

24 cases inspired by real McKinsey, Bain, and BCG interviews

with detailed answers from a professional case prep coach

RECRUITING CYCLE OF 2021



2021 MBB casebook

01

Hand-picked high-quality cases intentionally grouped in the way to reinforce learning through repetition of key business concepts

02

Perfect for case prep teams

03

Gradually increasing level of difficulty

04

Detailed guidelines for case-givers



A lot of 2nd / 3rd layer insights in each case with real industry data based on holistic research

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Week 1. Profitability

Week 2. Revenue growth

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2	McKinsey & Company	2021	WeShare	Real Estate	Easy			21
3	McKinsey & Company	2021	Five Ladies	Fast Food	Easy-Medium		-	36
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Build your case prep team!

01

- Build a 6-person study team to make the most out of your case prep
- Register [here](#) if you need to find case partners. You'll be matched with people of the similar time zone and casing level. Registration link - <https://bit.ly/3wZsqh1>

02

- Use the following slide to allocate cases among your teammates
- Every week you'll need to give your case individually to all your teammates and receive their cases

Enjoy casing!



Case prep schedule

Teammates	Week 1	Week 2	Week 3	Week 4
1 _____	01. Premier Oil	07. North Sun	13. Confectionery Land	19. Beta Optics
2 _____	02. WeShare	08. AgriCo	14. Okay Mobile	20. Mickey Tires
3 _____	03. Five Ladies	09. Henderson Electric	15. Guyderma	21. POS Vend
4 _____	04. Getaway Airlines	10. Kitchen World	16. City Food Bank	22. Fertilizer Company
5 _____	05. Alfa Dental	11. The Hunter's Dog	17. Betacer	23. OmegaMed
6 _____	06. Rainbow Apparel	12. Wen Windows	18. Sunshine Apparel	24. DrugGen

Case #1

McKinsey
& Company

Inspired by McKinsey
Premier Oil
2021

Case #1. Inspired by McKinsey. 2021. Premier Oil



Prompt

- The pandemic-induced collapse in oil prices sharply reduced profitability of Premier Oil, a major UK-based offshore upstream oil and gas producer. Premier Oil operates rigs in seven areas in the North Sea. The CEO has brought your team in to design a profitability improvement plan.



Additional information

Please provide this information only upon request

- The client has assets only in the North Sea and doesn't plan to adjust its asset portfolio
- The profitability for 2020 was -12% (losses), which was common in the industry that year
- There is no specific goal to improve profitability
- The client is an independent oil and gas company owned by a wide variety of strategic investors



Case type

- Profitability
- Easy level
- Interviewer-driven case
- Expected time is 15-20 minutes

Opening. Make sure the candidate follows these steps



Step 1. Restate the prompt

Typically the candidates are expected to restate the prompt to make sure they are on the same page with the interviewer



Step 2. Add colors (optionally)

Candidates can react to the prompt by providing some quick thoughts which will demonstrate candidates' business acumen, e.g.:

- "It makes sense as drop in travel and slowed down economic growth during the pandemic led to lower demand for fuel"
- "Profitability issues might be even more challenging in future as renewables and e-mobility are gaining more prominence"
- "Interesting problem especially given the unfavorable macrotrend as low-cost oil reserves are running out and I'd imagine that the oil extraction costs will only increase in future"



Step 3. Ask 2-3 questions

It is common that candidates ask 2-3 clarifying questions before designing their framework. Typical questions include:

- Geography of client's operations/sales
- Financial goal
- Business model of the client



Step 4. Ask for a moment to structure

- Typically candidates ask for a couple of minutes to structure their approach
- Sometimes during interviewer-driven cases, the interviewers ask the first question and then the candidate takes time to build their framework

Case questions (this is an interviewer-driven case)

01

What factors would you consider to work on this problem?

02

Given there is not much Premier Oil can do to increase sales, the manager wants us to focus on costs. To begin with, what are Premier Oil's major expenses?

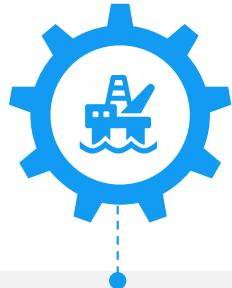
03

Let's talk about the maintenance costs now. We've learned that they have been increasing for Premier Oil's offshore platforms. What might be the reasons behind it?

04

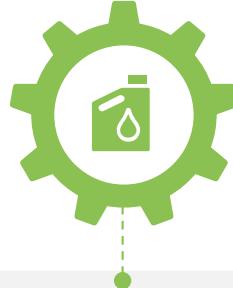
Retrofitting the existing equipment might reduce some costs. Can you calculate what cost savings the client will be able to capture?

Q1. What factors would you consider to work on this problem?



Upstream oil and gas companies

- Typical margins
- Cost structure of several major players [for benchmarking]
- Major trends (apart from pandemic)



Premier Oil

- Major accounts (clients)
- Product portfolio (crude oil, gas?)
- Operations and value chain (e.g. extraction, pipe transportation)



Financial analysis

- Revenue analysis
- Cost structure
 - Fixed costs
 - Variable costs



Profitability improvement areas

- Boost revenue
 - Secure new contracts
- Reduce costs
 - Optimize fixed costs
 - Streamline variable costs

Note: This is just one of many potential ways to structure your approach. Please treat this example only as a reference point and develop your own style.

Q1. Make sure the candidate follows these steps



Step 1. Do horizontal presentation

The best practice is to start with a 15-second big-picture overview, e.g. "I'd like to assess this problem through the lens of four areas – first, ...; secondly, ...; thirdly, ...; and finally ..."



Step 2. Hit key points

Check if the candidate covers all key points typical for a profitability case structure:

Profitability analysis

- Revenue analysis
- Cost structure

Business model

- Client segments
- Product portfolio

External factors

- Growth rate*
- Competition*
- Typical margin

* - less important in this case as prompt hints the pandemic was a root-cause



Step 3. Add stories (optionally)

To avoid cookie-cutter/generic approach, the candidates can incorporate 2-3 stories into their structure presentation, e.g.:

- "It's a capex-heavy business, so economies of scale are crucial"
- "Crude oil is a commodity highly dependent on global markets, so we don't determine our pricing strategy much"
- "Offshore platforms are likely subject to strict environmental regulation which might manifest in higher costs"



Step 4. Finish with a question

At the end of the structure presentation, it is helpful for candidate to show that they can drive team forward and prioritize, e.g. "If this approach sounds reasonable, I'd like to start by digging into financials. Do we have revenue data?"

Q2. Key cost items

02

Given there is not much Premier Oil can do to increase sales, the manager wants us to focus on costs. To begin with, what are Premier Oil's major expenses?

Fixed costs

- 1 Maintenance [this is a capex-heavy business with lots of equipment]
- 2 R&D [oil companies do a lot of oil exploration]
- 3 Overhead [central services and management]
- 4 Energy [to run platform]
Likely minor fixed costs:
5 Marketing [as this is a B2B business]
- 6 Rent [rigs are likely owned by client]

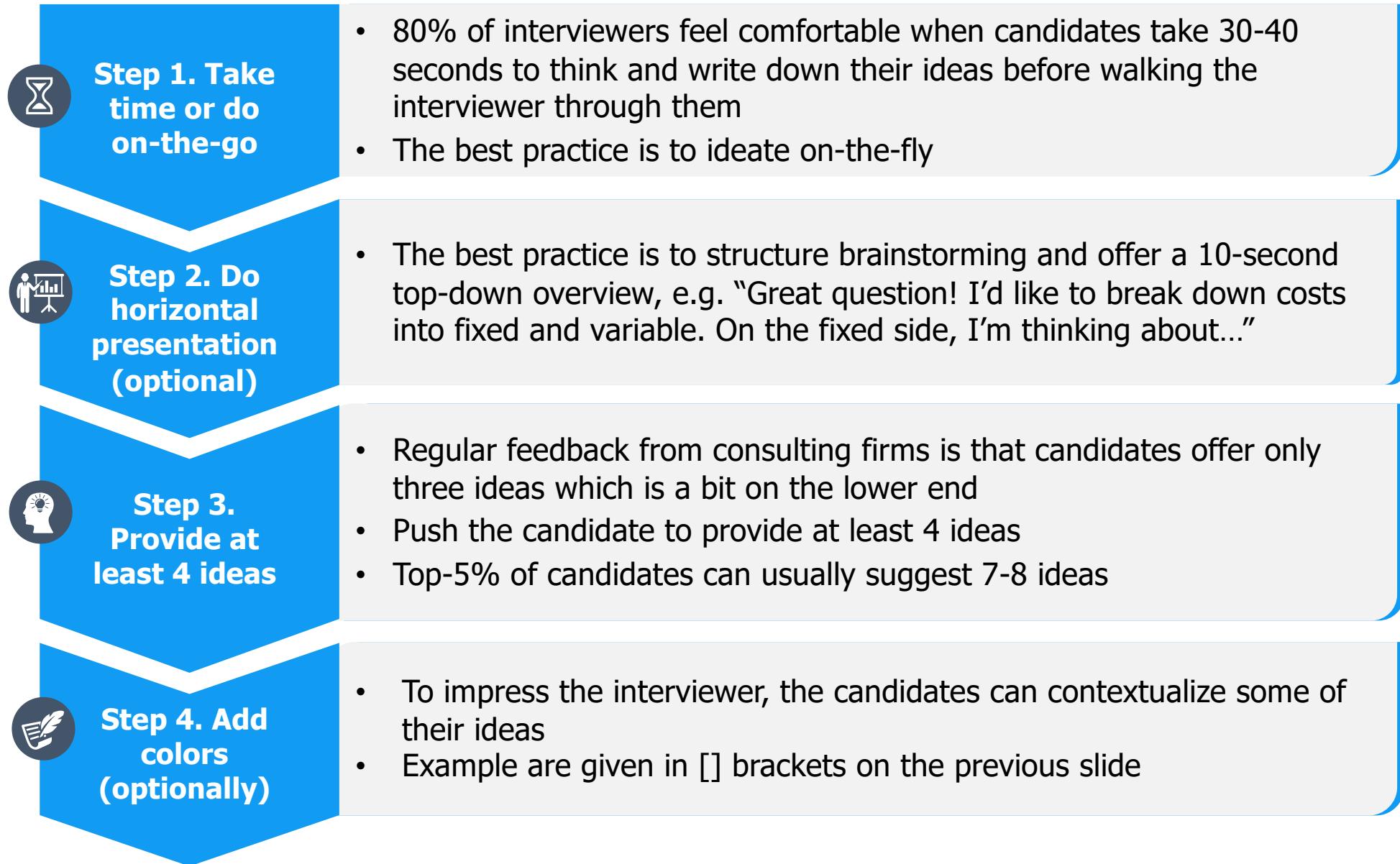


Variable costs

- 7 Labor
- 8 Supplies to accommodate employees who live on the platform
- 9 Supplies for oil extraction [if any]
- 10 Transportation [e.g. pipeline transportation; if paid by volume]

Note: This is just one of many potential ways to brainstorm. Please treat this example only as a reference point and develop your own style. [The candidate is usually expected to generate at least 4 ideas. The best practice is 7-8 ideas, structured approach, and on-the-fly delivery without taking notes]

Q2. Make sure the candidate follows these steps



Q3. Drivers of maintenance costs

03

Let's talk about the maintenance costs now. We've learned that they have been increasing for Premier Oil's offshore platforms. What might be the reasons behind it?



Routine (scheduled) maintenance

Higher frequency

- Aging equipment [older machinery requires more frequent maintenance]
- More strict environmental restrictions requiring frequent check-ups [especially after the environmental disaster in Gulf of Mexico where offshore oil rig exploded 10 years ago]



Higher costs per maintenance

- Increasing prices of spare parts
- Growing technicians' salaries
- New equipment that requires more expensive maintenance
- More expansive transportation of spare parts/ technicians [e.g. helicopter]



Reactive (emergency) maintenance

Higher frequency

- Poor alert system that led to accidents
- Lack of training on how to maintain equipment
- Low compliance
- Aging equipment
- Decreasing quality of extracted oil which erodes the equipment
- Too long for technicians to arrive from land – critical machine might fail



Higher costs per repair

- Higher share of expensive equipment that broke down
- Higher share of major accidents [that cause larger damage]

Note: This is just one of many potential ways to brainstorm. Please treat this example only as a reference point and develop your own style. [The candidate is usually expected to generate at least 4 ideas. The best practice is 7-8 ideas, structured approach, and on-the-fly delivery without taking notes]

Q3. Make sure the candidate follows these steps



- 80% of interviewers feel comfortable when candidates take 30-40 seconds to think and write down their ideas before walking the interviewer through them
- The best practice is to ideate on-the-fly
- The best practice is to structure brainstorming and offer a 10-second top-down overview, e.g. "Sure, I'll be glad to look into that. I'm thinking about maintenance costs through the lens of scheduled/routine maintenance and reactive/emergency maintenance. On the scheduled one, I can see..."
- Regular feedback from consulting firms is that candidates offer only three ideas which is a bit on the lower end
- Push the candidate to provide at least 4 ideas
- Top-5% of candidates can usually suggest 7-8 ideas
- To impress the interviewer, the candidates can contextualize some of their ideas
- Examples are given in [] brackets on the previous slide

Q4. Math exercise – prompt

04

Retrofitting the existing equipment might reduce some costs. Can you calculate what cost savings the client will be able to capture?



Please share with the candidate the following information

- After retrofitting of the existing equipment:
 - The operational expenses are expected to be \$1 per extracted barrel
 - The drilling costs are going to decrease by 30%

Please provide this additional information only upon request

- The current operational expenses are £50M per year
- The current drilling costs are £40M per year
- The operational expenses don't include drilling costs
- Current oil production is 200k barrels per day
- We can assume 360 days a year
- The foreign exchange is \$2 for £1

Q4. Math exercise – calculations

04

Retrofitting the existing equipment might reduce some costs. Can you calculate what cost savings the client will be able to capture?



Expenses	Now	After retrofitting
Operational expenses	£50M	\$1 per barrel / 2 [forex] * 200k barrels per day * 360 days = £36M
Drilling costs	£40M	$£40M * (1 - 30\%) = £28M$
Total	£90M	$£36M + £28M = £64M$

**Total cost savings =
£90M – £64M = £26M**

Q4. Math exercise – contextualization of the answer

04

Retrofitting the existing equipment might reduce some costs. Can you calculate what cost savings the client will be able to capture?



**Basic comments
(expected from everyone)**

- By retrofitting the existing equipment, the client will be able to capture £26M in cost savings



Advanced comments (for outstanding candidates)

- 30% reduction in costs sound like a no-brainer, but the client should consider potential risks like lengthy implementation, potential pause in production and thus drop in revenue, exaggerated assumptions, etc.
- We didn't consider the investment needed to retrofit the equipment and potentially the expected ROI might not be too high to pursue this project
- If retrofitting prolongs the useful life of equipment, that will further improve the economics of the rigs as the capital expenditures to replace the machinery will need to happen later

Note: The candidate is not expected to mention all the advanced comments, but adding some of them will demonstrate that the candidate can connect the dots, see the depth, add colors and bring some insights even if the candidate is not that familiar with the industry/topic

Q4. Make sure the candidate follows these steps



- Providing big-picture approach of how to calculate the answer might help the candidate gain more points and help the interviewer follow the candidate's thought process
- Often interviewers don't provide all the information
 - The candidate needs to proactively ask for missing pieces
- Ideally the candidate shouldn't make any mistakes
 - It is okay to ask for some time to run numbers and then walk the interviewer through the calculations (some interviewers though might push back and ask you to do your Math on the fly)
- The interviewers highly appreciate it when the candidate not only calculates the answer correctly, but also contextualizes it
 - See some advanced comments on the previous slide as example of the contextualization

Recommendation

**McKinsey
typically doesn't
require
recommendation
for their cases**

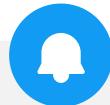


Case #2

**McKinsey
& Company**

**Inspired by McKinsey
WeShare
2021**

Case #2. Inspired by McKinsey. 2021. WeShare



Prompt

- Your client is a shared office space provider – WeShare. WeShare offers office spaces to freelancers, entrepreneurs, and companies in 10 major cities across the U.S. and has 25k members. The company generates \$160M in sales annually but is unprofitable. They hired your team to help them break-even in 18 months.



Additional information

Please provide this information only upon request

- Before the pandemic the client aggressively grew, pushing its top-line (sales) by 50% every year. In 2020 though its sales decreased
- Most of revenue comes from renting out flex working space. The client also offers office management services (e.g. room booking system, office supply management) and office design consulting
- The client doesn't plan to expand outside of the U.S.
- Top-5 players in this space capture 71% of the market (incl. WeWork that controls 47%). The client isn't part of top-5



Case type

- Profitability
- Easy level
- Interviewer-driven case
- Expected time is 15-20 minutes

Opening. Make sure the candidate follows these steps



Step 1. Restate the prompt

Typically the candidates are expected to restate the prompt to make sure they are on the same page with the interviewer



Step 2. Add colors (optionally)

Candidates can react to the prompt by providing some quick thoughts which will demonstrate candidates' business acumen, e.g.:

- "I'm not surprised that the client is struggling with profitability as with everyone working from home during covid, a lot of companies scaled back their office spaces"
- "Interesting. This is a high fixed cost business, and the economics is likely driven by occupancy rate which might have gone down recently"
- "Given high appetite for remote work even after the pandemic is over, the client will likely face strong headwinds to grow"



Step 3. Ask 2-3 questions

It is common that candidates ask 2-3 clarifying questions before designing their framework. Typical questions include:

- Geography of client's operations/sales
- Financial goal
- Business model of the client



Step 4. Ask for a moment to structure

- Typically candidates ask for a couple of minutes to structure their approach
- Sometimes during interviewer-driven cases, the interviewers ask the first question and then the candidate takes time to build their framework

Case questions (this is an interviewer-driven case)

01

How would you structure your approach to help the client?

02

Let's talk about the costs first. What would you think WeShare's major expenses are?

03

What would you think their biggest cost item is?

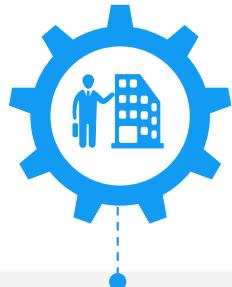
04

To increase their sales CEO would like to expand the asset portfolio and is considering two options of new office buildings. Which one has higher ROI?



Appendix 1.

Q1. How would you structure your approach to help the client?



Flex working space operators

- Market dynamics (growth rate and trends)
- Major shared office space providers (e.g. market share, differentiation)
- Average margin



WeShare

- Characteristics of target groups – freelancers, entrepreneurs and companies
- Key service lines
- Geographical footprint



Profitability analysis

- Revenue data
 - Pricing strategy
 - Volume dynamics
 - Break-down by client groups and locations
- Cost structure
 - Fixed
 - Variable



Margin growth strategies

- Revenue growth
- Cost reduction

Note: This is just one of many potential ways to structure your approach. Please treat this example only as a reference point and develop your own style.

Q1. Make sure the candidate follows these steps



Step 1. Do horizontal presentation

The best practice is to start with a 15-second big-picture overview, e.g. "I'd like to assess this problem through the lens of four areas – first, ...; secondly, ...; thirdly, ...; and finally ..."



Step 2. Hit key points

Check if the candidate covers all key points typical for a profitability case structure:

Profitability analysis

- Revenue analysis
- Cost structure

Business model

- Client segments
- Product portfolio

External factors

- Growth rate
- Competition
- Typical margin



Step 3. Add stories (optionally)

To avoid cookie-cutter/generic approach, the candidates can incorporate 2-3 stories into their structure presentation, e.g.:

- "I'd imagine the client's business is subject to high volatility as most of the rent contracts are likely short-term, which makes client's profitability issue even more challenging"
- "Location is likely a key differentiating factor in this business and allows client to charge price premiums for some assets"
- "Large accounts and anchor clients might be one of the key drivers of profitability as they ensure predictable and high cashflow"



Step 4. Finish with a question

At the end of the structure presentation, it is helpful for candidate to show that they can drive team forward and prioritize, e.g. "If this approach sounds reasonable, I'd like to start by digging into financials. Do we have revenue data?"

Q2. Key cost items

02

Let's talk about the costs first. What would you think WeShare's major expenses are?

