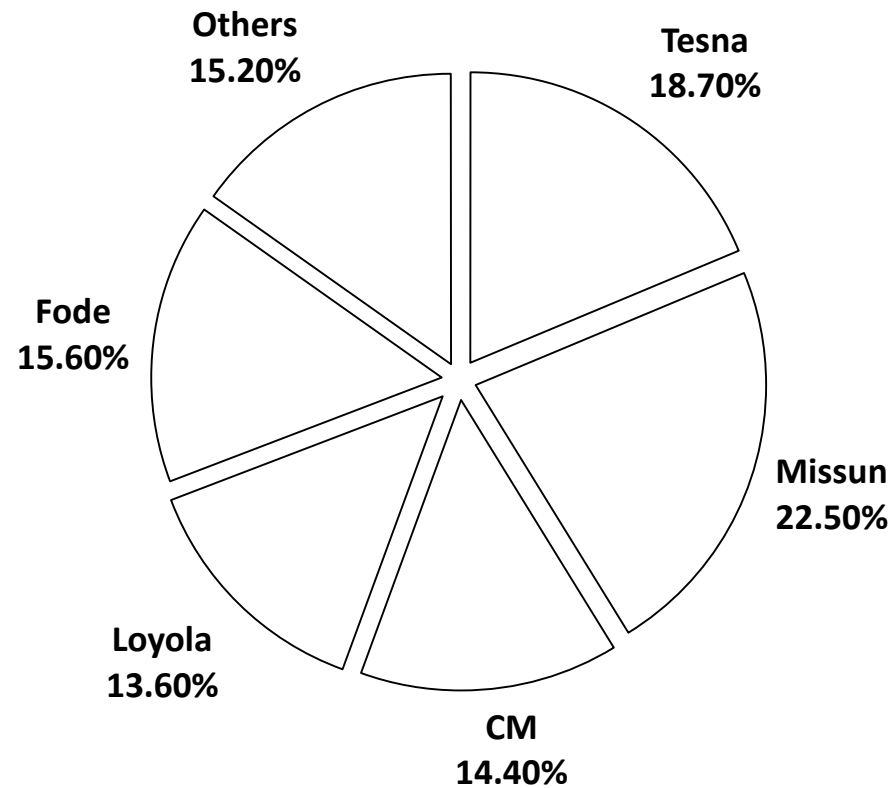
Option 2

- Set up new production facility

| | | | |
|-------------------|------------------------|----------|----------|
| Investment | \$3 Billion | | |
| Max capacity | 100,000 units per year | | |
| Production start | Beginning of 2018 | | |
| Average unit cost | \$60,000 | \$45,000 | \$22,000 |

Case 11: AlphaAuto: Handout 5

Electric vehicle market share (US) in 2014



Case 11: AlphaAuto: Conclusion (2 minutes max)

Suggested answer:

Alpha Auto should enter the electric vehicle market and target the economy segment.

Price should be set lower than the average price at \$30,000 to capture 10% market share.

Retrofit existing production facility to manufacture electric vehicles

Reasons to Support Recommendation

- Expanding product line to include electric vehicles will enable Alpha Auto to tap into a rapidly growing segment within the overall auto market and strengthen the Alpha Auto brand

Risks, Caveats, and/or Next Steps

Risks

- Growth – Actual growth might end up lower than forecasts
- Pricing – competitors might reduce price putting pressure on Alpha Auto
- Technology – advances in technology by competitors may pose threats
- Regulatory changes – Tax benefits provided by the government might change

Case 11: AlphaAuto Feedback Form

Interviewer Guide

• Structure: Score (1-10)

- ☐ Clear, concise repeat back
- ☐ Good clarifying questions
- ☐ MECE framework
- ☐ Structured thinking

• Data analysis

- ☐ Correctness of analysis
- ☐ Structure of calculations
- ☐ Focus on important facts
- ☐ Identification of insights

• Closing

- ☐ Answer first
- ☐ Structure of recs
- ☐ Brevity

• Behavioral throughout

- ☐ Eye contact
- ☐ Level of comfort

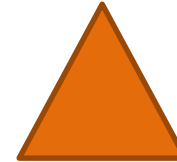
Framework Time:

Conclusion Time:

Total Case Time:

Date and
Case Giver

Selected
Focus Area



Case 12: Jamaican Land Investment

Case Question

Our client is thinking about buying a piece of land in Jamaica for \$3000 and has asked us to determine whether or not this is a good idea.

Information to be given upon request only

- The price of the land is \$3000
- Total acreage: 10 acres
- Financial Target: \$4,500 profit within first two years, excluding \$3000 purchase price
- When prompted about use of land, ask candidate to brainstorm possibilities before giving him/her the answer: real estate development, farming, hold and sell it once it appreciates, etc.)
- Land will be used for agriculture
- Trees, Shrubs, Fruit, Exotic Flowers
- Cannot mix products (trees and shrubs) on same acre. Only one type of plant allowed per acre.
- Price per plant
- Tree \$50, Shrub \$35, Fruit \$15, Exotic \$25
- Variable Cost per plant
- Tree \$30, Shrub \$25, Fruit \$11, Exotic \$17

Case Overview

Format: Interviewee-led (BCG style)

Difficulty level: 2/5

Topic: Profitability

Industry: Agriculture

Concept(s) tested:

- Profitability
- Strategy analysis

Interviewer Guide

- It is important to let the candidate drive the case!
- The objective of the case is vague and ambiguity. Candidates must spend time clarifying what exactly a “good idea” is in the eyes of the client.