Fixed costs

- 1 Rent [this is basically a rent arbitrage business; they lease in bulk and then rent out at a retail price]
- 2 Building maintenance and utilities
- 3 Marketing and sales [might be high as flex working space is a recent concept and WeShare needs to do lots of marketing to educate clients]
- 4 Overhead [e.g. cleaning, security, management]
- 5 R&D [might be high initially to invest in design and renovation; office management software]
- 6 Building insurance
- 7 Real estate taxes [if they own properties]

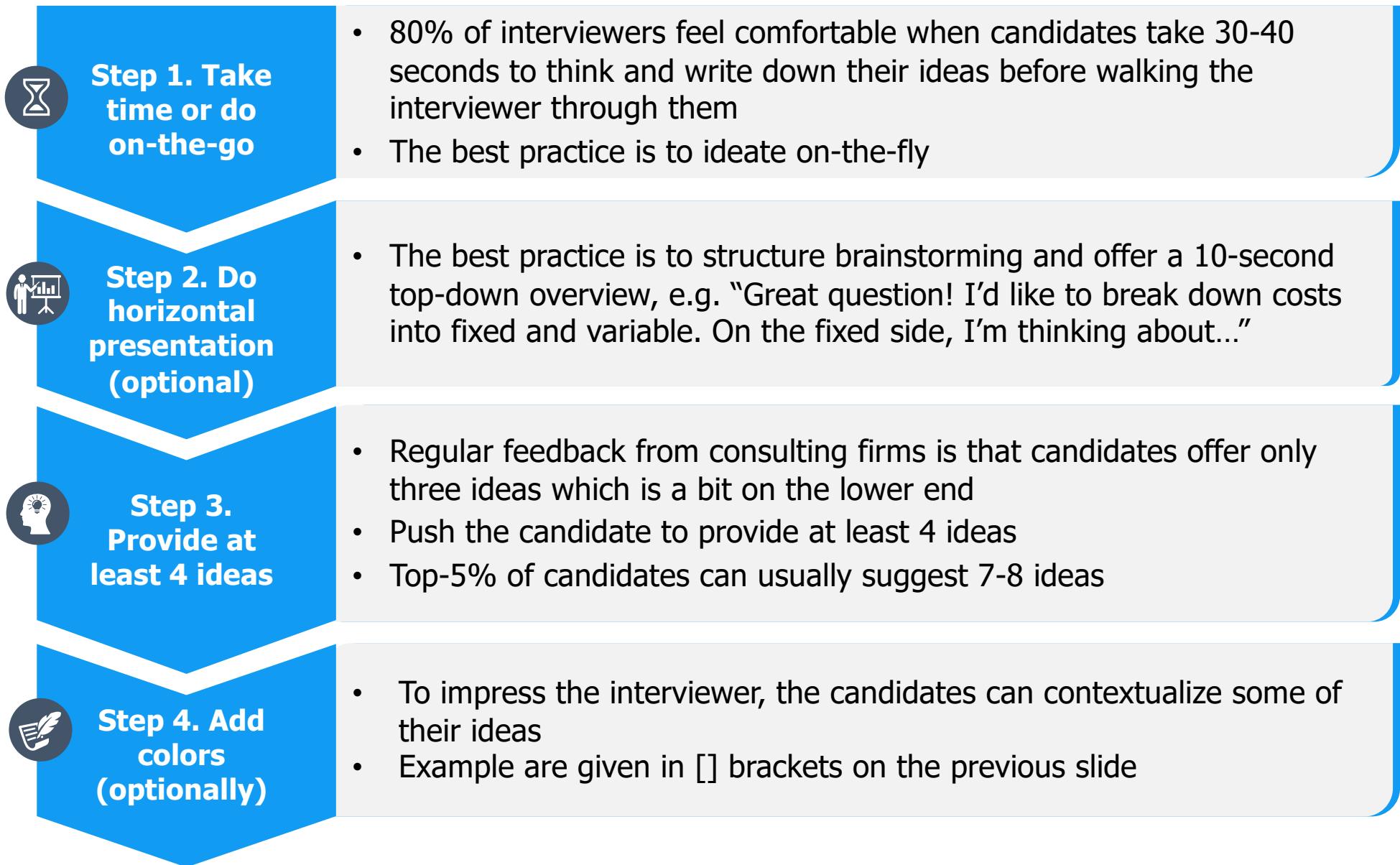


Variable costs

- 8 Snacks and office suppliers [if part of the services]
- 9 Discounts [in case of promotions and/or tiered pricing strategy]

Note: This is just one of many potential ways to brainstorm. Please treat this example only as a reference point and develop your own style. [The candidate is usually expected to generate at least 4 ideas. The best practice is 7-8 ideas, structured approach, and on-the-fly delivery without taking notes]

Q2. Make sure the candidate follows these steps



Q3. Biggest cost item

03

What would you think their biggest cost item is?

Potential answer

01

Rent/Leasing payments

“I’d think they don’t own their assets but enter long-term leasing agreements, and their profit comes from the delta between leasing rates and rates they rent their office space out. So, rent probably constitutes large portion of their costs”

02

“The office renting space is a high fixed-cost business. Similar to the hotel business, it’s focused on real estate and largest costs are likely related to real estate”

Q4. Math exercise – prompt

04

To increase their sales CEO would like to expand the asset portfolio and is considering two options of new office buildings. Which one has higher ROI?



Please share with the candidate
the following information

- Appendix 1

Please provide this additional
information only upon request

- Contract period is 5 years for option 1 and 4 years for option 2
- Footage is 50k square foot for option 1 and 40k square foot for option 2
- We can neglect taxes and implementation time (redesign) for this calculation
- Expected growth rate is 0% (for operational expenses and revenue)
- Annual leasing costs are included in initial set-up and leasing costs
- Candidate should be aware that ROI doesn't require time value of money (so no need to clarify an interest rate)

Q4. Math exercise – calculations

04

To increase their sales CEO would like to expand the asset portfolio and is considering two options of new office buildings. Which one has higher ROI?



	Annual expenses	Building 1	Building 2
Input	Initial set-up and total leasing costs	\$3M	\$2.5M
Calculation	Annual operational expenses per sf*	\$20	\$15
Monthly revenue per sf*	\$3.5	\$3.3	
Contract period	5 years		4 years
Footage, sf*	50k		40k
Annual revenue per sf*	\$3.5 * 12 months = \$42		\$3.3 * 12 months = \$39.6 ~ \$40
Contribution margin per sf*	\$42 – \$20 = \$22		\$40 – \$15 = \$25
Total operating profit	\$22 * 50k * 5 years = \$5.5M		\$25 * 40k * 4 years = \$4M
Return	\$5.5M – \$3M = \$2.5M		\$4M – \$2.5M = \$1.5M
ROI	\$2.5M / \$3M = 83%		\$1.5M / \$2.5M = 60%

**ROI is 83% for the first option and
60% for the second option**

Note: * – square foot

Q4. Math exercise – contextualization of the answer

04

To increase their sales CEO would like to expand the asset portfolio and is considering two options of new office buildings. Which one has higher ROI?

Basic comments (expected from everyone)



- The first contract offers ROI of 83%, whereas the second contract is expected to yield ROI of 60%

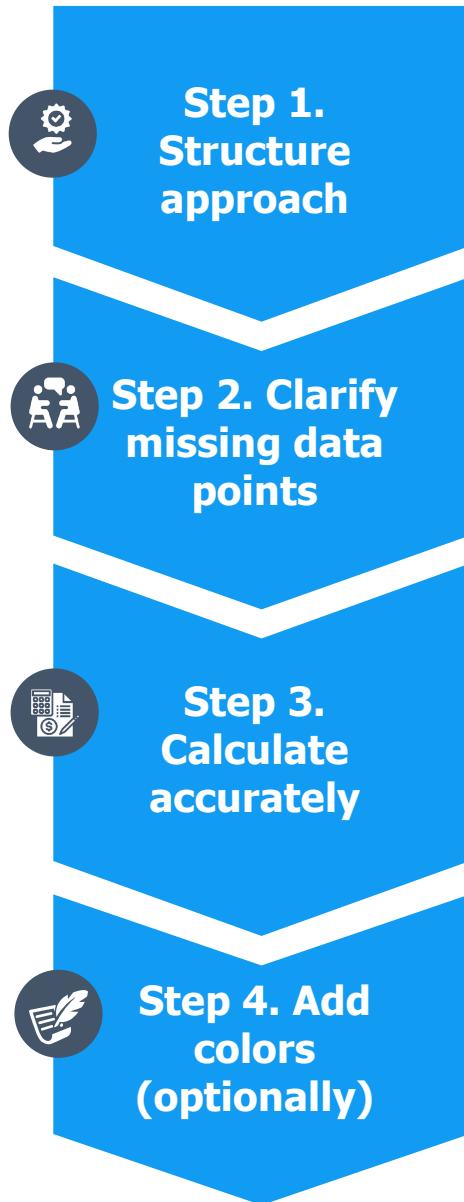
Advanced comments (for outstanding candidates)



- The difference between two ROIs might not be statistically significant especially given there are a lot of assumptions in the calculations that might be adjusted over time
- The client might want to consider other investment criteria like NPV, IRR and payback period to provide a more comprehensive financial assessment of these two options
- The client should also consider brand implications as building #2 is likely located in a lower cost area and/or might be office space of a lower category
- The client might substantially improve the economics of each deal by extending the length of the contract as additional year(s) won't require new investment in set-up costs

Note: The candidate is not expected to mention all the advanced comments, but adding some of them will demonstrate that the candidate can connect the dots, see the depth, add colors and bring some insights even if the candidate is not that familiar with the industry/topic

Q4. Make sure the candidate follows these steps



- Providing big-picture approach of how to calculate the answer might help the candidate gain more points and help the interviewer follow the candidate's thought process
- Often interviewers don't provide all the information
 - The candidate needs to proactively ask for missing pieces
- Ideally the candidate shouldn't make any mistakes
 - It is okay to ask for some time to run numbers and then walk the interviewer through the calculations (some interviewers though might push back and ask you to do your Math on the fly)
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Recommendation

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Appendix 1. Data on two options of new office building



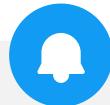
Financial indicators	Office building 1	Office building 2
Initial set-up and total leasing costs	\$3M	\$2.5M
Annual operational expenses per square foot	\$20	\$15
Monthly revenue per square foot	\$3.5	\$3.3

Case #3

**McKinsey
& Company**

Inspired by McKinsey Five Ladies 2021

Case #3. Inspired by McKinsey. 2021. Five Ladies



Prompt

- A national fast food restaurant chain, Five Ladies, that sells burgers, reached out to you to get your advice on how to improve profitability. The chain reached \$2.4B in sales in 2020 and has 2k restaurants in the U.S., 75% of which are owned by the company and 25% are franchisees.



Additional information

Please provide this information only upon request

- Five Ladies is focused on the U.S. and don't have plans to go abroad
- The client's operating margin is 12%
- The client doesn't have any specific goal to improve their profitability
- Five Ladies play in the "better burger" category (hamburgers in the \$9-11 range)
- Five Ladies is mostly a B2C business with some sales coming from B2B



Case type

- Profitability
- Easy-Medium level
- Interviewer-driven case
- Expected time is 15-20 minutes

Opening. Make sure the candidate follows these steps



Step 1. Restate the prompt

Typically the candidates are expected to restate the prompt to make sure they are on the same page with the interviewer



Step 2. Add colors (optionally)

Candidates can react to the prompt by providing some quick thoughts which will demonstrate candidates' business acumen, e.g.:

- "Thank you for having us on this project. Fast food is quite a commoditized arena usually with slim margins, so profitability issues might quickly become alarming"
- "Great to see our client enjoys strong geographical footprint and large scale which is crucial in such a volume-driven business"
- "A bit surprising that the franchisee share is fairly small. Maybe the economics isn't that attractive to potential partners"



Step 3. Ask 2-3 questions

It is common that candidates ask 2-3 clarifying questions before designing their framework. Typical questions include:

- Geography of client's operations/sales
- Financial goal
- Business model of the client



Step 4. Ask for a moment to structure

- Typically candidates ask for a couple of minutes to structure their approach
- Sometimes during interviewer-driven cases, the interviewers ask the first question and then the candidate takes time to build their framework

Case questions (this is an interviewer-driven case)

01

What factors would you consider to help the client design profitability improvement strategy?

02

Your teammate is going to cover revenue analysis, and the manager asked you to explore costs. What are the major expenses of Five Ladies?

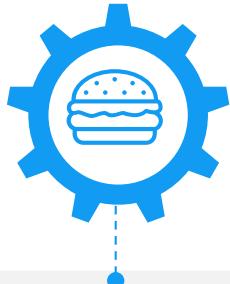
03

Based on benchmarking analysis, the client's smallware costs (e.g. utensils, paper plates) exceed similar expenses of other players. What might be the reasons behind it?

04

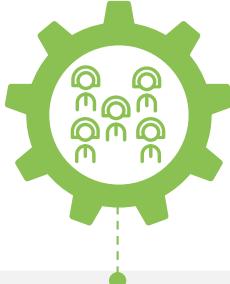
The client is considering two options to reduce costs for utensils – renegotiate purchasing prices or build own utensil production. What annual savings does each option offer?

Q1. What factors would you consider to help the client design profitability improvement strategy?



Fast food burger market

- Growth rate
- Major fast food burger chains (e.g. market share, positioning)
- Typical profitability
- Customer trends



Five Ladies

- Major menu items
- Key target customer groups
- Marketing strategy



Margin analysis

- Revenue breakdown
 - By region
 - Product line
- Cost structure
 - Fixed costs
 - Variable costs



Profitability improvement areas

- Revenue growth recommendations
- Cost reduction initiatives

Note: This is just one of many potential ways to structure your approach. Please treat this example only as a reference point and develop your own style.

Q1. Make sure the candidate follows these steps



Step 1. Do horizontal presentation

The best practice is to start with a 15-second big-picture overview, e.g. "I'd like to assess this problem through the lens of four areas – first, ...; secondly, ...; thirdly, ...; and finally ..."



Step 2. Hit key points

Check if the candidate covers all key points typical for a profitability case structure:

Profitability analysis

- Revenue analysis
- Cost structure

Business model

- Client segments
- Product portfolio

External factors

- Growth rate
- Competition
- Typical margin



Step 3. Add stories (optionally)

To avoid cookie-cutter/generic approach, the candidates can incorporate 2-3 stories into their structure presentation, e.g.:

- "In terms of the growth rate I'd think this is a mature market that has been around for a while, so I don't expect it to grow fast, maybe low single-digit numbers similar to the GDP growth rate"
- "I'd imagine this is a fairly consolidated space as the price pressure is high, margins are slim and you need to have scale to succeed"
- "Given strengthening interest for healthy food and cook-at-home meal-kits, the client's sales might be under growing pressure"



Step 4. Finish with a question

At the end of the structure presentation, it is helpful for candidate to show that they can drive team forward and prioritize, e.g. "If this approach makes sense, I'd like to explore financials first. Do we have any revenue data?"

Q2. Key cost items

02

Your teammate is going to cover revenue analysis, and the manager asked you to explore costs. What are the major expenses of Five Ladies?

Fixed costs

- 1 Rent and utilities [as this is offline customer-facing business]
- 2 Maintenance [to support cooking and commercial equipment]
- 3 Marketing [likely high as this is a commoditized industry and players win market share through active marketing and high brand awareness]
- 4 Overhead
- 5 R&D
- 6 Transportation

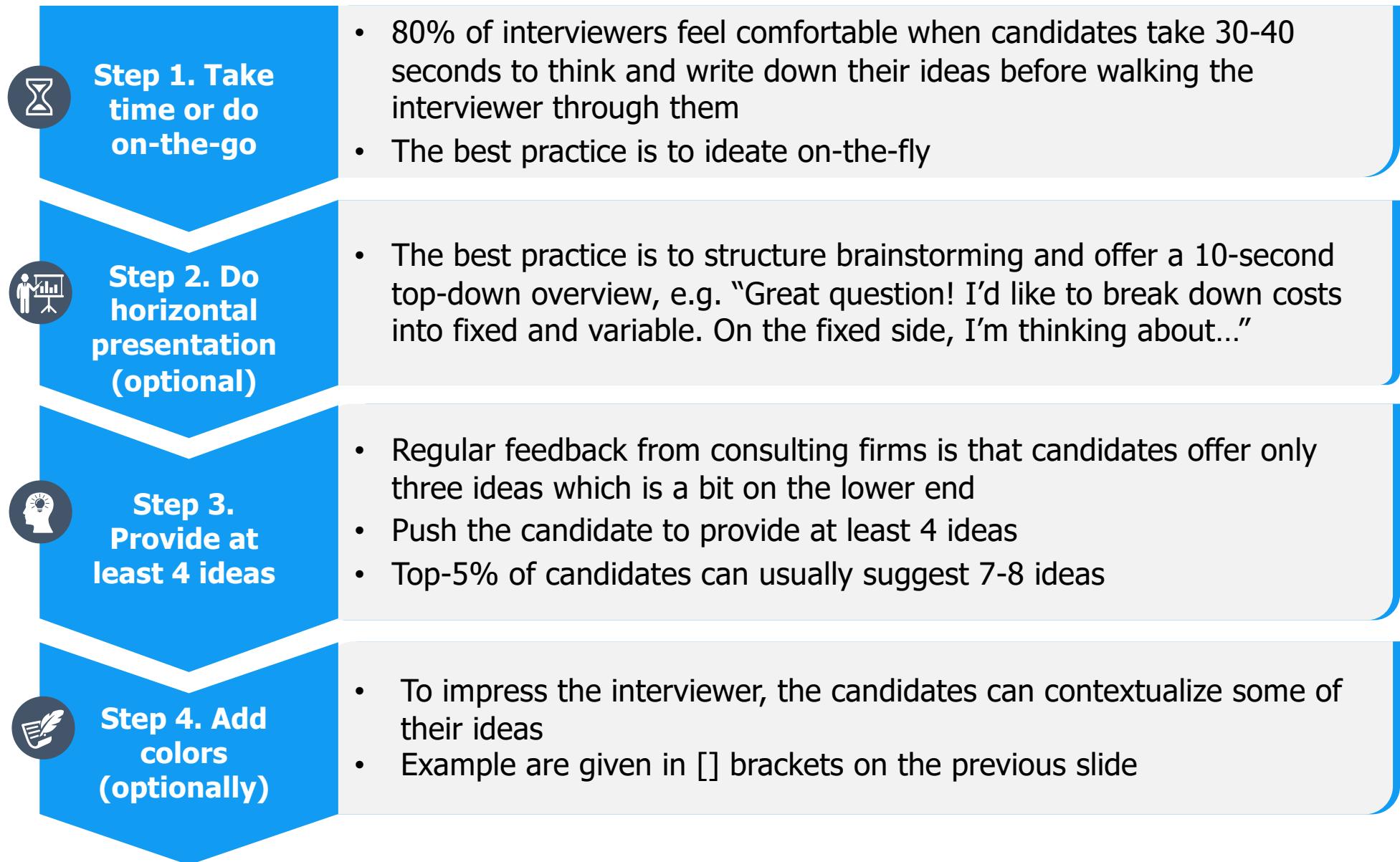


Variable costs

- 7 Labor [this is a labor-intensive business with likely low level of automation]
- 8 Food supplies, packaging and smallware
- 9 Distribution fees [in case Five Ladies use UberEats, DoorDash or similar distribution partners]
- 10 Credit card commissions
- 11 Discounts [in case of promotions]

Note: This is just one of many potential ways to brainstorm. Please treat this example only as a reference point and develop your own style. [The candidate is usually expected to generate at least 4 ideas. The best practice is 7-8 ideas, structured approach, and on-the-fly delivery without taking notes]

Q2. Make sure the candidate follows these steps



Q3. Drivers of high smallware costs

03

Based on benchmarking analysis, the client's smallware costs (e.g. utensils, paper plates) exceed similar expenses of other players. What might be the reasons behind it?



Higher unit price

- **Lack of consolidation in purchasing** [volume discounts and predictable order volume are the key drivers of lower purchase prices]
 - The stores purchase supplies individually
 - The stores purchase supplies ad hoc, not in bulk
 - There is no strategic long-term agreement with suppliers of smallware
- **More expensive types of smallware** [might affect customer experience and brand perception, so sensitivity analysis might be required]
 - The stores purchase more high-end items (e.g. silver plastic utensils instead of regular plastic)
 - The stores purchase more compostable or biodegradable items
- **Sub-optimal cost structure** (e.g. high shipping costs for smallware)
- **Low quality supplier management** [ad hoc supply vs mature purchasing department with established supplier databases, transparent tenders, group decisions and other best practices]
 - The client doesn't consider all the relevant suppliers
 - The client doesn't consider supply chains from low-cost countries



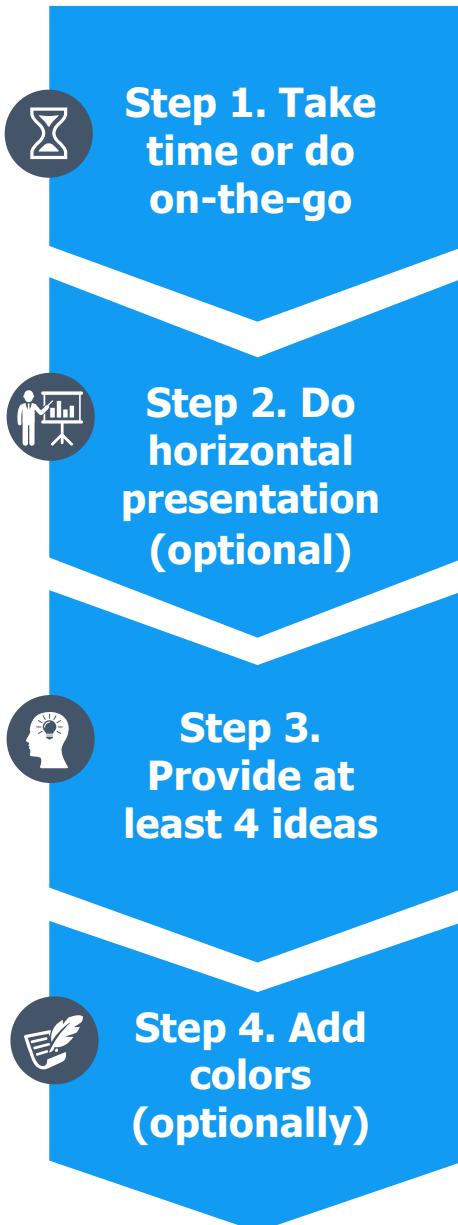
Larger volume

- **Not ideal operational processes** [streamlining processes might usually offer cost savings]
 - Higher waste of smallware during regular operations
 - Lack of process standardization of providing smallware to customers (e.g. smallware is included with the meal even if customers don't need it)
 - Low compliance with the processes mentioned above
 - Smallware is available at self-service in-store stations which leads to excessive usage of smallware
- **Other volume drivers** [business model itself might be smallware heavy]
 - Menu consists of more meals that require smallware (e.g. salads require containers and utensils vs burgers don't)
 - Different customer preferences (e.g. sit-down vs to-go)



Note: This is just one of many potential ways to brainstorm. Please treat this example only as a reference point and develop your own style. [The candidate is usually expected to generate at least 4 ideas. The best practice is 7-8 ideas, structured approach, and on-the-fly delivery without taking notes]

Q3. Make sure the candidate follows these steps



- 80% of interviewers feel comfortable when candidates take 30-40 seconds to think and write down their ideas before walking the interviewer through them
- The best practice is to ideate on-the-fly
- The best practice is to structure brainstorming and offer a 10-second top-down overview, e.g. "I'd love to explore that. High total costs for smallware is the function of volume and average unit price. So, let me think about the reasons for each of these two dimensions..."
- Regular feedback from consulting firms is that candidates offer only three ideas which is a bit on the lower end
- Push the candidate to provide at least 4 ideas
- Top-5% of candidates can usually suggest 7-8 ideas
- To impress the interviewer, the candidates can contextualize some of their ideas
- Examples are given in [] brackets on the previous slide

Q4. Math exercise – prompt

04

The client is considering two options to reduce costs for utensils – renegotiate purchasing prices or build own utensil production. What annual savings does each option offer?



Please share with the candidate
the following information

- A package of 500 items costs \$10 for spoons and \$6 for forks
- The client doesn't offer other types of utensils – just spoons and forks
- The potential investment in the own utensil production is expected to be \$10M

Please provide this additional
information only upon request

- **Overall**
 - The client consumes 160M utensils annually
 - Half of the utensils are spoons, and the other half are forks
- **Option 1. Price renegotiation**
 - The client plans to reduce costs for utensils by 5% through renegotiation of prices
- **Option 2. Own production**
 - The cost reduction is forecasted at 50%

Q4. Math exercise – calculations

04

The client is considering two options to reduce costs for utensils – renegotiate purchasing prices or build own utensil production. What annual savings does each option offer?



Indicators		Spoons 	Forks 
Cost for a package of 500 items		\$10	\$6
Share of volume		50%	50%
Annual volume, items		$160M * 50\% = 80M$	$160M * 50\% = 80M$
Annual volume, packages		$80M / 500 = 160k$	$80M / 500 = 160k$
Annual expenses, USD		$160k * \$10 = \$1.6M$	$160k * \$6 = \$0.96M$
Total annual expenses, USD		$\$1.6M + \$0.96M = \$2.56M$	
Total annual savings for option 1		$\$2.56M * 5\% \approx \$0.13M$	
Total annual savings for option 2		$\$2.56M * 50\% \approx \$1.3M$	
Payback period for option 2*		$\$10M / \$1.3M \approx 8 \text{ years}$	

*The candidate can suggest any other investment attractiveness metric (e.g. NPV, IRR) to demonstrate that seemingly attractive cost savings of option 2 comes with a catch

**Own production will offer x10 larger cost savings,
but will require 8 years of payback period**

Q4. Math exercise – contextualization of the answer

04

The client is considering two options to reduce costs for utensils – renegotiate purchasing prices or build own utensil production. What annual savings does each option offer?

Basic comments (expected from everyone)



- The client will capture \$0.13M in cost savings annually through renegotiating purchasing prices and x10 more by launching own production of utensils

Advanced comments (for outstanding candidates)



- The client's growth over time will lead to larger purchasing volume and potentially higher volume discounts for option 1
- The investment option will increase operational complexity, might dilute the focus of management, and offers a fairly long payback period
- Process optimization to eliminate utensil waste and adjustment of business model (e.g. menu) to reduce utensil usage might offer additional venues to capture cost savings
- Bundling utensils purchasing with other smallware purchasing might offer additional volume discounts

Note: The candidate is not expected to mention all the advanced comments, but adding some of them will demonstrate that the candidate can connect the dots, see the depth, add colors and bring some insights even if the candidate is not that familiar with the industry/topic

Q4. Make sure the candidate follows these steps



- Providing big-picture approach of how to calculate the answer might help the candidate gain more points and help the interviewer follow the candidate's thought process
- Often interviewers don't provide all the information
 - The candidate needs to proactively ask for missing pieces
- Ideally the candidate shouldn't make any mistakes
 - It is okay to ask for some time to run numbers and then walk the interviewer through the calculations (some interviewers though might push back and ask you to do your Math on the fly)
- The interviewers highly appreciate it when the candidate not only calculates the answer correctly, but also contextualizes it
 - See some advanced comments on the previous slide as example of the contextualization

Recommendation

**McKinsey
typically doesn't
require
recommendation
for their cases**



Case #4



**Inspired by BCG
Getaway Airlines
2021**



Case #4. Inspired by BCG. 2021. Getaway Airlines



Prompt

- Getaway Airlines is a U.S. passenger airline that serves mostly vacation destinations. Their revenue has been increasing, however their profits are on decline. Last year their operating profitability dropped to 10%. The CEO has invited your team to look into the issue and help them turn things around. We're in early 2020 (before the pandemic).



Additional information

Please provide this information only upon request

- The client offers nonstop flights to 50 destinations across the U.S., Caribbean, Mexico and Central America
- The airline has a hub in Minneapolis
- The client's four major destinations are Las Vegas, Los Angeles, Portland, and Fort Myers
- Top-4 U.S. airlines capture 64% of the market
- The client didn't provide any goals of profitability growth



Case type

- Profitability
- Easy level
- Candidate-led case
- Expected time is 15-20 minutes

Opening. Make sure the candidate follows these steps



Step 1. Restate the prompt

Typically the candidates are expected to restate the prompt to make sure they are on the same page with the interviewer



Step 2. Add colors (optionally)

Candidates can react to the prompt by providing some quick thoughts which will demonstrate candidates' business acumen, e.g.:

- "Great to hear that our client's sales are growing as airlines are high fixed-cost and volume-driven business, so scale is the key to ensure healthy profitability"
- "Decreasing margins are worrisome as airlines are likely a commoditized industry where price pressure is high and profitability is low, so worsening economics might mean that the client might soon be in the red/negative zone"
- "Thank you for having me. It seems like we're talking about a regional player with differentiated positioning which is helpful in such a commoditized market"



Step 3. Ask 2-3 questions

It is common that candidates ask 2-3 clarifying questions before designing their framework. Typical questions include:

- Geography of client's operations/sales
- Financial goal
- Business model of the client



Step 4. Ask for a moment to structure

- Typically candidates ask for a couple of minutes to structure their approach
- Sometimes during interviewer-driven cases, the interviewers ask the first question and then the candidate takes time to build their framework

Case questions (this is a candidate-led case)

01

How would you approach this problem? What areas would you explore to attack this issue?

02

What revenue growth ideas can you suggest to double the market share in Getaway Airlines' four major destinations (Las Vegas, Los Angeles, Portland, and Fort Myers)?

03

How would the client's profits change if we succeed in doubling Getaway Airlines' market shares in their four major destinations?

04

How can Getaway Airlines boost their revenue apart from expanding their market share?



Appendix 1.

Tips for candidate-led cases

- Try to minimize hand-holding. Try to let the candidate ask questions
- If the candidate isn't on the right track and seems lost, try to give a hint or ask a question from the previous slide
- Feel free to manage the conversation to hit all the questions from the previous slide, e.g.:
 - "That's a great question! What do you think?"
 - "Sure. Before we dig into that, what are your thoughts on ... [the question from the list]?"
 - "Yeah, that makes sense. The manager just walked in and they would like us to look into... [the question from the list]"
 - "Sure, we'll explore it. Before that, let me share some data from our analyst/client that we've just received and... [ask a Math question]"
- When the case time is running out, prompt the candidate to provide recommendation (see question 5)

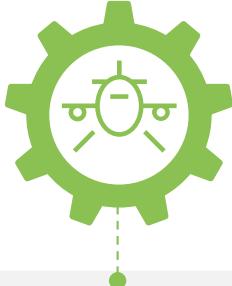


Q1. How would you approach this problem? What areas would you explore to attack this issue?



U.S. airlines market

- Growth rate
- Major airlines
- Average profitability for similar-size players



Getaway Airlines

- Customer segments (e.g. low-cost, regular, premium)
- Major destinations
- Offerings
- Marketing strategy



Profitability assessment

- Revenue analysis
 - Pricing strategy
 - Volume dynamics
- Cost structure
 - Fixed costs
 - Variable costs



Strategies to increase margins

- Increase sales
- Streamline costs

Note: This is just one of many potential ways to structure your approach. Please treat this example only as a reference point and develop your own style.

Q1. Make sure the candidate follows these steps



Step 1. Do horizontal presentation

The best practice is to start with a 15-second big-picture overview, e.g. "I'd like to assess this problem through the lens of four areas – first, ...; secondly, ...; thirdly, ...; and finally ..."



Step 2. Hit key points

Check if the candidate covers all key points typical for a profitability case structure:

Profitability analysis

- Revenue analysis
- Cost structure

Business model

- Client segments
- Product portfolio

External factors

- Growth rate
- Competition
- Typical margin



Step 3. Add stories (optionally)

To avoid cookie-cutter/generic approach, the candidates can incorporate 2-3 stories into their structure presentation, e.g.:

- "I am not that familiar with this space, but I'd imagine airlines are a mature market and thus its growth rate is likely in low single-digit numbers"
- "This is likely a capex intensive business, so the economics is highly driven by volume and the occupancy rate is the key success factor"
- "Each destination is a stand-alone market with its passenger demand, competition and profitability profile, so change in the destination mix might explain the client's deteriorating margins"



Step 4. Finish with a question

At the end of the structure presentation, it is helpful for candidate to show that they can drive team forward and prioritize, e.g. "Does this framework make sense to you? If so, I'd like to dive into the market first. Do we have any data on the competition?"

Q2. Revenue growth ideas

02

What revenue growth ideas can you suggest to double the market share in Getaway Airlines' four major destinations (Las Vegas, Los Angeles, Portland, and Fort Myers)?

Upgrade marketing strategy

[Given low differentiation among airlines, high brand awareness and active marketing are likely key drivers of sales]

- Invest in aggressive marketing campaigns and promotions
- Launch loyalty card for regular customers from these destinations



Change pricing

[Might be challenging as this is a commoditized industry and airlines don't differentiate that much, thus customers are price-sensitive]

- Introduce vacation packages for these destinations (e.g. with hotels, tours, taxi)
- Bundle offerings (e.g. basic, economy, premium)
- Offer family travel flight deals
- Develop subscription options for regular travelers from these cities
- Adjust pricing levels to match WTP (willingness-to-pay) at each specific destination



Increase efficiency of distribution

[As for most consumer products, airline ticket sales are directly dependent on the size and efficiency of their distribution network.]

- Expand network of travel agencies and online booking platforms to sell tickets to these destinations
- Increase incentives (e.g. sales commissions) for existing distribution partners
- Launch a smartphone app for regular travelers



Improve and expand value proposition

[All airlines likely offer very similar value propositions, and high customer satisfaction might become a clear differentiator, increase switching costs and thus make customers stick around]

- Improve passenger experience for these destinations (e.g. no delays, no wait time, friendly staff)
- Offer higher frequency of flights from/to these destinations
- Offer larger planes to increase the capacity of flights (if capacity is a bottleneck to grow sales)
- Address pain points (if any) (e.g. improve online ticketing, check-in)



Note: This is just one of many potential ways to brainstorm. Please treat this example only as a reference point and develop your own style. [The candidate is usually expected to generate at least 4 ideas. The best practice is 7-8 ideas, structured approach, and on-the-fly delivery without taking notes]

Q2. Make sure the candidate follows these steps



- 80% of interviewers feel comfortable when candidates take 30-40 seconds to think and write down their ideas before walking the interviewer through them
- The best practice is to ideate on-the-fly
- The best practice is to structure brainstorming and offer a 10-second top-down overview, e.g. "Sure, in order to double their market share, I'd like to think about four types of sales growth opportunities – first, marketing; secondly, pricing; thirdly, distribution; and finally – value proposition..."
- Regular feedback from consulting firms is that candidates offer only three ideas which is a bit on the lower end
- Push the candidate to provide at least 4 ideas
- Top-5% of candidates can usually suggest 7-8 ideas
- To impress the interviewer, the candidates can contextualize some of their ideas
- Examples are given in [] brackets on the previous slide

Q3. Math exercise – prompt

03

How would the client's profits change if we succeed in doubling Getaway Airlines' market shares in their four major destinations?



**Please share with the candidate
the following information**

- Appendix 1.

**Please provide this additional
information only upon request**

- The sales were \$0.5B in 2019
- We can assume that fixed costs will increase proportionally as doubling market share is a substantial growth
- Current profitability was disclosed in the prompt and the candidate should remember it and should not ask for it
- We can assume that the market size for each destination will stay the same

Q3. Math exercise – calculations

03

How would the client's profits change if we succeed in doubling Getaway Airlines' market shares in their four major destinations?



Current total profits

$$10\% \times \$0.5B = \$50M$$

Share of top-4 destinations
(based on Appendix 1)

$$\frac{270+140+140+130}{1,300+270+140+140+130+1,200} = 20\%$$

Estimated profits of top-4 destinations

$$\$50M \times 20\% = \$10M$$

New profits of top-4 destinations

$$\$10M \times 2 = \$20M$$

The profits will increase
by \$10M [\$20M-\$10M]

Q3. Math exercise – contextualization of the answer

03

How would the client's profits change if we succeed in doubling Getaway Airlines' market shares in their four major destinations?



**Basic comments
(expected from everyone)**

- By doubling the market share in the client's four major markets, they will be able to capture additional \$10M in profits



Advanced comments (for outstanding candidates)

- Such dramatic volume growth would likely strengthen economies of scale and enable the client to improve its profitability even more (e.g. the client might get volume discounts for increased supplies; parking and other airport fees are likely stay the same while the sales go up)
- Given the client's quite low share in the top markets, doubling sales doesn't seem overaggressive and might be realistic
- We assumed that each passenger on average generates the same revenue, however four major destinations might be served by a lot of airlines, ensuring high price pressure and lower revenue per passenger than in other destinations; thus our answer might be lower than \$10M

Note: The candidate is not expected to mention all the advanced comments, but adding some of them will demonstrate that the candidate can connect the dots, see the depth, add colors and bring some insights even if the candidate is not that familiar with the industry/topic

Q3. Make sure the candidate follows these steps

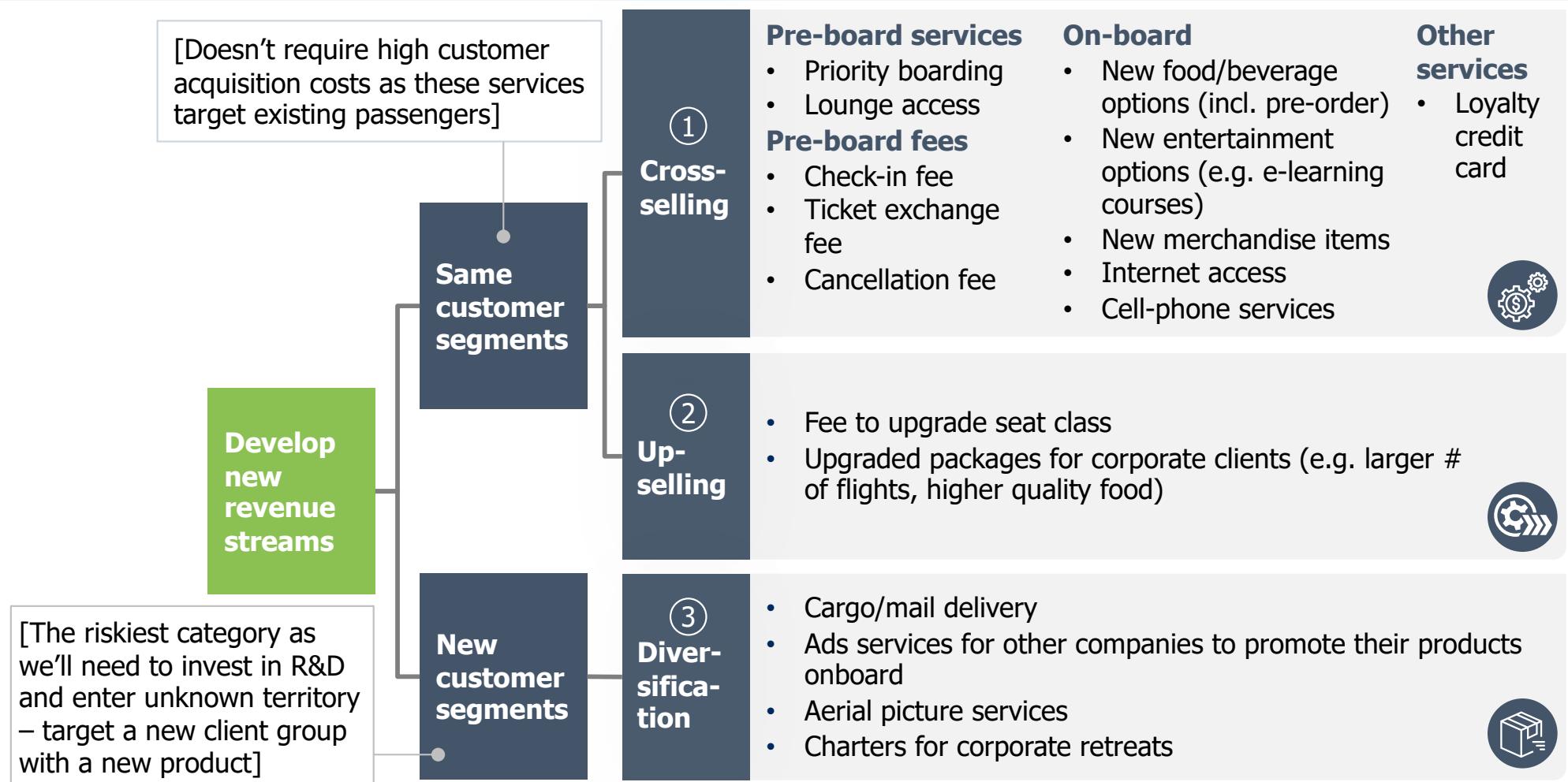


- Providing big-picture approach of how to calculate the answer might help the candidate gain more points and help the interviewer follow the candidate's thought process
- Often interviewers don't provide all the information
 - The candidate needs to proactively ask for missing pieces
- Ideally the candidate shouldn't make any mistakes
 - It is okay to ask for some time to run numbers and then walk the interviewer through the calculations (some interviewers though might push back and ask you to do your Math on the fly)
- The interviewers highly appreciate it when the candidate not only calculates the answer correctly, but also contextualizes it
 - See some advanced comments on the previous slide as example of the contextualization

Q4. Revenue growth ideas (apart from market share)

04

How can Getaway Airlines boost their revenue apart from expanding their market share?



Note: This is just one of many potential ways to brainstorm. Please treat this example only as a reference point and develop your own style. [The candidate is usually expected to generate at least 4 ideas. The best practice is 7-8 ideas, structured approach, and on-the-fly delivery without taking notes]

Q4. Make sure the candidate follows these steps



- 80% of interviewers feel comfortable when candidates take 30-40 seconds to think and write down their ideas before walking the interviewer through them
- The best practice is to ideate on-the-fly
- The best practice is to structure brainstorming and offer a 10-second top-down overview, e.g. "Interesting. I'd think about product innovation and what additional revenue streams our client can develop. I would break them down into three categories – cross-sell, up-sell and diversification..."
- Regular feedback from consulting firms is that candidates offer only three ideas which is a bit on the lower end
- Push the candidate to provide at least 4 ideas
- Top-5% of candidates can usually suggest 7-8 ideas
- To impress the interviewer, the candidates can contextualize some of their ideas
- Examples are given in [] brackets on the previous slide

Q5. Recommendation

05

You are in the client's meeting and the manager asked you to provide your recommendations.