Case 12: Jamaican Land Investment

Information to be given upon request only (continued)

- Fixed Cost: \$500 initial set up (first year only), \$350 per year for salaried labor
- Market Demand per year
- 5000 Trees, 1000 shrubs, 1000 fruit, 2500 exotic flowers
- Penetration rate: competitors cannot meet current demand.
- Competitors have 60% tree share, 20% shrub share, 85% fruit share, 90% exotic flower share...the remaining shares can be captured by our client.
- How many plants can fit on an acre? When asked about how much of each plant can fit onto an acre, throw the question back and ask: "which plants do you think would have less of per acre?" (trees and shrubs b/c they take up a lot of room)
- 10 Trees/acre
- 25 Shrubs/acre
- 75 Fruit/acre
- 50 Exotic Flowers/acre

Interviewer Guide

Good candidate:

- Understands that this is a profitability and needs to ask many questions to get the information needed
- Understands what information they will need to answer the question as it comes up

Better candidate:

- Lays out the steps to the problem in advance; knows how they will get to a number and the information they need before they start
- Understands limit to profitability is amount of acres you own

Case 12: Jamaican Land Investment

Market Size/Est. Demand

Demand

Market Size x Client Penetration Rate

- 5000 trees x 40% = 2000 units
- 1000 shrubs x 80% = 800 units
- 1000 fruit x 15% = 150 units
- 2500 exotic x 10% = 250 units

Supply

*Client's capability to meet estimated demand is dependent on the number of acres it has (10 acres)

Margins Per Unit

P-C=Profit per unit

- \$50-\$30 = \$20 per Tree
- \$35-\$25 = \$10 per Shrub
- \$15-\$11 = \$4 per Fruit
- \$25-\$17 = \$8 per Exotic

Profitability Per Acre

- # of units per acre x profit per unit
- 10 trees per acre x \$20 = \$200/acre
- 25 shrubs per acre x \$10 = \$250/acre
- 75 fruit per acre x \$4 = \$300/acre
- 50 exotic flowers per acre x \$8 = \$400/acre

Possible follow-up and guidance to interviewer

- # of units per acre x profit per unit
- 10 trees per acre x \$20 = \$200/acre
- 25 shrubs per acre x \$10 = \$250/acre
- 75 fruit per acre x \$4 = \$300/acre
- 50 exotic flowers per acre x \$8 = \$400/acre

Possible follow-up and guidance to interviewer

- 5 acres of Exotic Flowers x \$400/acre = \$2000
- 2 acres of fruit x \$300 = \$600
- 3 acres of shrubs x \$250 = \$750
- Y1: \$3,350 - 500 - 350 = \$2,500 (do not include \$3000 investment)
- Y2: \$3,350 - \$350 = 3000
- Total Profit For First Two Years: \$5,500**

Possible follow-up and guidance to interviewer

- To make the case more challenging, ask:**
- How would you price each unit? (cost based pricing, look at competitors prices, price by segment (premium supermarkets vs. fruit stands, etc.)
- If demand was there, would you use all 10 acres for exotic flowers? Why or why not?
- (important to diversify products!)

Case 12: Jamaican Land Investment

Clarify the Problem

Interviewee should always spend time clarifying the objective(s) upfront. Find out what the land will be used for, how many acres, financial target of client, etc. in order to come up with a more precise structure and to avoid stumbling later on in the case.

Determine Demand & Assign Plants To # of Acres Based on Profitability

Interviewee should determine total demand of each product and the client's penetration rate (market share that client can grab). After finding estimated demand, interviewee should look to assign each type of plant to a specific number of acres. This involves figuring out the margins per unit, the profitability per acre of each plant (most profitable plants get first priority in acre assignments), and how many plants can fit onto an acre.

Determine If Investment Would Meet Client's Financial Target

Once interviewee assigns plants to a specific number of acres, he/she should calculate the total profitability for the first two years. Interviewee should take into account the fixed costs for each year. Running the numbers, he/she will find that the investment will exceed the client's financial target of \$4,500

Case 12: Jamaican Land Investment

Recommendation (Answer First)

“My recommendation to our client is to invest in the Jamaican property. My calculations show that we would achieve \$5,500 in profit within the first two years, exceeding our client’s financial target by \$1,000.”

Risks

“Before making a final decision, however, I would look into the growth rate and expected demand for these agricultural products, and any risks from natural disasters such as hurricanes, drought, plant diseases, etc.”

Next Steps

“At this point in time though, given my calculations, investing in this land looks like a great idea.”

Interviewer Guide

- Before calculating the figures, it’s always a good idea to tell the interviewer what you’re going to do next.
- Remember to label your units and keep your math neat. Use as much paper as necessary.
- Once you arrive at a figure, step back and explain what the number means for the benefit of both you and the interviewer.

Case 12: Jamaican Land Feedback Form

Interviewer Guide

• Structure: Score (1-10)

- ☐ Clear, concise repeat back
- ☐ Good clarifying questions
- ☐ MECE framework
- ☐ Structured thinking

• Data analysis

- ☐ Correctness of analysis
- ☐ Structure of calculations
- ☐ Focus on important facts
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