Recommendation

"Thank you for having us on this project. Our preliminary findings suggest that the client should focus on doubling its sales in four major destinations to increase their profits"



Reasoning

- "This strategy will boost profits by 20%, or \$10M"
- "The client's current shares in those markets are in low single-digit numbers, so doubling sales seem realistic"
- "The client has \$0.5B in sales and likely enjoys deep marketing pockets to support doubling sales in short-listed markets"



Risks

"The execution of this strategy might face some material risks like competitive response, larger-than-expected investment in marketing and distribution, higher operational complexity"



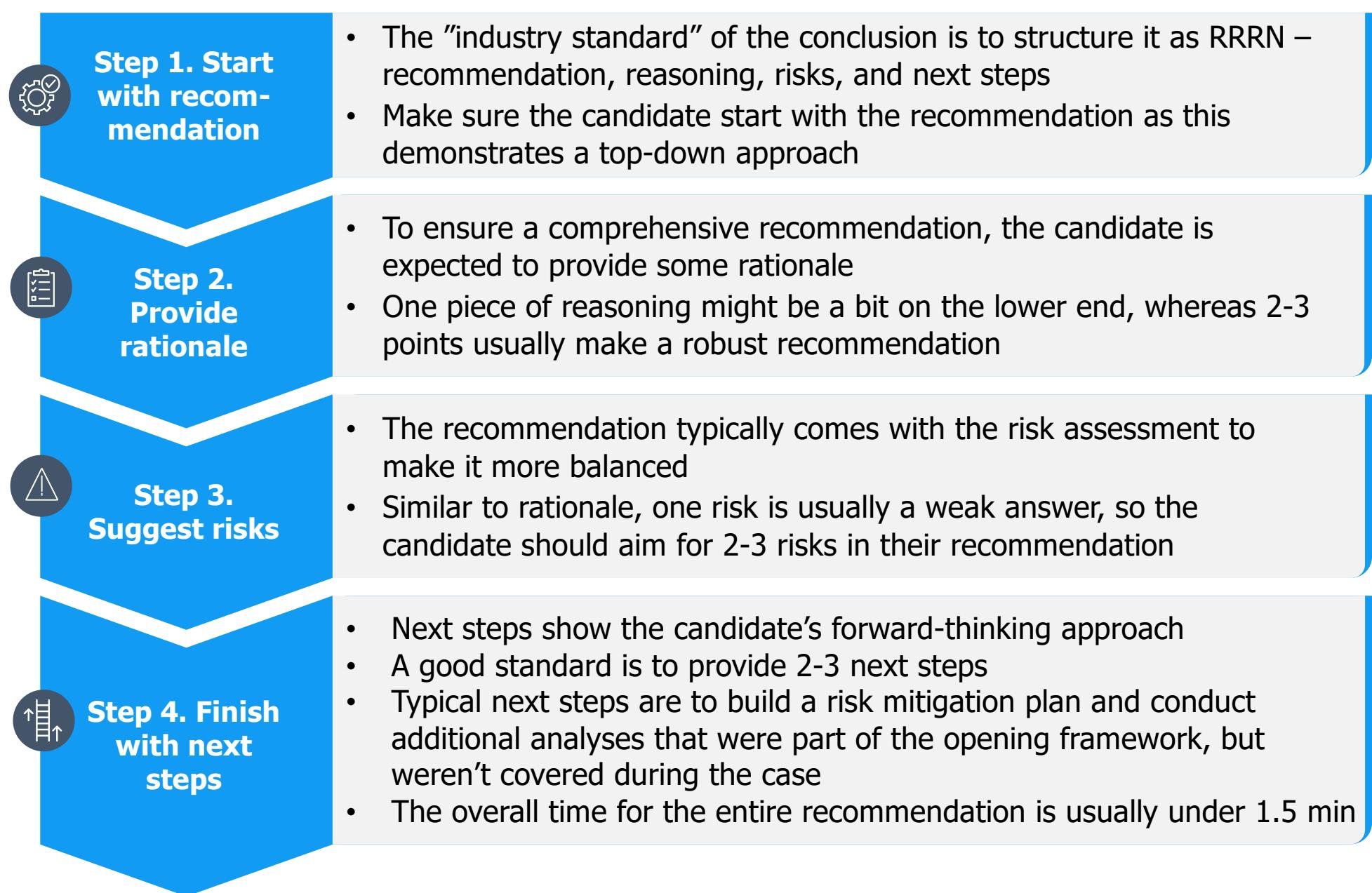
Next steps

"As for our next steps I'd suggest to design a risk mitigation strategy and assess potential cost reduction opportunities"



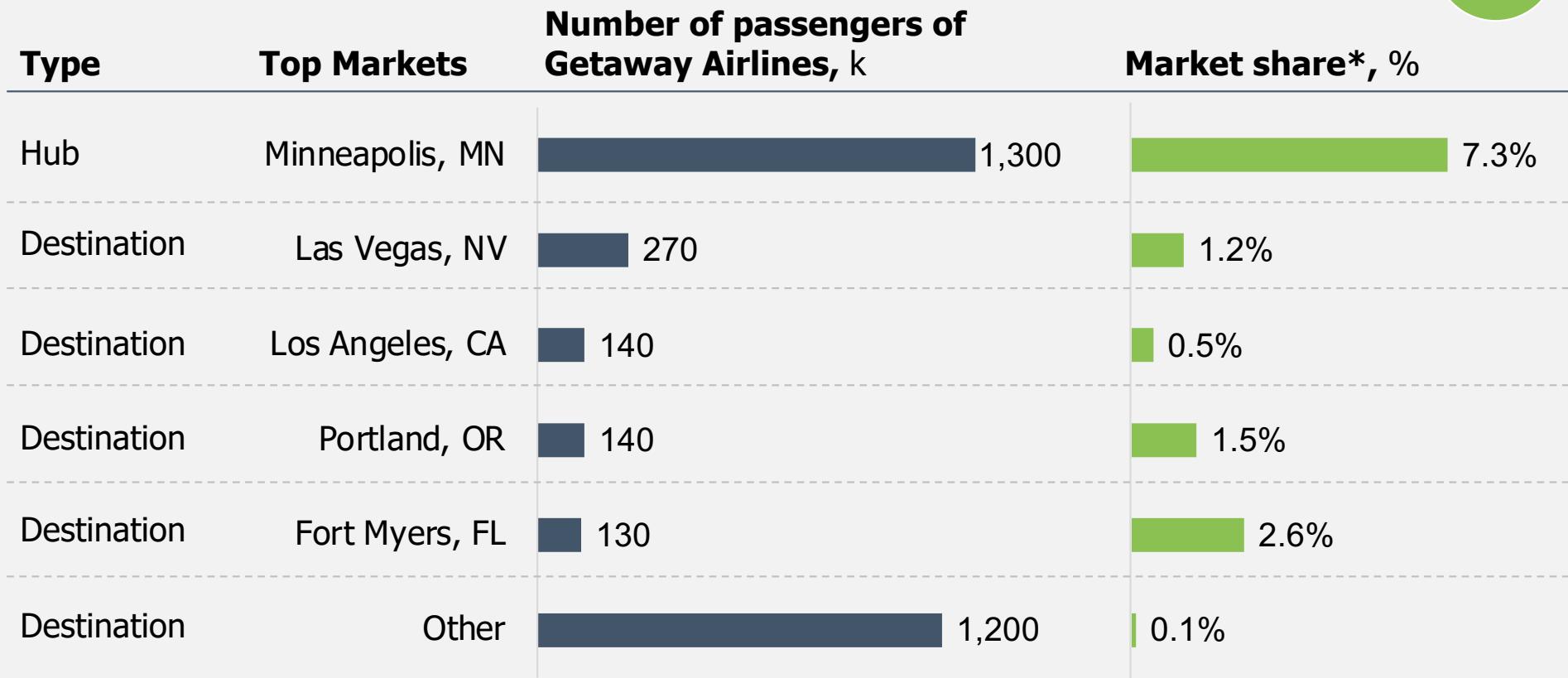
Note: This is just one of many potential ways to make a recommendation. Please treat this example only as a reference point and develop your own style.

Q5. Make sure the candidate follows these steps



Appendix 1. Getaway Airlines' sales metrics

Getaway Airlines' sales metrics, 2019



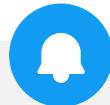
* - market share in each of the top markets

Case #5

Inspired by Bain
Alfa Dental
2021



Case #5. Inspired by Bain. 2021. Alfa Dental



Prompt

- Alfa Dental is a major dental insurance company that partners with various dental practices. In 2018 they included a new large dental chain Eastern Dental to their network and their profitability started declining. The CEO asked your team to assess this problem and recommend plan to improve profitability. It's early 2020 (before the pandemic).



Additional information

Please provide this information only upon request

- The Alfa Dental's economics is healthy (profitability is stable) if considered without Eastern Dental
- Eastern Dental operates 100 dental offices primarily in Arizona
- Eastern Dental has a fee-for-service agreement, according to which Alfa Dental pays for each service rendered (unlike value-based agreements)
- Eastern Dental provides the whole spectrum of dental services
- The client didn't share any specific profitability goal



Case type

- Profitability
- Easy-Medium level
- Candidate-led case
- Expected time is 15-20 minutes

Opening. Make sure the candidate follows these steps



Step 1. Restate the prompt

Typically the candidates are expected to restate the prompt to make sure they are on the same page with the interviewer



Step 2. Add colors (optionally)

Candidates can react to the prompt by providing some quick thoughts which will demonstrate candidates' business acumen, e.g.:

- "Dental insurance is an interesting business, where profitability is mostly about cost management as that the cashflow from insurance premiums is mostly fixed at least within a given year"
- "Great to hear that our client added a large dental chain which likely strengthened their competitive positioning and improved coverage for their patients"
- "I'd think this is a stable space as dental services have been around for a while, so this is a slow-growing market with intense competition due to high price pressure"



Step 3. Ask 2-3 questions

It is common that candidates ask 2-3 clarifying questions before designing their framework. Typical questions include:

- Geography of client's operations/sales
- Financial goal
- Business model of the client



Step 4. Ask for a moment to structure

- Typically candidates ask for a couple of minutes to structure their approach
- Sometimes during interviewer-driven cases, the interviewers ask the first question and then the candidate takes time to build their framework

Case questions (this is a candidate-led case)

01

How would you help our client? What approach would you choose?

02

We learned that the number of claims (patient visits) from Eastern Dental has been rapidly growing. What might be the drivers behind it?

03

What's the growth rate of the number of visits at Eastern Dental in 2018-19?

04

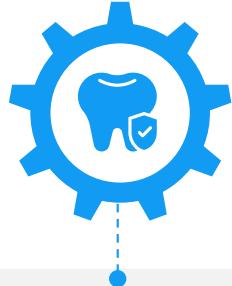
What are your thoughts around the potential client's actions to address such a skyrocketing number of claims?

Tips for candidate-led cases

- Try to minimize hand-holding. Try to let the candidate ask questions
- If the candidate isn't on the right track and seems lost, try to give a hint or ask a question from the previous slide
- Feel free to manage the conversation to hit all the questions from the previous slide, e.g.:
 - "That's a great question! What do you think?"
 - "Sure. Before we dig into that, what are your thoughts on ... [the question from the list]?"
 - "Yeah, that makes sense. The manager just walked in and they would like us to look into... [the question from the list]"
 - "Sure, we'll explore it. Before that, let me share some data from our analyst/client that we've just received and... [ask a Math question]"
- When the case time is running out, prompt the candidate to provide recommendation (see question 5)



Q1. How would you help our client? What approach would you choose?



Dental insurance market in Arizona

- Growth rate
- Competitive landscape – key dental insurers and dental chains
- Typical margins for dental insurers



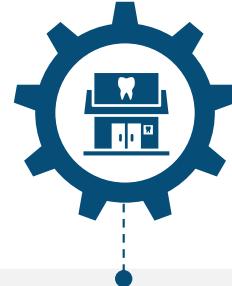
Alfa Dental

- Types of insurance policies
- Client segments (e.g. B2B, B2C)
- Marketing strategy



Economics of deal with ED

- Revenue analysis
 - Premium policy
 - Number of insured patients
- Cost structure
 - Volume of services
 - Fee per service
 - Overhead costs



Eastern Dental (ED)

- Geographical footprint
- Range of dental services
- Pricing strategy
- Volume of patients and patient visits

Note: This is just one of many potential ways to structure your approach. Please treat this example only as a reference point and develop your own style.

Q1. Make sure the candidate follows these steps



Step 1. Do horizontal presentation

The best practice is to start with a 15-second big-picture overview, e.g. "I'd like to assess this problem through the lens of four areas – first, ...; secondly, ...; thirdly, ...; and finally ..."



Step 2. Hit key points

Check if the candidate covers all key points typical for a profitability case structure:

Profitability analysis

- Revenue analysis
- Cost structure

Business model

- Client segments
- Product portfolio

External factors

- Growth rate
- Competition
- Typical margin



Step 3. Add stories (optionally)

To avoid cookie-cutter/generic approach, the candidates can incorporate 2-3 stories into their structure presentation, e.g.:

- "I'd think dental practices are a fairly commoditized market as they offer relatively similar services, so it might be a challenge for players to differentiate and grow their market share"
- "Like many retail services, dental practices are probably location-driven businesses, and a wide network of offices might be a key success factor"
- "Our client's costs are Eastern Dental's revenue, so successful expansion of Eastern Dental's business will hurt our client's profitability"



Step 4. Finish with a question

At the end of the structure presentation, it is helpful for candidate to show that they can drive team forward and prioritize, e.g. "If this approach sounds reasonable to you, I would like to get a better sense of Eastern Dental. Do we have information on... ?"

Q2. Revenue growth drivers

02

We learned that the number of claims (patient visits) from Eastern Dental has been rapidly growing. What might be the drivers behind it?

Change in patient behavior

- Patients in Arizona became more educated on importance of dental health (e.g. thanks to government-sponsored social ads)
- The patient population structure changed [e.g. share of children increased; children tend to visit dentists more often]



More competitive positioning of Alfa Dental

- Alfa did a lot of efficient marketing campaigns among its covered patients in Arizona [marketing is typically one of major sales drivers for consumer services]
- Alfa has been actively growing its number of covered patients (incl. corporate clients) in Arizona
- Alfa decreased co-pays, deductible and/or increased cap of its insurance policies [given this is a mass product, the patients are likely price-sensitive and might increase their consumption followed by price decrease]
- Alfa expanded the range of dental services covered by its policies



Successful business strategy of Eastern Dental

Marketing

- Eastern Dental have been conducting aggressive marketing campaign (e.g. mail, digital, promotions)
- Eastern Dental dramatically improved its patient satisfaction and online rankings

Distribution

- Eastern Dental expanded its geographical footprint or/and moved their offices to better high foot-traffic locations
- Eastern Dental launched teledentistry and/or mobile dental offices (e.g. for corporate clients)
- Eastern Dental increased capacity of its offices (hired more dentists)

Pricing

- Eastern Dental decreased prices
- Eastern Dental offered new payment solutions (e.g. buy now pay later)

Value proposition

- Eastern Dental added new services
- Eastern Dental expanded working hours and days (e.g. weekends)



Note: This is just one of many potential ways to brainstorm. Please treat this example only as a reference point and develop your own style. [The candidate is usually expected to generate at least 4 ideas. The best practice is 7-8 ideas, structured approach, and on-the-fly delivery without taking notes]

Q2. Make sure the candidate follows these steps



- 80% of interviewers feel comfortable when candidates take 30-40 seconds to think and write down their ideas before walking the interviewer through them
- The best practice is to ideate on-the-fly
- The best practice is to structure brainstorming and offer a 10-second top-down overview, e.g. "Great question. I guess the explosive growth of claims might be driven by each of three stakeholders – patients, our client and/or Eastern Dental. So, I'd like to suggest some ideas for each of these three dimensions"
- Regular feedback from consulting firms is that candidates offer only three ideas which is a bit on the lower end
- Push the candidate to provide at least 4 ideas
- Top-5% of candidates can usually suggest 7-8 ideas
- To impress the interviewer, the candidates can contextualize some of their ideas
- Examples are given in [] brackets on the previous slide

Q3. Math exercise – prompt

03

What's the growth rate of the number of visits at Eastern Dental in 2018-19?



**Please share with the candidate
the following information**

- Eastern Dental operates 100 offices with 300 dental providers (e.g. dentists, hygienists, oral surgeons, etc.) and 1,500 support staff (e.g. assistants, business managers)
- In 2018 Easter Dental served 400k patients

**Please provide this additional
information only upon request**

- In 2019 Eastern Dental had 1.5k patients per dental provider
- In 2018 an average Eastern Dental's patient made 1.6 visits to dentist
- The average number of visits at Eastern Dental grew to 1.7 per patient per year in 2019
- The number of offices and dental providers haven't materially changed since last year

Q3. Math exercise – calculations

03

What's the growth rate of the number of visits at Eastern Dental in 2018-19?

of patients
in 2019

300 dental
providers



1.5k patients per
dental provider



450k patients

visits in
2019

450k patients



1.7 visits per year



765k visits

visits in
2018

400k patients



1.6 visits per year



640k visits

Growth rate in
2018-19

(765k-640k)



640k



20%

The number of visits increased
by 20% in 2018-19

Q3. Math exercise – contextualization of the answer

03

What's the growth rate of the number of visits at Eastern Dental in 2018-19?

**Basic comments
(expected from everyone)**

- In 2018-19 Eastern Dental experienced a 20% increase in the number of patient visits

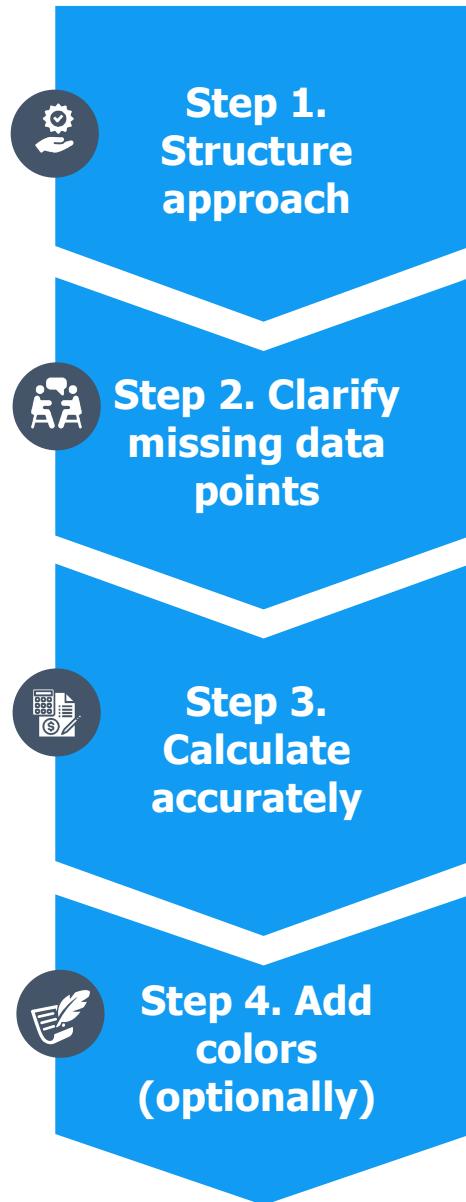


Advanced comments (for outstanding candidates)

- The partnership with Alfa Dental generates a lot of healthy business for Eastern Dental, which Alfa can leverage to renegotiate reimbursement rates with Eastern Dental and potentially reduce them
- Such skyrocketing growth of Eastern Dental might be causing cannibalization of other dental practices participating in Alfa's network which might affect the economics of Alfa given differences in reimbursement rates
- The significant increase in the average number of visits from 1.6 to 1.7 might indicate that patients covered by Alfa are likely in close proximity to Eastern Dental's offices or have more dental issues (e.g. more elderly population)

Note: The candidate is not expected to mention all the advanced comments, but adding some of them will demonstrate that the candidate can connect the dots, see the depth, add colors and bring some insights even if the candidate is not that familiar with the industry/topic

Q3. Make sure the candidate follows these steps



- Providing big-picture approach of how to calculate the answer might help the candidate gain more points and help the interviewer follow the candidate's thought process
- Often interviewers don't provide all the information
 - The candidate needs to proactively ask for missing pieces
- Ideally the candidate shouldn't make any mistakes
 - It is okay to ask for some time to run numbers and then walk the interviewer through the calculations (some interviewers though might push back and ask you to do your Math on the fly)
- The interviewers highly appreciate it when the candidate not only calculates the answer correctly, but also contextualizes it
 - See some advanced comments on the previous slide as example of the contextualization

Q4. Claim reduction initiatives

04

What are your thoughts around the potential client's actions to address such a skyrocketing number of claims?

Cool down marketing strategy

[Most marketing efforts are likely done by Eastern Dental, so reducing Alfa's marketing budgets might have fair impact but not considerable]

- Scale back marketing efforts to promote dental services or Eastern Dental in particular (e.g. fewer ads and promotions)

Increase pricing

[Adjustment in pricing is likely the most efficient strategy with direct and immediate impact]

- Renegotiate reimbursement rates with Eastern Dental
- Increase deductible
- Introduce / increase co-pay
- Decrease annual cap for dental services

Refocus distribution efforts

[Strong coverage is likely one of the major drivers for patient visits, so slowing down its growth rate might decelerate the visits growth. However, it'll affect the insurance premium collection too, thus a balanced approach might be required.]

- Deprioritize sales of insurance policies in the presence areas of Eastern Dental and focus on other regions in Arizona
- Adjust commissions for sales people to reflect the strategy mentioned above

Soften value proposition

[As long as it doesn't hurt Alfa's competitiveness materially, the client can consider adjusting its value proposition.]

- Reduce the coverage of dental services for Eastern Dental



Note: This is just one of many potential ways to brainstorm. Please treat this example only as a reference point and develop your own style. [The candidate is usually expected to generate at least 4 ideas. The best practice is 7-8 ideas, structured approach, and on-the-fly delivery without taking notes]

Q4. Make sure the candidate follows these steps



- 80% of interviewers feel comfortable when candidates take 30-40 seconds to think and write down their ideas before walking the interviewer through them
- The best practice is to ideate on-the-fly
- The best practice is to structure brainstorming and offer a 10-second top-down overview, e.g. "Sure, I'd like to think about potential client's action through the lens of four areas – marketing, pricing, distribution, and value proposition"
- Regular feedback from consulting firms is that candidates offer only three ideas which is a bit on the lower end
- Push the candidate to provide at least 4 ideas
- Top-5% of candidates can usually suggest 7-8 ideas
- To impress the interviewer, the candidates can contextualize some of their ideas
- Examples are given in [] brackets on the previous slide

Q5. Recommendation

05

During a team meeting the Partner asked you to synthesize what your current recommendations are.

Recommendation

"Based on the initial assessment, the root cause of declining profits is a rapidly growing number of patient visits driven both by higher visit frequency and expanding patient population. The client should consider adjusting pricing strategy to improve margins"



Reasoning

- "The client enjoys stronger negotiation power right now as they generated a lot of new business to Eastern Dental, which potentially will allow the client to get more attractive reimbursement rates"
- "Pricing changes are one of the most efficient strategies with immediate impact"
- "The client likely has limited opportunities to influence the number of visits"



Risks

"Pricing changes might be painful for the patient population, affect client's brand perception and decrease the number of visits. Eastern Dental might also consider switching to other payer"



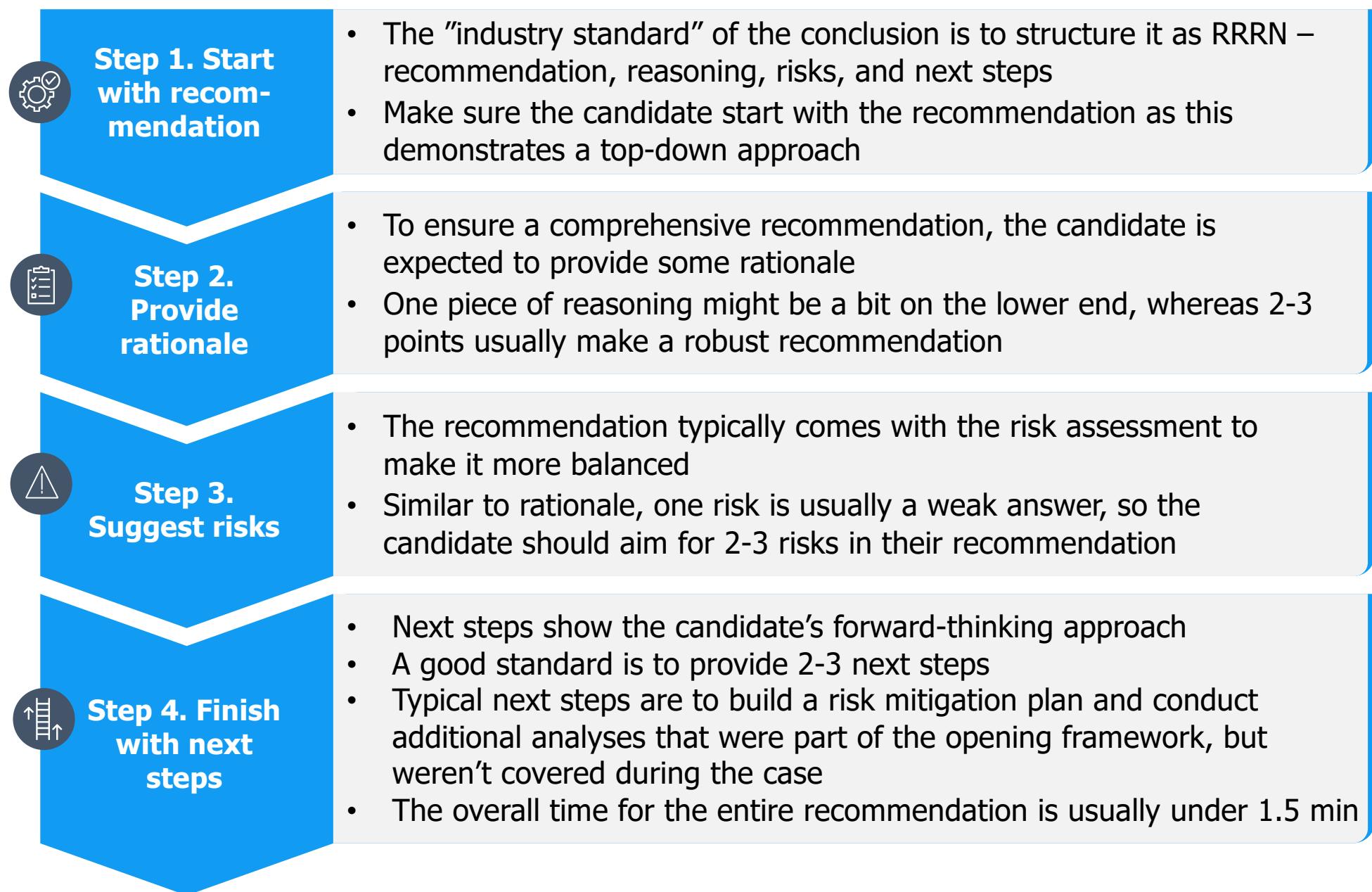
Next steps

"In order to design a more comprehensive plan of attack, I'd want to build a financial model to test different pricing scenarios, conduct benchmarking analysis with other insurance companies and build a risk mitigation plan"



Note: This is just one of many potential ways to make a recommendation. Please treat this example only as a reference point and develop your own style.

Q5. Make sure the candidate follows these steps

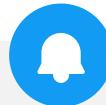


Case #6

Inspired by Bain Rainbow Apparel 2021



Case #6. Inspired by Bain. 2021. Rainbow Apparel



Prompt

- Rainbow Apparel, the high-quality children's clothing brand inspired by the beauty of global cultures, has invited your team to build a robust profitability improvement plan. During 2016-19 their profitability was slowly declining even though their product is superior to other brands and each season they offer unique apparel collection. It is early 2020 (before the pandemic).



Additional information

Please provide this information only upon request

- Rainbow Apparel offers three product lines: apparel, shoes and accessories
- Their target audience is children of ages 0-16
- Their products are available online, in 250 boutiques across the U.S. and exclusive Nordstrom locations
- They reached \$40M in sales in 2019
- Rainbow Apparel operates in the U.S. only
- The client didn't provide any specific profitability goal



Case type

- Profitability
- Easy level
- Candidate-led case
- Expected time is 15-20 minutes

Opening. Make sure the candidate follows these steps



Step 1. Restate the prompt

Typically the candidates are expected to restate the prompt to make sure they are on the same page with the interviewer



Step 2. Add colors (optionally)

Candidates can react to the prompt by providing some quick thoughts which will demonstrate candidates' business acumen, e.g.:

- "Great project! Thank you for having me. I'd imagine this is a fashion- and taste-driven space, so collection design would be crucial for high sales"
- "It seems like our client is in the high-end segment, which suggests the customers are price inelastic and ready to pay price premiums. That should ensure healthy margins however it isn't happening, so I'd be curious to dig into that"
- "Glad to hear their value proposition is superior to other players, which means the client invests a lot in R&D and production costs might be on the higher end"



Step 3. Ask 2-3 questions

It is common that candidates ask 2-3 clarifying questions before designing their framework. Typical questions include:

- Geography of client's operations/sales
- Financial goal
- Business model of the client



Step 4. Ask for a moment to structure

- Typically candidates ask for a couple of minutes to structure their approach
- Sometimes during interviewer-driven cases, the interviewers ask the first question and then the candidate takes time to build their framework

Case questions (this is a candidate-led case)

01

How would you structure your approach to find the solution to this problem?

02

What revenue growth opportunities should the client explore to increase their top-line (sales)?

03

The client is considering launching a new product line in their boutique chain – toys. Will this increase their profitability?

04

What other product lines would it make sense for Rainbow Apparel to consider expanding to?

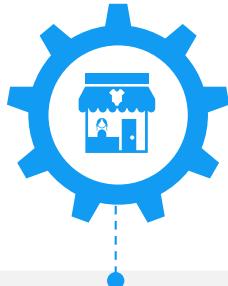
Appendix 1.

Tips for candidate-led cases

- Try to minimize hand-holding. Try to let the candidate ask questions
- If the candidate isn't on the right track and seems lost, try to give a hint or ask a question from the previous slide
- Feel free to manage the conversation to hit all the questions from the previous slide, e.g.:
 - "That's a great question! What do you think?"
 - "Sure. Before we dig into that, what are your thoughts on ... [the question from the list]?"
 - "Yeah, that makes sense. The manager just walked in and they would like us to look into... [the question from the list]"
 - "Sure, we'll explore it. Before that, let me share some data from our analyst/client that we've just received and... [ask a Math question]"
- When the case time is running out, prompt the candidate to provide recommendation (see question 5)

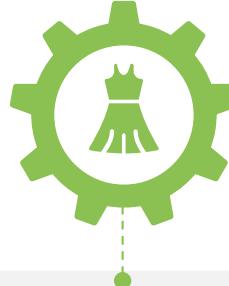


Q1. How would you structure your approach to find the solution to this problem?



High-end kid's apparel market

- Growth rate of the market
- Top brands (incl. market shares, positioning, channels)
- Typical margins among players



Rainbow Apparel

- Main product lines (e.g. jeans, formal, athletic)
- Customer segments (e.g. age, boys/girls)
- Marketing strategy
- Distribution channels



Company's profitability

- Revenue level and growth rate
- Cost structure:
 - Fixed costs
 - Variable costs



Profit growth areas

- Sales growth opportunities
- Cost reduction areas

Note: This is just one of many potential ways to structure your approach. Please treat this example only as a reference point and develop your own style.

Q1. Make sure the candidate follows these steps



Step 1. Do horizontal presentation

The best practice is to start with a 15-second big-picture overview, e.g. "I'd like to assess this problem through the lens of four areas – first, ...; secondly, ...; thirdly, ...; and finally ..."



Step 2. Hit key points

Check if the candidate covers all key points typical for a profitability case structure:

Profitability analysis

- Revenue analysis
- Cost structure

Business model

- Client segments
- Product portfolio

External factors

- Growth rate
- Competition
- Typical margin



Step 3. Add stories (optionally)

To avoid cookie-cutter/generic approach, the candidates can incorporate 2-3 stories into their structure presentation, e.g.:

- "As this is a mature market, its growth rate is likely low. Also, given shrinking children population in the U.S. due to later marriage age and more children-free families, the growth rate in this segment might be even negative"
- "I'd imagine the competitive landscape is quite fragmented as this is a differentiated market with a lot of different concepts, styles and designs"
- "Product quality and brand loyalty are likely among key purchasing decision making criteria for premium customers, so marketing should be crucial"



Step 4. Finish with a question

At the end of the structure presentation, it is helpful for candidate to show that they can drive team forward and prioritize, e.g. "Does this come across as a reasonable framework? If so, I'd like to start by looking into the market first. Do we have... ?"

Q2. Revenue growth ideas

02

What revenue growth opportunities should the client explore to increase their top-line (sales)?

Upgrade marketing strategy

[Brand loyalty is usually crucial to be a success in premium segments, so active marketing strategy might help the client push their sales up.]

- Invest in aggressive marketing campaigns and promotions
- Launch loyalty card for regular customers
- Start co-marketing activities with other high-end children's brand (e.g. children food, kids entertainment)



Change pricing

[Typically, high-end customers aren't that price-sensitive and are ready to pay price premiums. So, the client might have a lot of price flexibility to increase revenue]

- Adjust pricing levels to match WTP (willingness-to-pay)
- Do micro-pricing by adjusting prices of a specific location to bake in its area's price-sensitivity
- Bundle apparel and shoes (e.g. sell "looks")



Increase efficiency of distribution

[Wider and more efficient access to the clients might have direct impact on the client's sales.]

- Expand network of own-branded boutiques
- Develop more partnerships with premium department stores
- Design a smartphone app to enable regular customers do mobile purchases
- Invest in their online store and increase its efficiency and conversion rates
- Expand to new regions/countries



Improve and expand value proposition

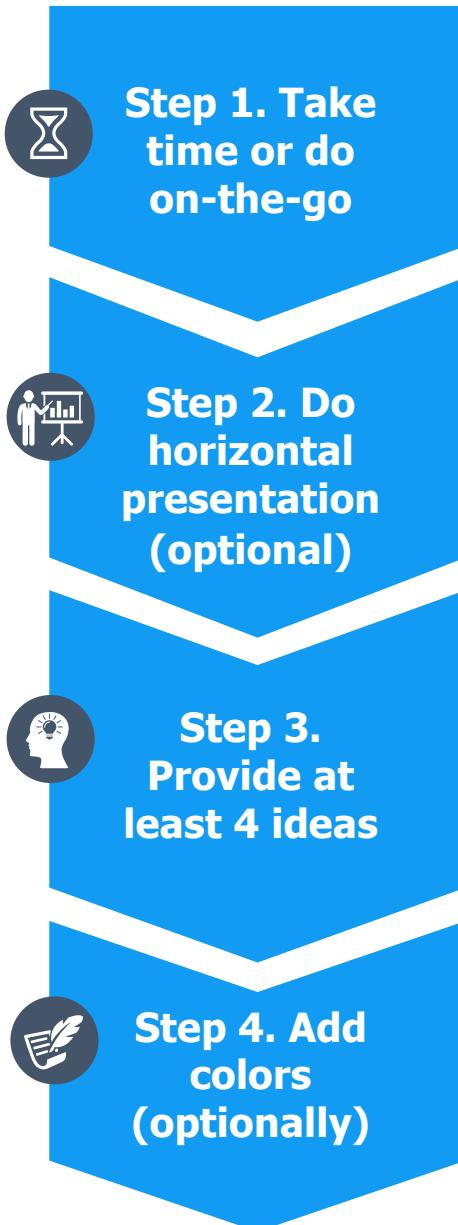
[High-quality customer experience is likely an industry standard for premium segments and might ensure recurring demand]

- Improve in-store customer experience (e.g. friendly staff, intuitive lay-outs)
- Expand size of boutiques where possible (if capacity is a bottleneck to grow sales)
- Expand working hours of boutiques (consider working on weekends)
- Address pain points (if any) (e.g. long lines)
- Add new product lines and/or adjacent products
- Consider creating a luxury collection or affordable luxury collection



Note: This is just one of many potential ways to brainstorm. Please treat this example only as a reference point and develop your own style. [The candidate is usually expected to generate at least 4 ideas. The best practice is 7-8 ideas, structured approach, and on-the-fly delivery without taking notes]

Q2. Make sure the candidate follows these steps



- 80% of interviewers feel comfortable when candidates take 30-40 seconds to think and write down their ideas before walking the interviewer through them
- The best practice is to ideate on-the-fly
- The best practice is to structure brainstorming and offer a 10-second top-down overview, e.g. "Sure, I'd like to think about four types of revenue growth ideas - first, improving marketing; secondly, optimizing pricing strategy; thirdly, strengthening distribution channels; and finally ensuring strong value proposition"
- Regular feedback from consulting firms is that candidates offer only three ideas which is a bit on the lower end
- Push the candidate to provide at least 4 ideas
- Top-5% of candidates can usually suggest 7-8 ideas
- To impress the interviewer, the candidates can contextualize some of their ideas
- Examples are given in [] brackets on the previous slide

Q3. Math exercise – prompt

03

The client is considering launching a new product line in their boutique chain – toys. Will this increase their profitability?



**Please share with the candidate
the following information**

- Appendix 1

**Please provide this additional
information only upon request**

- The total sales were \$40M in 2019
- Toys are forecast to generate \$4M in annual revenue and \$1.2M in profits

Q3. Math exercise – calculations

03

The client is considering launching a new product line in their boutique chain – toys. Will this increase their profitability?



Profits from apparel

$$\$40M \times 60\% \times 25\% = \$6M$$

Profits from shoes

$$\$40M \times 30\% \times 30\% = \$3.6M$$

Profits from accessories

$$\$40M \times 10\% \times 50\% = \$2M$$

Overall profitability

$$\$6M + \$3.6M + \$2M \div \$40M \approx 30\%$$

Toys profitability

$$\$1.2M \div \$4M = 30\%$$

The profitability will stay
the same – at 30%

Q3. Math exercise – contextualization of the answer

03

The client is considering launching a new product line in their boutique chain – toys. Will this increase their profitability?

**Basic comments
(expected from everyone)**



- Toys will help the client increase their revenue by \$4M but the profitability will stay the same – at 30%



Such high double-digit profit margins make sense as we're in the high-end space where companies typically charge high prices for high-quality products

Advanced comments (for outstanding candidates)

- Accessories are likely used to cross-sell customers, so no wonder they constitute small portion of business
- We'll probably need to sacrifice some shelves and space dedicated currently to apparel and shoes to offer toys in the boutique chain, thus toys might cannibalize the sales from the core business
- Toys sales might be limited as Rainbow Apparel's brand enjoys strong association with clothing, not toys, but they might be an attractive cross-selling opportunity and the client might consider increasing prices for toys as typically customers are price inelastic to add-ons

Note: The candidate is not expected to mention all the advanced comments, but adding some of them will demonstrate that the candidate can connect the dots, see the depth, add colors and bring some insights even if the candidate is not that familiar with the industry/topic

Q3. Make sure the candidate follows these steps



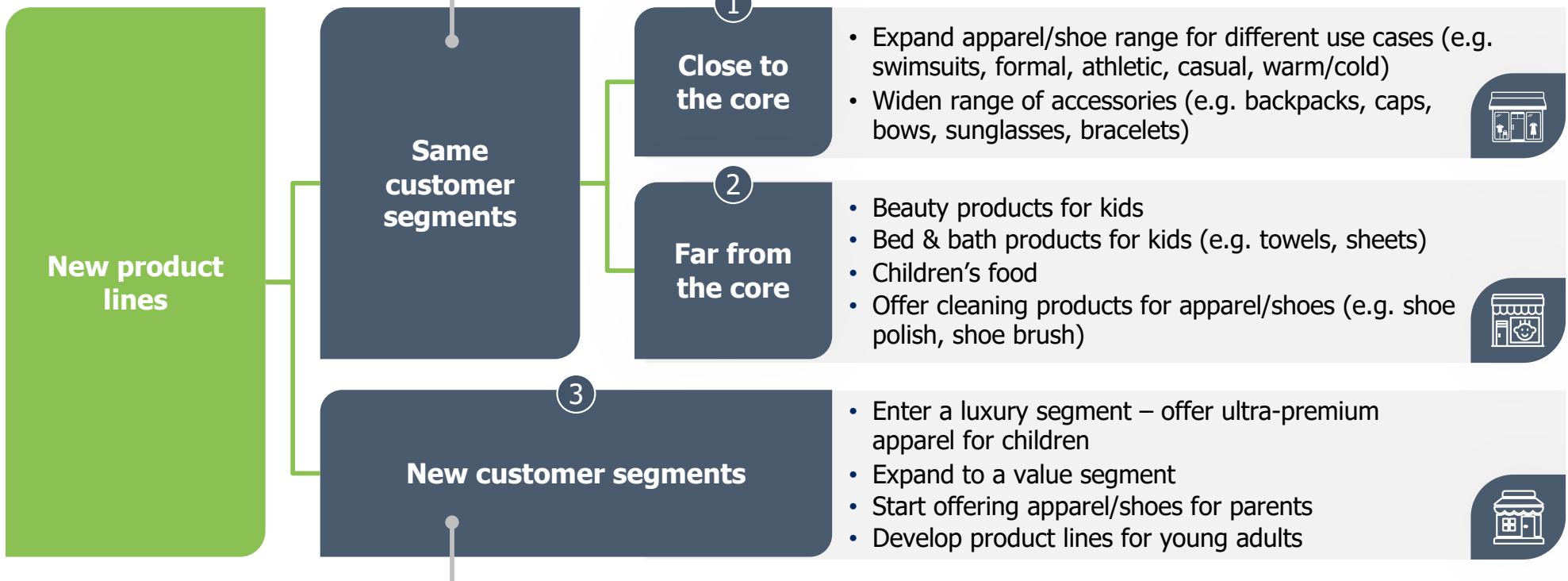
- Providing big-picture approach of how to calculate the answer might help the candidate gain more points and help the interviewer follow the candidate's thought process
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 - The candidate needs to proactively ask for missing pieces
- Ideally the candidate shouldn't make any mistakes
 - It is okay to ask for some time to run numbers and then walk the interviewer through the calculations (some interviewers though might push back and ask you to do your Math on the fly)
- The interviewers highly appreciate it when the candidate not only calculates the answer correctly, but also contextualizes it
 - See some advanced comments on the previous slide as example of the contextualization

Q4. Product innovation ideas

04

What other product lines would it make sense for Rainbow Apparel to consider expanding to?

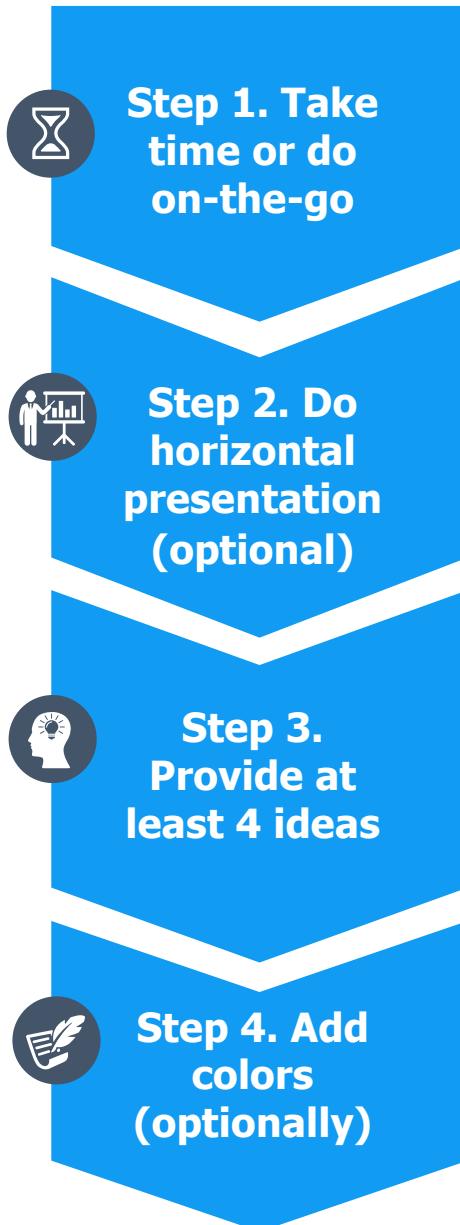
[Doesn't require high customer acquisition costs as these services target existing passengers]



[The riskiest category as we'll need to invest in R&D and enter unknown territory – target a new client group with a new product]

Note: This is just one of many potential ways to brainstorm. Please treat this example only as a reference point and develop your own style. [The candidate is usually expected to generate at least 4 ideas. The best practice is 7-8 ideas, structured approach, and on-the-fly delivery without taking notes]

Q4. Make sure the candidate follows these steps



- 80% of interviewers feel comfortable when candidates take 30-40 seconds to think and write down their ideas before walking the interviewer through them
- The best practice is to ideate on-the-fly
- The best practice is to structure brainstorming and offer a 10-second top-down overview, e.g. "Interesting. I'd think about new product lines, first, for our core segment – children – and secondly, for other customer groups"
- Regular feedback from consulting firms is that candidates offer only three ideas which is a bit on the lower end
- Push the candidate to provide at least 4 ideas
- Top-5% of candidates can usually suggest 7-8 ideas
- To impress the interviewer, the candidates can contextualize some of their ideas
- Examples are given in [] brackets on the previous slide

Q5. Recommendation

05

You're in the client's meeting and they would like to know your preliminary recommendations.

Recommendation

"Based on our initial analysis, the client should consider expanding its product portfolio with high-margin offerings to address more needs of their core segment – children"



Reasoning

- "First, high-margin products like accessories (e.g. backpack, caps) will boost profitability"
- "Secondly, it's not too far from the client's core, so launch of new products shouldn't be capex-heavy and substantially increase operational complexity"
- "Thirdly, targeting the existing customer segment will strengthen the brand and should require excessive marketing budgets"



Risks

"However, we should consider and evaluate risks like potential competitive response, product-market mismatch and lack of funding"



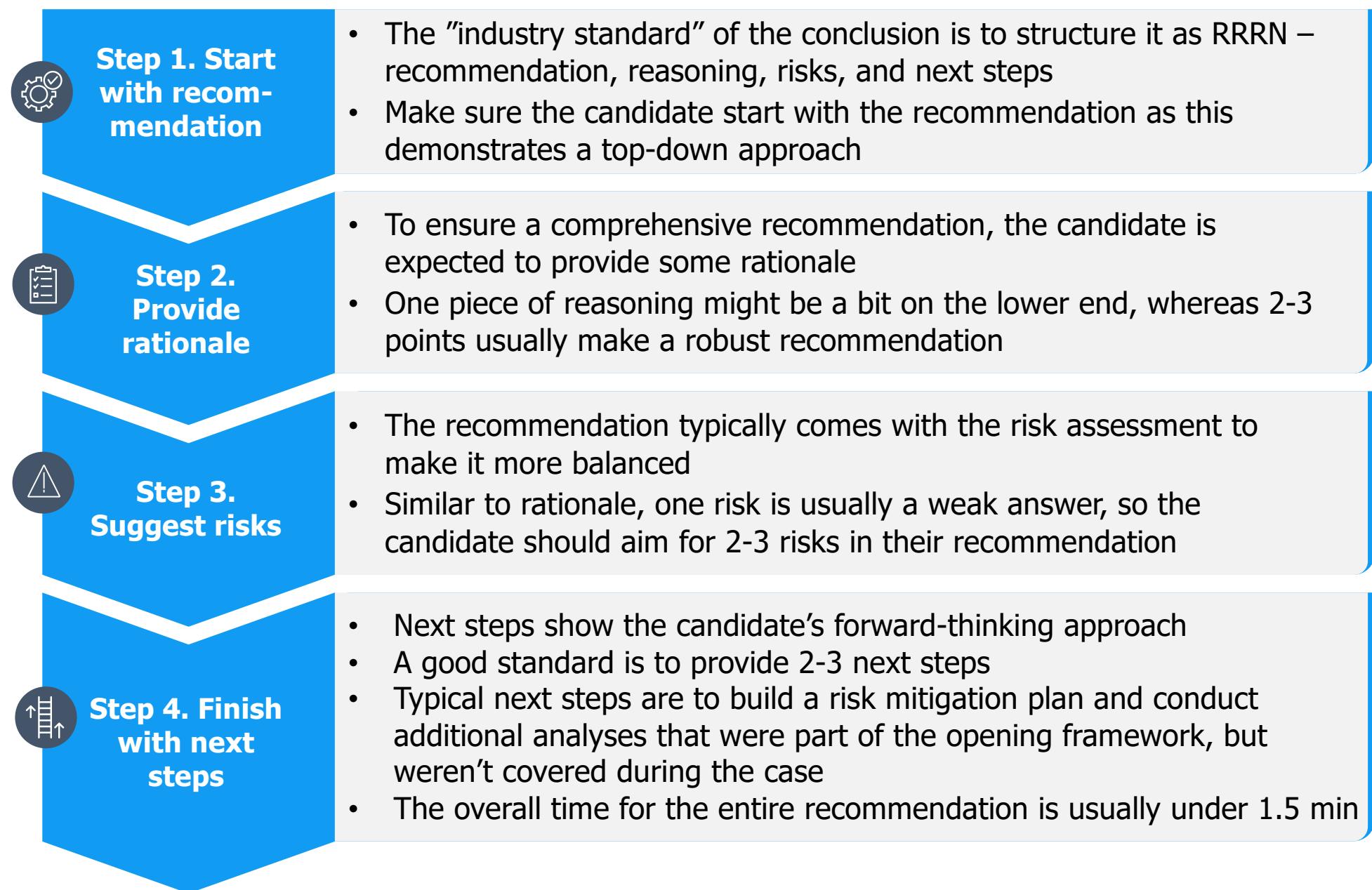
Next steps

"To move from here I'd suggest to create a risk mitigation plan and conduct a deep-dive assessment of the attractiveness of each potential high-margin option to expand to"



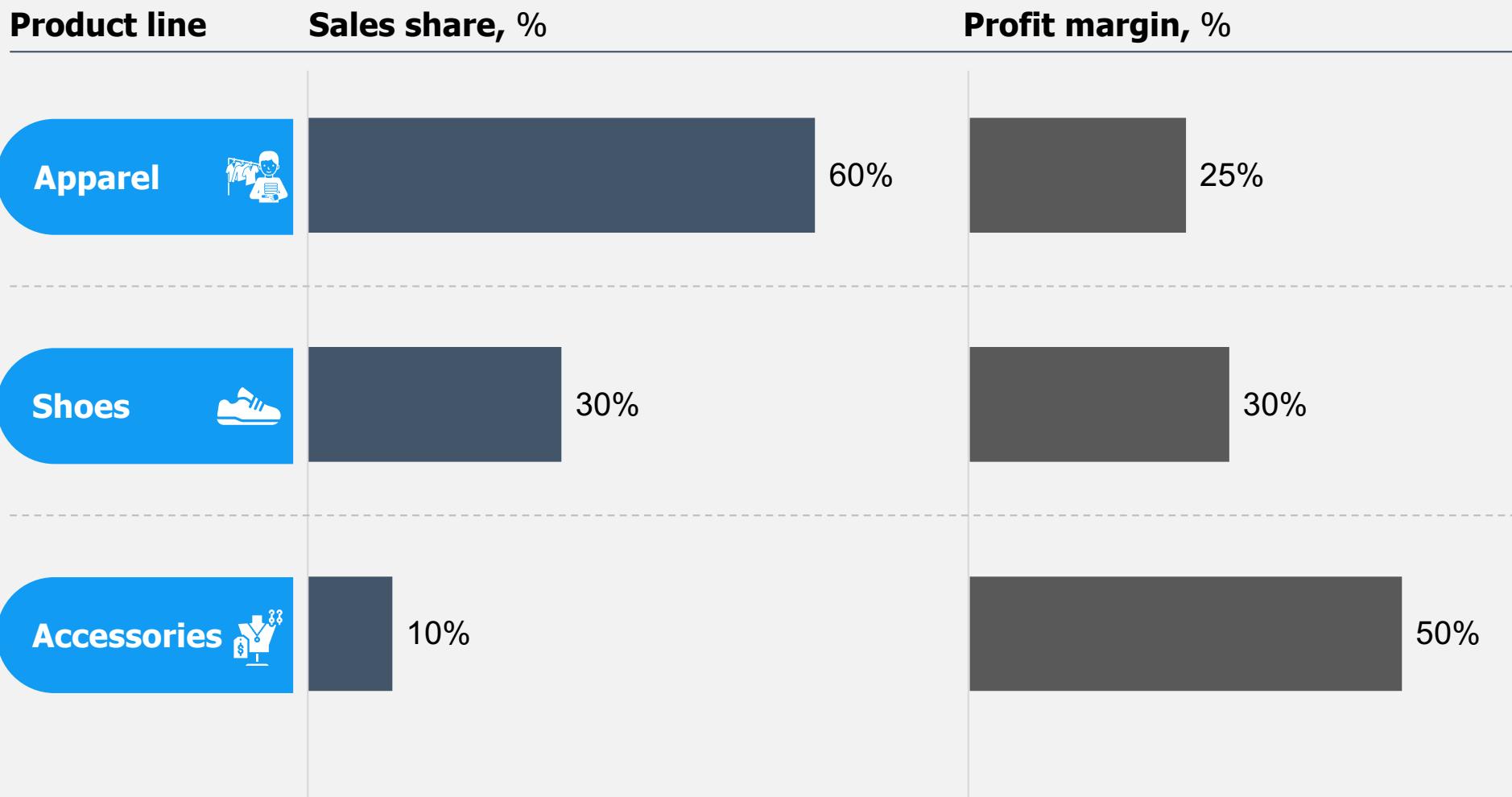
Note: This is just one of many potential ways to make a recommendation. Please treat this example only as a reference point and develop your own style.

Q5. Make sure the candidate follows these steps



Appendix 1. Rainbow Apparel financial metrics

Rainbow Apparel financial metrics, 2019





More at
Peter-K.org

Case #7

McKinsey
& Company

**Inspired by McKinsey
North Sun
2021**

Case #7. Inspired by McKinsey. 2021. North Sun



Prompt

- North Sun, a Japanese leading manufacturer of electric passenger vehicles, has been struggling with a low market share in the B2B segment. North Sun enjoys strong positions in the B2C space, both domestically and in the international market. However, North Sun's sales to small and medium size businesses continue staying far below expectations. The CEO has invited you to help them out.



Additional information

Please provide this information only upon request

- North Sun accounts for 65% of all Japanese battery-electric vehicles sold
- Japanese cars capture 5% of pure electric vehicles sold worldwide
- The e-vehicle global market size is projected to grow from 4M units in 2021 to 35M units by 2030 (27% CAGR)
- Rental car firms, corporations and government agencies (e.g. police) are among major B2B client groups for electric cars
- North Sun's model range of electric vehicles includes only passenger cars (not buses or trucks)
- There is no specific revenue goal



Case type

- Revenue growth
- Medium level
- Interviewer-driven case
- Expected time is 15-20 minutes

Opening. Make sure the candidate follows these steps



Step 1. Restate the prompt

Typically the candidates are expected to restate the prompt to make sure they are on the same page with the interviewer



Step 2. Add colors (optionally)

Candidates can react to the prompt by providing some quick thoughts which will demonstrate candidates' business acumen, e.g.:

- "Electric car market is a fairly new space that is likely enjoying an explosive growth, so car producers should invest a lot in marketing to keep up with the growth"
- "Corporate sales typically require long sales cycles and might be challenging in case of limited networks of chargers and service stations. However, given North Sun's current success in B2C, I'd think they have built wide networks already"
- "I'd imagine electric vehicle business is capex-heavy and thus volume-driven; so no wonder the client is so concerned about their sales and low market share"



Step 3. Ask 2-3 questions

It is common that candidates ask 2-3 clarifying questions before designing their framework. Typical questions include:

- Geography of client's operations/sales
- Financial goal
- Business model of the client



Step 4. Ask for a moment to structure

- Typically candidates ask for a couple of minutes to structure their approach
- Sometimes during interviewer-driven cases, the interviewers ask the first question and then the candidate takes time to build their framework

Case questions (this is an interviewer-driven case)

01

What do you need to think about to build recommendations for the client?

02

What are your thoughts on the reasons behind the client's low market share in the B2B segment?

03

Based on the initial analysis the conversion rate from prospects to test-drives (from stage 2 to stage 3 - see Appendix) is far below industry average. What ideas can you suggest to increase it?

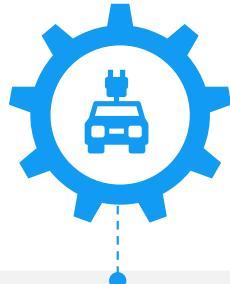
04

The company plans to launch a 1-day marketing event for 1k of its qualified prospects to convert some of them to stage 3 – test drive (see Appendix 1). How many prospects do they need to convert for this event to break-even?



Appendix 1.

Q1. What do you need to think about to build recommendations for the client?



Global B2B e-car market

- Growth rate
- Top e-car brands with their market shares in B2B
- Recent market trends (e.g. government policies to electricity car fleets)



North Sun

- Target corporate client groups
- Key differentiation points of e-car models
- Sales force and other distribution channels



Revenue analysis

- Current level, growth rate and market share
- Break-down by region and model
- Pricing strategy



Market share growth strategies

- Marketing strategy
- Distribution channels
- Pricing strategy
- Client journey and value proposition

Note: This is just one of many potential ways to structure your approach. Please treat this example only as a reference point and develop your own style.

Q1. Make sure the candidate follows these steps



Step 1. Do horizontal presentation

The best practice is to start with a 15-second big-picture overview, e.g. "I'd like to assess this problem through the lens of four areas – first, ...; secondly, ...; thirdly, ...; and finally ..."



Step 2. Hit key points

Check if the candidate covers all key points typical for a revenue growth case structure:

Revenue analysis

- Revenue analysis

Business model

- Client segments
- Product portfolio

External factors

- Growth rate
- Competition



Step 3. Add stories (optionally)

To avoid cookie-cutter/generic approach, the candidates can incorporate 2-3 stories into their structure presentation, e.g.:

- "The space should be exponentially growing given strengthening demand for zero-emission commuting, governments supporting electric vehicles through subsidies and tax rebates and rapidly increasing customer awareness"
- "Rapidly expanding market likely attracts lots of newcomers, and competitive pressure is on the rise which makes our client's task even more challenging"
- "Key success factor in B2B sales is usually a high-quality salesforce that is well trained and incentivized, so I'd like to double-click on it later"



Step 4. Finish with a question

At the end of the structure presentation, it is helpful for candidate to show that they can drive team forward and prioritize, e.g. "If this approach makes sense, I'd like to explore financials first. Do we have any revenue data?"

Q2. Reasons of low market share

02

What are your thoughts on the reasons behind the client's low market share in the B2B segment?

Poor marketing strategy

[Given a wide variety of e-vehicles nowadays, the market might become more and more commoditized, and marketing might be key to differentiate.]

- Low brand awareness among corporate clients (e.g. rental car companies, corporations, government agencies)
- Limited marketing budgets allocated to B2B events, ads and promotions
- Lack of focus in marketing messages on needs and pain points of the corporate clients
- PR issues in the past (e.g. high accident rate)



Inadequate pricing

[B2B clients usually demand volume discounts and do proper benchmarking analysis to put a car producer under high price pressure.]

- Too high base prices
- Uncompetitive discount policy
- Inflexible payment terms
- Too high total cost of ownership (e.g. maintenance, insurance)
- Less-than-average useful life of a car



Low efficiency of distribution

[Corporate sales are usually relationship-based and are driven by salesforce which identifies and develops leads.]

- Low quality salesforce due to weak selection process and poor training system
- Rare sales team result assessments
- Discouraging incentives (e.g. low sales commission) for salesforce and dealerships
- Limited network of car dealerships
- Undeveloped online channel (vs strong at Tesla)



Sub-optimal value proposition

[With high R&D investment and constantly upgrading technology of electric vehicles, it's easy to be left behind with an inferior product]

Product issues

- Lack of features in the base model of e-car
- Limited range
- Long charging times

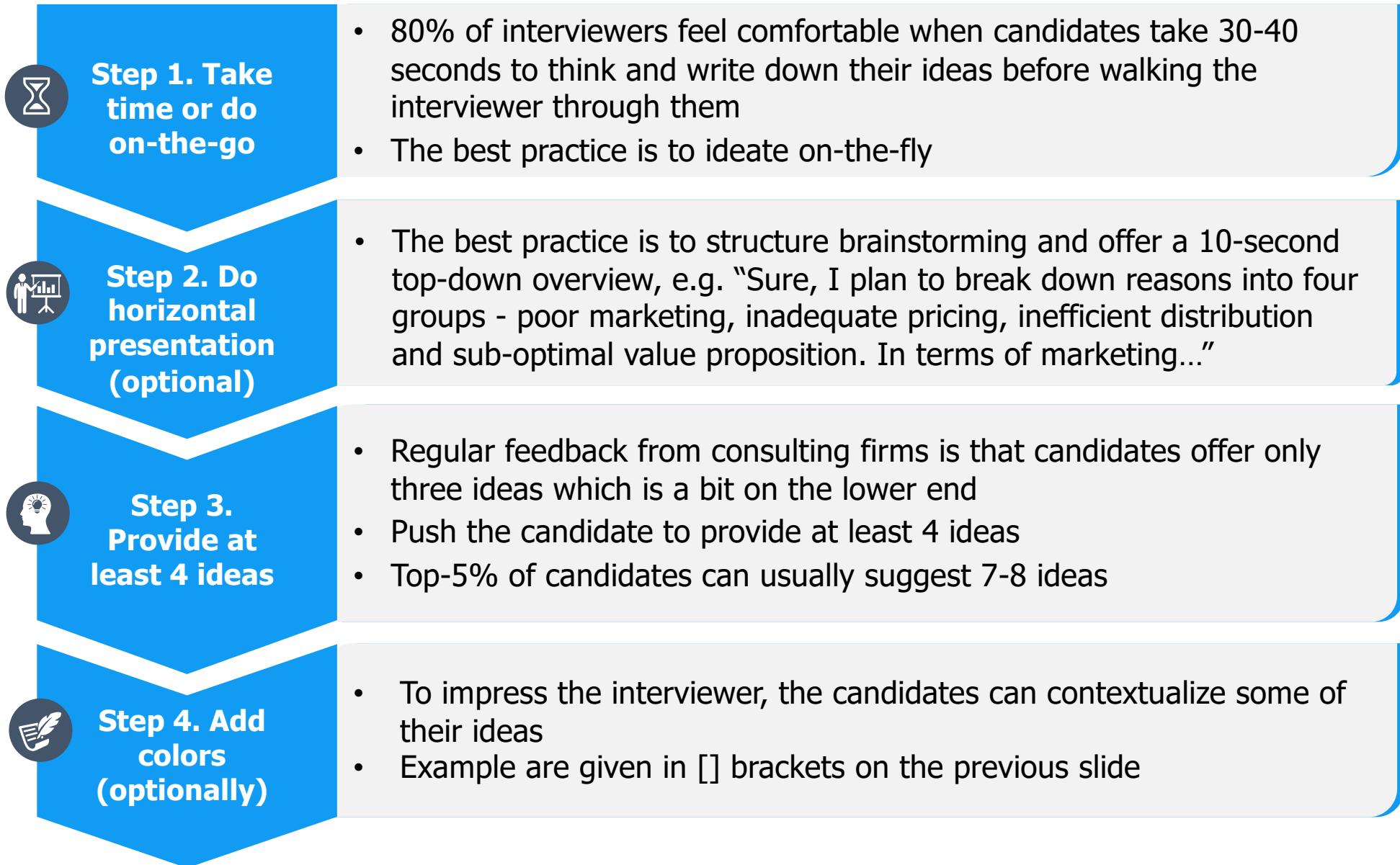
Service issues

- Low-quality of service
- Limited network of service centers and lack of spare parts
- Lack of mechanics to hire for in-house e-car maintenance



Note: This is just one of many potential ways to brainstorm. Please treat this example only as a reference point and develop your own style. [The candidate is usually expected to generate at least 4 ideas. The best practice is 7-8 ideas, structured approach, and on-the-fly delivery without taking notes]

Q2. Make sure the candidate follows these steps



Q3. Revenue growth ideas

03

Based on the initial analysis the conversion rate from prospects to test-drives (from stage 2 to stage 3 - see Appendix) is far below industry average. What ideas can you suggest to increase it?

Strengthen marketing strategy

[Typically, the more touch points (e.g. events, printed media, ads) the prospects have with the company, the higher chance of closing a contract.]

- Organize more marketing events for qualified prospects (e.g. parties, showroom events, invite-only dinners)
- Connect current clients with qualified prospects to ask about their experiences
- Attend an industry conference that material portion of qualified prospects will participate in



Optimize pricing

[The price-sensitivity of different stakeholders (e.g. fleet manager, CFO, COO) might vary, so the client should educate prospects on created value to justify pricing and be flexible to accommodate different perspectives on prices.]

- Be more flexible in payment terms and pricing with qualified prospects
- Show the full cost of ownership and provide benchmarking data vs major competitors



Increase efficiency of distribution

[To convert prospects into test-drives, salesforce should keep prospects engaged and address individual concerns.]

Salesforce

- Select stricter, train better, incentivize more generously, assess more often, ensure healthy culture
- Identify major prospects' objections and design a playbook to address those

Work with prospects

- Reactivate old qualified prospects
- Ensure follow-ups and reminders with prospects
- Use news and recent developments to reach out



Improve value proposition

[The decision to do a test-drive should be as easy as possible and hesitations about the product quality and value should be addressed.]

Electric car

- Analyze the needs and pain points of specific qualified leads and adjust sales pitch

Test-drive

- Ensure more flexible timing (incl. weekends and late evenings)
- Offer more flexible place (e.g. bring test-drive to their office)



Note: This is just one of many potential ways to brainstorm. Please treat this example only as a reference point and develop your own style. [The candidate is usually expected to generate at least 4 ideas. The best practice is 7-8 ideas, structured approach, and on-the-fly delivery without taking notes]

Q3. Make sure the candidate follows these steps



- 80% of interviewers feel comfortable when candidates take 30-40 seconds to think and write down their ideas before walking the interviewer through them
- The best practice is to ideate on-the-fly
- The best practice is to structure brainstorming and offer a 10-second top-down overview, e.g. "Great question! I'd like to think about some ways to convert prospects into test-drives based on four categories - marketing, pricing, distribution and value proposition..."
- Regular feedback from consulting firms is that candidates offer only three ideas which is a bit on the lower end
- Push the candidate to provide at least 4 ideas
- Top-5% of candidates can usually suggest 7-8 ideas
- To impress the interviewer, the candidates can contextualize some of their ideas
- Examples are given in [] brackets on the previous slide

Q4. Math exercise – prompt

04

The company plans to launch a 1-day marketing event for 1k of its qualified prospects to convert some of them to stage 3 – test drive (see Appendix 1). How many prospects do they need to convert for this event to break-even?



Please share with the candidate
the following information

- Appendix 1

Please provide this additional
information only upon request

- Total costs of the marketing event are \$1M
- Typical contract
 - Fleet size is 40 e-cars
 - Price per car is \$35,000
- Average margin per car is 5%
- Average conversion rate from stage 3 (test-drive) to stage 4 (conclude contract) is 20%
- Based on team's estimates 30 prospects will convert to test-drive even without this marketing event

Q4. Math exercise – calculations

04

The company plans to launch a 1-day marketing event for 1k of its qualified prospects to convert some of them to stage 3 – test drive (see Appendix 1). How many prospects do they need to convert for this event to break-even?

Profit per average contract

40 cars



\$35,000 per car



5% margin



\$70,000 per contract

prospects at stage 4 to break-even

\$1M



\$70,000 per contract

14 prospects

prospects at stage 3 to break-even

14 prospects



20% [conversion rate]



70 prospects

Total break-even # prospects at stage 3

70 prospects



30 prospects



100 prospects

The client will need to convert 100 prospects into test-drives to break-even on the event

Q4. Math exercise – contextualization of the answer

04

The company plans to launch a 1-day marketing event for 1k of its qualified prospects to convert some of them to stage 3 – test drive (see Appendix 1). How many prospects do they need to convert for this event to break-even?

Basic comments (expected from everyone)



- To make the event break-even, the client needs to convert 100 prospects into test-drives

Advanced comments (for outstanding candidates)



- 10% conversion rate (100 out of 1k participants) seems reasonable
- Currently salesforce converts only 3% of the qualified prospects (30 out of 1k) which might be a bit on the lower end and suggest that the client should strengthen its salesforce through more rigorous selection, advanced training and/or more generous incentives
- The event will promote the brand of the client and assuming high-quality participant experience might improve the conversion rate from stage 3 (test-drive) to stage 4 (contract conclusion)
- The client enjoys a fairly low margin of 5% which makes sense as this is a rapidly growing market and they need to sacrifice profits to propel sales

Note: The candidate is not expected to mention all the advanced comments, but adding some of them will demonstrate that the candidate can connect the dots, see the depth, add colors and bring some insights even if the candidate is not that familiar with the industry/topic

Q4. Make sure the candidate follows these steps



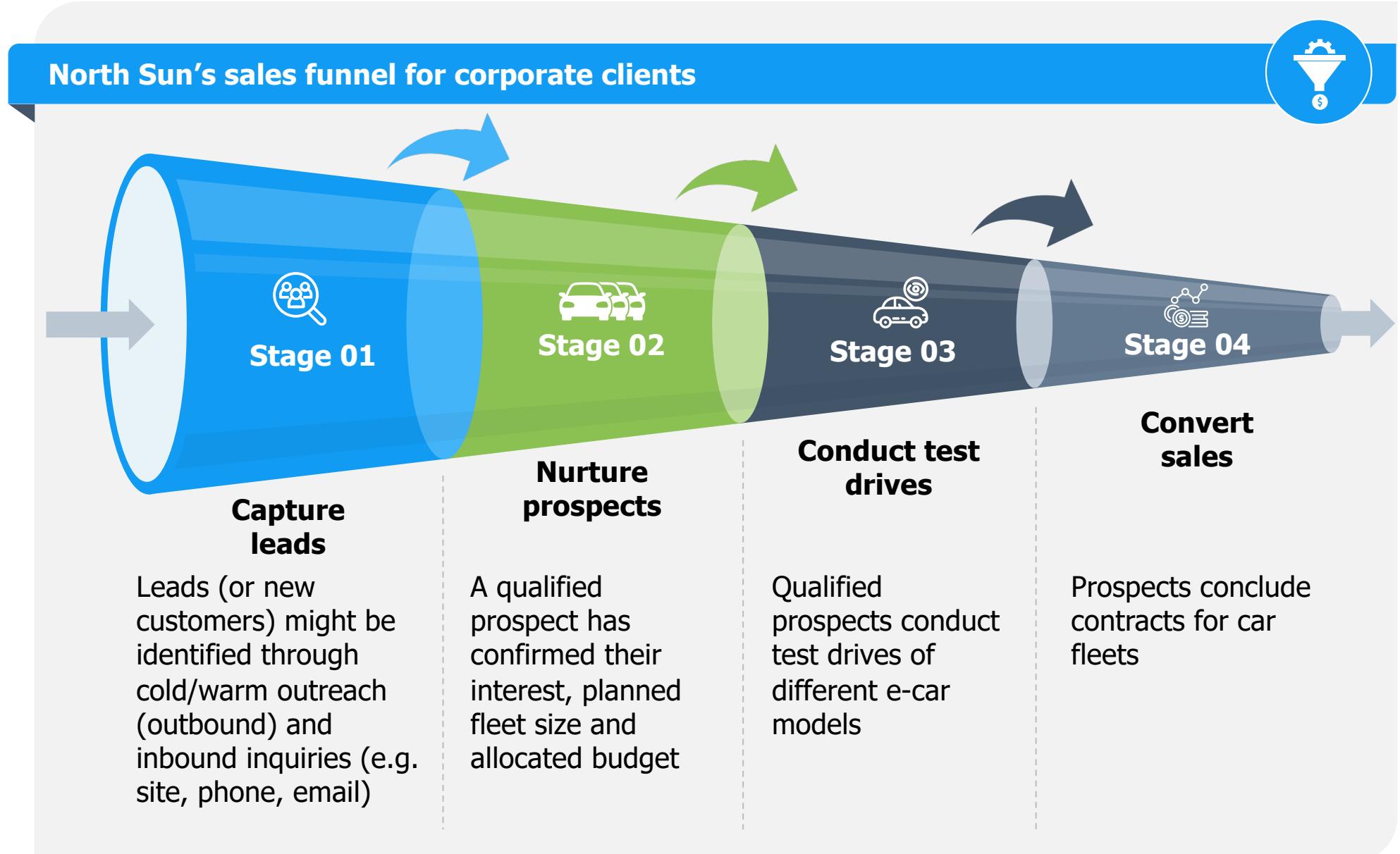
- Providing big-picture approach of how to calculate the answer might help the candidate gain more points and help the interviewer follow the candidate's thought process
- Often interviewers don't provide all the information
 - The candidate needs to proactively ask for missing pieces
- Ideally the candidate shouldn't make any mistakes
 - It is okay to ask for some time to run numbers and then walk the interviewer through the calculations (some interviewers though might push back and ask you to do your Math on the fly)
- The interviewers highly appreciate it when the candidate not only calculates the answer correctly, but also contextualizes it
 - See some advanced comments on the previous slide as example of the contextualization

Recommendation

**McKinsey
typically doesn't
require
recommendation
for their cases**



Appendix 1. North Sun's sales funnel for corporate clients



Case #8



Inspired by BCG
AgriCo
2021

Case #8. Inspired by BCG. 2021. AgriCo



Prompt

- Your client is a U.S.-based agricultural machinery manufacturer that was established in early 1990s and is a well-known and respected brand. The farm tractors represent one of the major product lines they offer. In 2020 their U.S. sales of tractors dropped by 15%. They reached out to you to get your advice on how they can reverse this trend and boost the sales of farm tractors.



Additional information

Please provide this information only upon request

- The U.S. covid-19 aid package for U.S. farmers, along with the rise in agriculture product prices, as well as an extended fleet age, all contributed to sky-rocketing growth of farm tractor market in 2020
- The farm tractor space is fairly fragmented with top-5 manufacturers controlling 30-40% of the market
- The client's U.S. sales of tractors fell to \$0.7B in 2020
- The client offers three types of tractors: compact tractors (under 40 horsepower (HP)), utility tractors (40-100 HP), and high horsepower tractors (100+ HP)
- The client didn't provide any revenue goals



Case type

- Revenue growth
- Medium level
- Candidate-led case
- Expected time is 15-20 minutes

Opening. Make sure the candidate follows these steps



Step 1. Restate the prompt

Typically the candidates are expected to restate the prompt to make sure they are on the same page with the interviewer



Step 2. Add colors (optionally)

Candidates can react to the prompt by providing some quick thoughts which will demonstrate candidates' business acumen, e.g.:

- "It seems no surprise that our client is facing shrinking sales as the pandemic-induced closure of restaurant industry and disruption of the supply chains in 2020 caused turbulences in the agriculture market"
- "Purchasing tractors are capex-heavy decisions, and in 2020 farmers faced poor financial situation and high ambiguity of future demand, so no wonder they might have scaled back their fleet expansion plans"
- "B2B contracts likely require long sales cycles and our sales growth strategy might take time to demonstrate the results"



Step 3. Ask 2-3 questions

It is common that candidates ask 2-3 clarifying questions before designing their framework. Typical questions include:

- Geography of client's operations/sales
- Financial goal
- Business model of the client



Step 4. Ask for a moment to structure

- Typically candidates ask for a couple of minutes to structure their approach
- Sometimes during interviewer-driven cases, the interviewers ask the first question and then the candidate takes time to build their framework

Case questions (this is a candidate-led case)

01

How would you structure your plan to analyse this problem and provide recommendations?

02

In 2020 the U.S. market for farm tractors actually jumped by 18% (see Appendix 1). Despite that the client lost 15% of their sales. What might be the reasons behind it?

03

What criteria do farmers likely use to decide on purchasing a tractor?

04

The client is considering decreasing the prices for compact tractors by 5% to boost sales. How many tractors do they need to sell to break-even on this initiative?



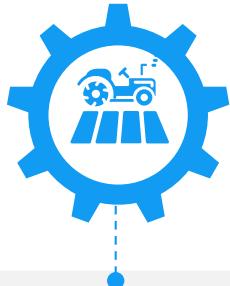
Appendix 1.

Tips for candidate-led cases

- Try to minimize hand-holding. Try to let the candidate ask questions
- If the candidate isn't on the right track and seems lost, try to give a hint or ask a question from the previous slide
- Feel free to manage the conversation to hit all the questions from the previous slide, e.g.:
 - "That's a great question! What do you think?"
 - "Sure. Before we dig into that, what are your thoughts on ... [the question from the list]?"
 - "Yeah, that makes sense. The manager just walked in and they would like us to look into... [the question from the list]"
 - "Sure, we'll explore it. Before that, let me share some data from our analyst/client that we've just received and... [ask a Math question]"
- When the case time is running out, prompt the candidate to provide recommendation (see question 5)



Q1. How would you structure your plan to analyse this problem and provide recommendations?



Farm tractor market in the U.S.

- Growth rate
- Major tractor manufacturers (e.g. market share, positioning, product lines)
- Recent trends



AgriCo

- Types of farm tractors
- Key differentiation points
- Target client groups
- Salesforce (e.g. composition, KPIs, incentives)



Revenue analysis

- Current revenue and historical data
- Break-down by tractor type, client group and region
- Pricing strategy



Revenue growth areas

- Strengthen marketing
- Adjust pricing
- Increase efficiency of distribution/salesforce
- Improve value proposition

Note: This is just one of many potential ways to structure your approach. Please treat this example only as a reference point and develop your own style.

Q1. Make sure the candidate follows these steps



Step 1. Do horizontal presentation

The best practice is to start with a 15-second big-picture overview, e.g. "I'd like to assess this problem through the lens of four areas – first, ...; secondly, ...; thirdly, ...; and finally ..."



Step 2. Hit key points

Check if the candidate covers all key points typical for a revenue growth case structure:

Revenue analysis

- Revenue analysis

Business model

- Client segments
- Product portfolio

External factors

- Growth rate
- Competition



Step 3. Add stories (optionally)

To avoid cookie-cutter/generic approach, the candidates can incorporate 2-3 stories into their structure presentation, e.g.:

- "Given this is a R&D- and capex-intensive business, the barriers for entry are fairly high, so the space is likely dominated by a handful of big-name players"
- "Farm tractors are likely commoditized given standardized technology, features and clients' expectations, so it might be challenging for AgriCo to differentiate and win contracts"
- "Corporate sales usually require long sales cycles, and high-quality salesforce is typically one of the key success factors to win market share of the B2B segment"



Step 4. Finish with a question

At the end of the structure presentation, it is helpful for candidate to show that they can drive team forward and prioritize, e.g. "If this approach sounds like a fair plan of attack, I'd like to start by digging into the market first. Do we have information on major tractor manufacturers?"

Q2. Reasons behind revenue drop

02

In 2020 the U.S. market for farm tractors actually jumped by 18% (see Appendix 1). Despite that the client lost 15% of their sales. What might be the reasons behind it?

Poor marketing strategy

[Given a wide variety of farm tractors nowadays, the market might be fairly commoditized, and marketing might be key to differentiate.]

- Low brand awareness among farmers
- Limited marketing budgets allocated to B2B events, ads and promotions
- Low quality of marketing messages - key needs and pain points of farmers aren't addressed
- PR issues in the past (e.g. low reliability of tractors)



Inadequate pricing

[B2B clients usually demand volume discounts and likely do proper benchmarking analysis to put a tractor producer under high price pressure.]

- Too high base prices
- Uncompetitive discount policy
- Inflexible payment terms
- Too high total cost of ownership (e.g. fuel consumption, maintenance, insurance)
- Less-than-average useful life of a tractor



Low efficiency of distribution

[Corporate sales are usually relationship-based and are driven by salesforce which identifies and develops leads.]

- Low quality salesforce due to weak selection process and poor training system
- Rare sales team result assessments
- Discouraging incentives (e.g. low sales commission) for salesforce and dealerships
- Limited network of tractor dealerships
- Poor market analysis to support salesforce's lead identification



Unattractive value proposition

[Farm tractors are likely fairly commoditized given the clients' expectations and manufacturing technology might have been standardized over time. It might be tough to differentiate]

Product issues

- Lack of features in the base model of tractor (e.g. low power, too loud, lack of GPS tracking)
- High frequency of breaking down

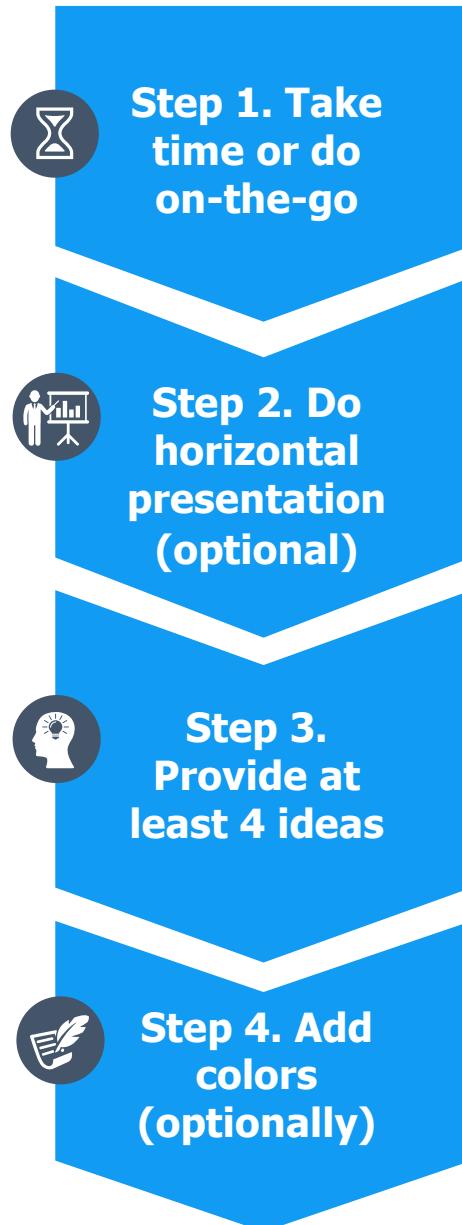
Service issues

- Low-quality of after-sale service
- Limited network of service centers and lack of spare parts
- Lack of mechanics to hire for in-house tractor maintenance



Note: This is just one of many potential ways to brainstorm. Please treat this example only as a reference point and develop your own style. [The candidate is usually expected to generate at least 4 ideas. The best practice is 7-8 ideas, structured approach, and on-the-fly delivery without taking notes]

Q2. Make sure the candidate follows these steps



- 80% of interviewers feel comfortable when candidates take 30-40 seconds to think and write down their ideas before walking the interviewer through them
- The best practice is to ideate on-the-fly
- The best practice is to structure brainstorming and offer a 10-second top-down overview, e.g. "Sure, let me think about some reasons through the lens of marketing, pricing, distribution, and value proposition..."
- Regular feedback from consulting firms is that candidates offer only three ideas which is a bit on the lower end
- Push the candidate to provide at least 4 ideas
- Top-5% of candidates can usually suggest 7-8 ideas
- To impress the interviewer, the candidates can contextualize some of their ideas
- Examples are given in [] brackets on the previous slide

Q3. Purchasing decision making criteria

03 What criteria do farmers likely use to decide on purchasing a tractor?

Financial criteria



[The clients likely assess the total cost of ownership (TCO) and generated value when they make purchasing decisions for big-ticket items.]

Cost factors

- Price of the tractor
- Maintenance costs (spare parts, maintenance services)
- Fuel consumption
- Insurance
- Labor elimination (in case of self-driving tractors)

Revenue factors

- Tractor's useful life
- Tractor's capacity (e.g. power, payload, mileage range)
- Expected utilization rate (depends on number of repairs)
- Salvage value of the tractor

Investment criteria

- Expected ROI/payback/etc.

Strategic criteria



Operational improvements

- Better reporting (e.g. GPS trackers, activities trackers)

Risks



[Big purchasing decisions should come with comprehensive risk assessment to stress-test existing assumptions]

Operational risks

- Lack of mechanics and service stations to support tractors
- Increase in operational complexity as now there might be different types of tractors in the fleet
- Potential flaws in the design of tractors (in case of brand-new models of tractors)

Financial risks

- Loss in economies of scale (e.g. in purchasing spare parts for different model of tractors instead of keeping just one type of tractors)
- Underestimated costs/ exaggerated revenues

Note: This is just one of many potential ways to brainstorm. Please treat this example only as a reference point and develop your own style. [The candidate is usually expected to generate at least 4 ideas. The best practice is 7-8 ideas, structured approach, and on-the-fly delivery without taking notes]

Q3. Make sure the candidate follows these steps



- 80% of interviewers feel comfortable when candidates take 30-40 seconds to think and write down their ideas before walking the interviewer through them
- The best practice is to ideate on-the-fly
- The best practice is to structure brainstorming and offer a 10-second top-down overview, e.g. "Great question. The purchasing decision-making criteria might fall into three categories - financial criteria, strategic criteria and risks. In terms of financial factors, I'd think through the lens of revenue, costs and investment criteria"
- Regular feedback from consulting firms is that candidates offer only three ideas which is a bit on the lower end
- Push the candidate to provide at least 4 ideas
- Top-5% of candidates can usually suggest 7-8 ideas
- To impress the interviewer, the candidates can contextualize some of their ideas
- Examples are given in [] brackets on the previous slide

Q4. Math exercise – prompt

04

The client is considering decreasing the prices for compact tractors by 5% to boost sales. How many tractors do they need to sell to break-even on this initiative?



**Please share with the candidate
the following information**

- The client's sales of tractors were \$0.7B in 2020

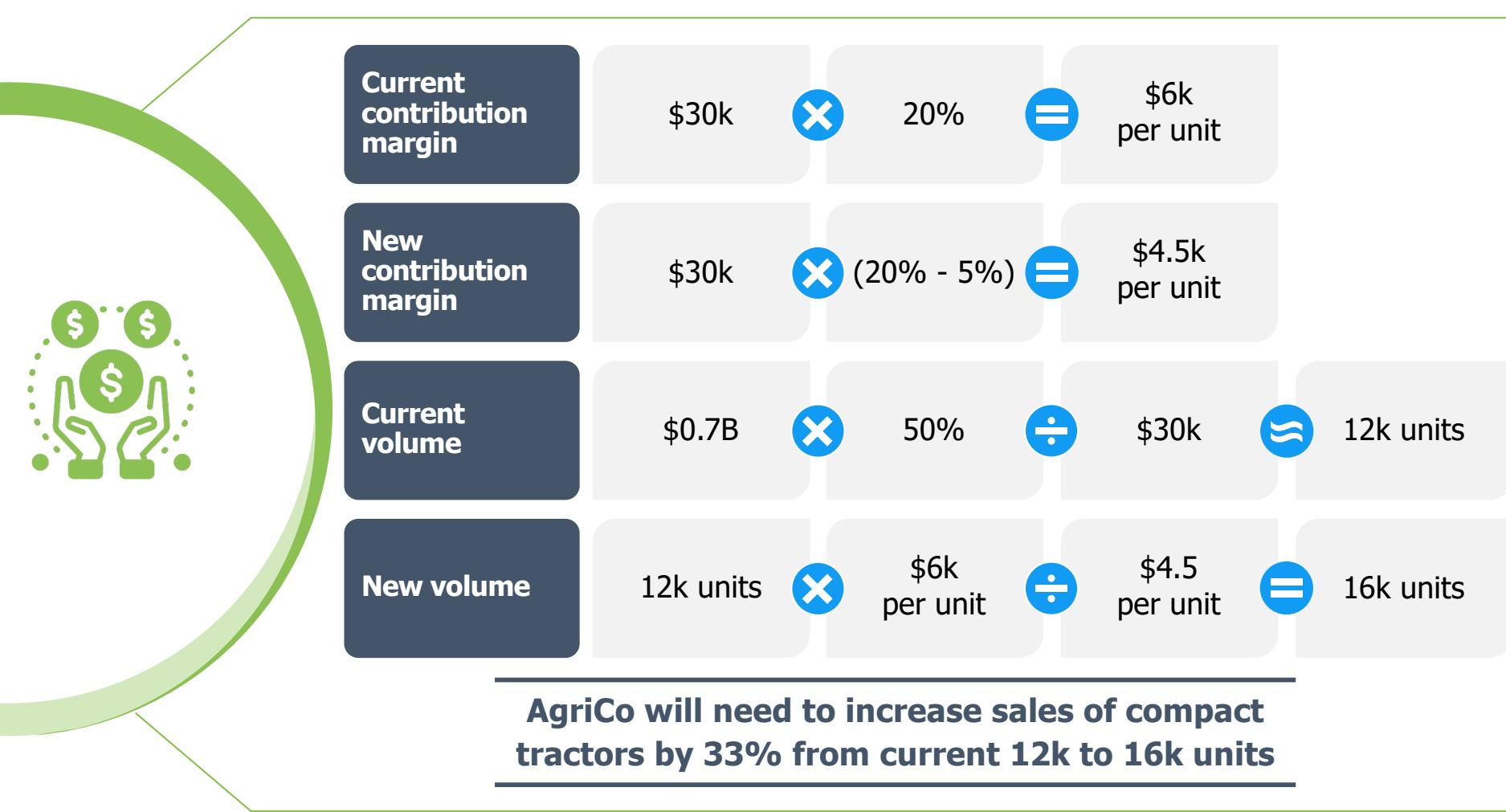
**Please provide this additional
information only upon request**

- The share of compact tractors (under 40 PH) is 50%
- The gross margin for compact tractors is 20%
- The average price of a compact tractor is \$30k

Q4. Math exercise – calculations

04

The client is considering decreasing the prices for compact tractors by 5% to boost sales. How many tractors do they need to sell to break-even on this initiative?



Q4. Math exercise – contextualization of the answer

04

The client is considering decreasing the prices for compact tractors by 5% to boost sales. How many tractors do they need to sell to break-even on this initiative?



**Basic comments
(expected from everyone)**

- AgriCo will need to ensure sales of additional 4k units to generate the same amount of gross profit and thus break-even

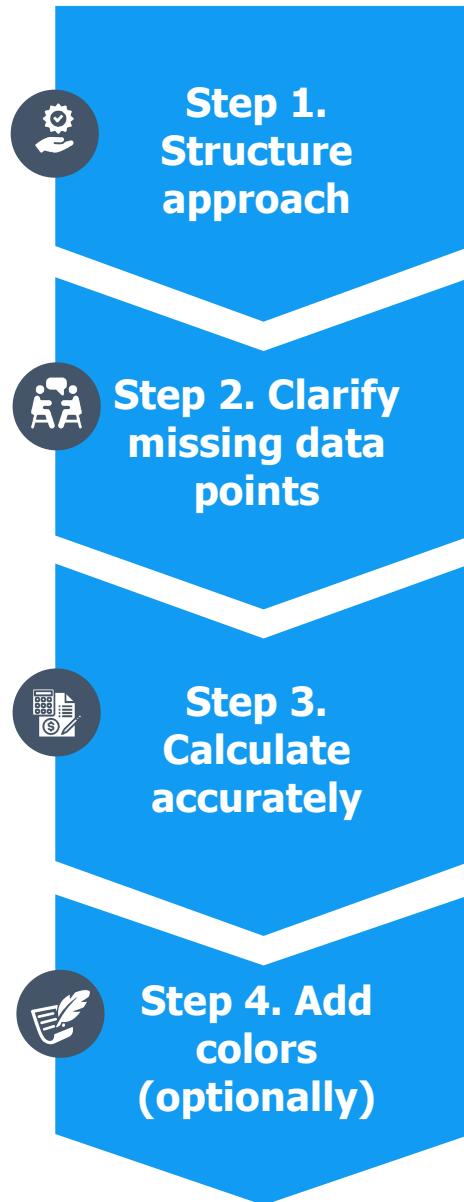


Advanced comments (for outstanding candidates)

- We assumed that fixed costs won't change, but fixed costs are a step-function and given a dramatic increase in sales (by 33%) it's likely that fixed costs (e.g. equipment maintenance, marketing) will go up
- We should expect competitive response to this aggressive push to expand, and it'll be more challenging to hit a break-even point
- 33% increase in sales seems aggressive and we'll need to make sure the client has operational capacity to accommodate this new demand
- Such a jump in volume will likely strengthen economies of scale and improve margins, so we might reach a break-even point earlier

Note: The candidate is not expected to mention all the advanced comments, but adding some of them will demonstrate that the candidate can connect the dots, see the depth, add colors and bring some insights even if the candidate is not that familiar with the industry/topic

Q4. Make sure the candidate follows these steps



- Providing big-picture approach of how to calculate the answer might help the candidate gain more points and help the interviewer follow the candidate's thought process
- Often interviewers don't provide all the information
 - The candidate needs to proactively ask for missing pieces
- Ideally the candidate shouldn't make any mistakes
 - It is okay to ask for some time to run numbers and then walk the interviewer through the calculations (some interviewers though might push back and ask you to do your Math on the fly)
- The interviewers highly appreciate it when the candidate not only calculates the answer correctly, but also contextualizes it
 - See some advanced comments on the previous slide as example of the contextualization

Q5. Recommendation

05

The Partner on the project gives you a call and asks to synthesize your current understanding of what the client should do.

Recommendation

"Based on the initial assessment, the client's sales are far behind the dynamics of the market that gained almost 20% in 2020. In order to boost their sales and at least match the market's growth rate, the client should consider a set of sales growth opportunities that we identified, including potential decrease in price for compact tractors"



Reasoning

- "First, compact tractors are likely fairly commoditized as a lot of manufacturers might offer similar options. So, the farmers are likely price-sensitive, and a price decrease might trigger a rapid growth in demand"
- "Secondly, covid-induced turbulences likely put farmers in tough financial situation and increase market ambiguity, so discounted price might meet farmers' needs"



Risks

"We need to consider risks though, as this price decrease might, first, kick off a price war with other tractor manufacturers, secondly, create a perception of the client as a value brand, and thirdly, the economics of this move might not work and we might not reach a break-even point if we decrease the price too much"



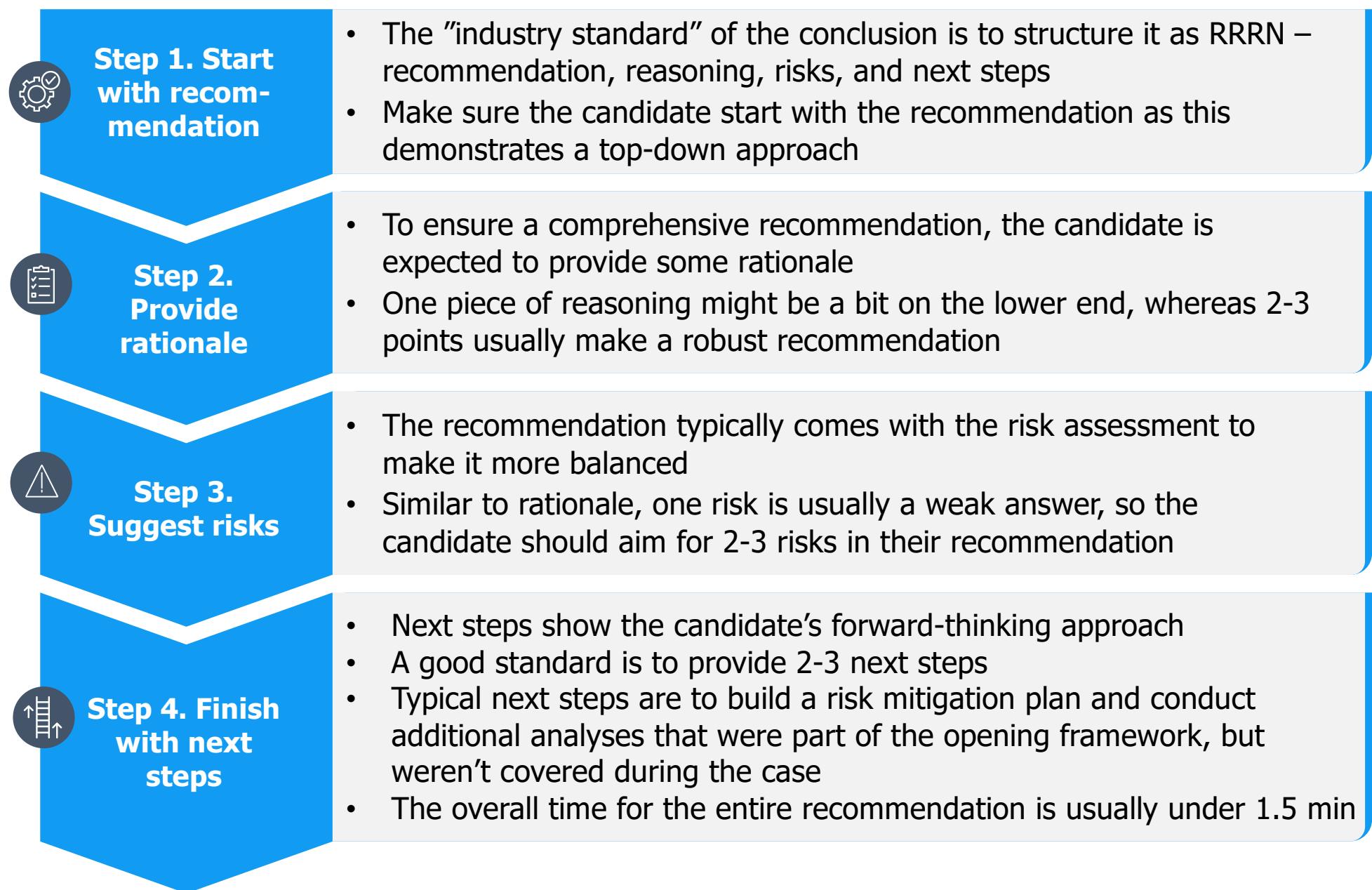
Next steps

"That's why as part of my next steps, I'd like to dig deeper into other sales growth opportunities, build business cases for them and conduct an in-depth analysis of the competitive landscape"



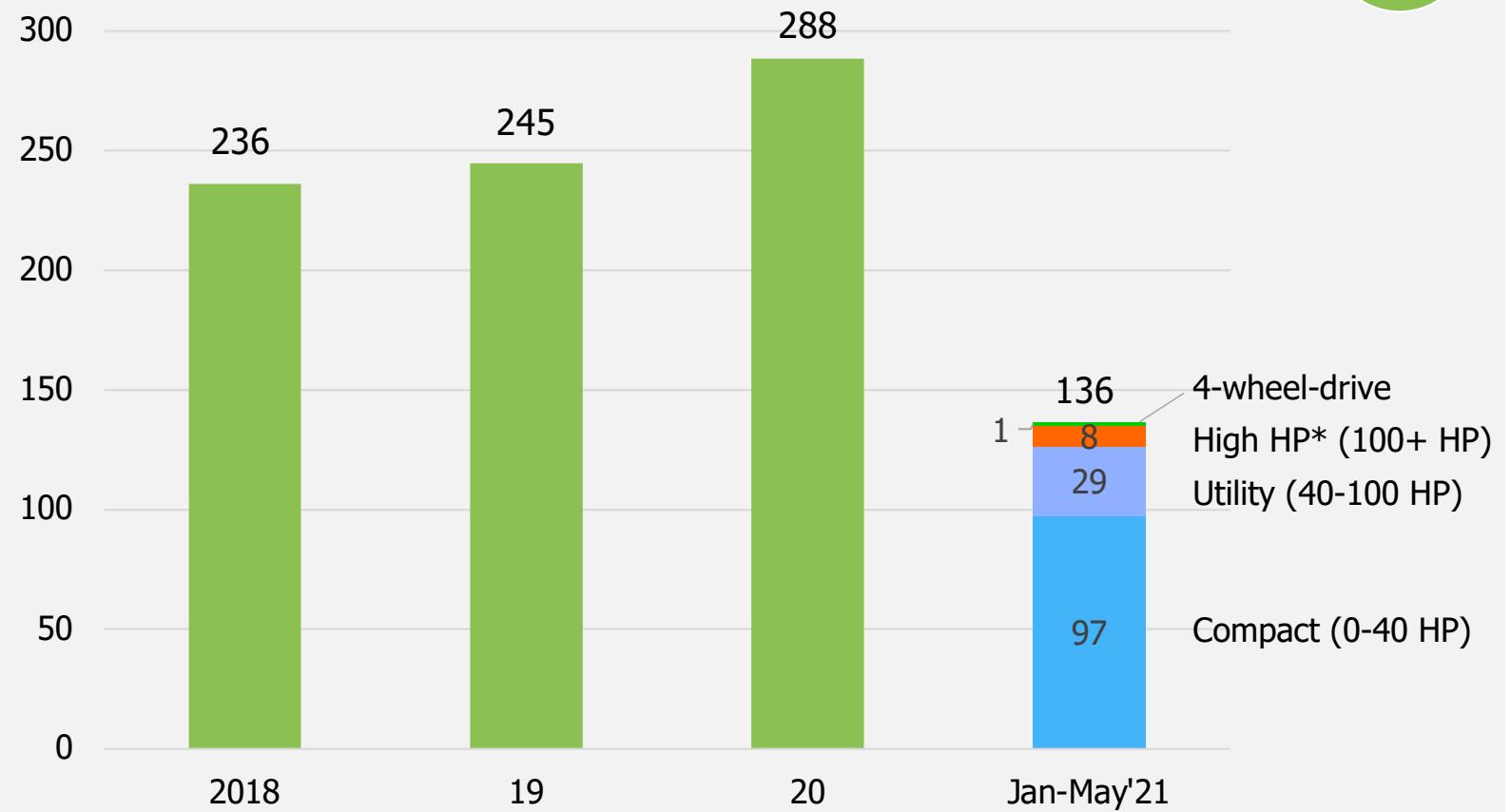
Note: This is just one of many potential ways to make a recommendation. Please treat this example only as a reference point and develop your own style.

Q5. Make sure the candidate follows these steps



Appendix 1. Total U.S. farm tractor sales

Total U.S. farm tractor sales, k units (2018-May'21)



Government ad hoc
disaster assistance

\$1B

\$1B

\$32B

\$16B**

* - Horsepower; ** - Forecast for the entire year of 2021

Case #9



Inspired by Bain
Henderson Electric
2021



Case #9. Inspired by Bain. 2021. Henderson Electric



Prompt

- Henderson Electric offers industrial air conditioning units, maintenance services and Internet-of-Things (IoT) enabled software to monitor the air conditioning system functionality in real-time. The overall sales are \$1B, however the software revenue remains low. The CEO has hired your team to design a revenue growth plan to boost sales of their IoT-enabled software.



Additional information

Please provide this information only upon request

- The client serves a wide variety of storage facilities and factories - food processing, medicine production, computer chip manufacturing, etc.
- The client offers all kind of air conditioning units and cooling equipment
- The software alerts customers on system failure, unusual behavior, and maintenance cycle to reduce repair costs
- The software is versatile and can work on equipment of other producers too
- No revenue goals provided



Case type

- Revenue growth
- Medium level
- Candidate-led case
- Expected time is 15-20 minutes

Opening. Make sure the candidate follows these steps



Step 1. Restate the prompt

Typically the candidates are expected to restate the prompt to make sure they are on the same page with the interviewer



Step 2. Add colors (optionally)

Candidates can react to the prompt by providing some quick thoughts which will demonstrate candidates' business acumen, e.g.:

- "It seems like a market with high switching costs for factories, so they should have really strong reasons to change their software providers"
- "It's great to see that our client has large scale, which means they probably enjoy large marketing and R&D budgets to upgrade and promote their software"
- "It's an interesting space as due to the global warming the demand for cooling systems might be growing at an accelerated pace. Now, macrotrend towards energy efficiency might boost the demand for monitoring software of air conditioners"



Step 3. Ask 2-3 questions

It is common that candidates ask 2-3 clarifying questions before designing their framework. Typical questions include:

- Geography of client's operations/sales
- Financial goal
- Business model of the client



Step 4. Ask for a moment to structure

- Typically candidates ask for a couple of minutes to structure their approach
- Sometimes during interviewer-driven cases, the interviewers ask the first question and then the candidate takes time to build their framework

Case questions (this is a candidate-led case)

01

How would you approach analysing the low sales of the client's software and developing recommendations?

02

Any ideas on how to help Henderson Electric increase the sales of their monitoring software?

03

What is the break-even number of clients for this software?

04

Out of 16k large manufacturing facilities in the U.S. only 4k have adopted the software to monitor and manage their air conditioning units. Why don't the rest 12k do the same?



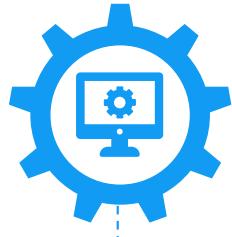
Appendix 1.

Tips for candidate-led cases

- Try to minimize hand-holding. Try to let the candidate ask questions
- If the candidate isn't on the right track and seems lost, try to give a hint or ask a question from the previous slide
- Feel free to manage the conversation to hit all the questions from the previous slide, e.g.:
 - "That's a great question! What do you think?"
 - "Sure. Before we dig into that, what are your thoughts on ... [the question from the list]?"
 - "Yeah, that makes sense. The manager just walked in and they would like us to look into... [the question from the list]"
 - "Sure, we'll explore it. Before that, let me share some data from our analyst/client that we've just received and... [ask a Math question]"
- When the case time is running out, prompt the candidate to provide recommendation (see question 5)



Q1. How would you approach analysing the low sales of the client's software and developing recommendations?



Software for industrial HVAC* equipment

- Growth rate of the segment
- Major software providers (incl. market share, positioning)
- Recent trends in adoption of this software type



Henderson Electric

- Differentiating points of IoT-enabled software
- Target client groups and their key purchasing decision-making factors
- Salesforce and its efficiency



Analysis of software sales

- Pricing model (e.g. one-time payment, subscription)
- Number of clients and growth rate
- Revenue structure by type of clients



Revenue growth strategies

- Marketing strategy
- Pricing strategy
- Distribution channels
- Value proposition

Note: This is just one of many potential ways to structure your approach. Please treat this example only as a reference point and develop your own style.

* HVAC - Heating, ventilation, and air conditioning

Q1. Make sure the candidate follows these steps



Step 1. Do horizontal presentation

The best practice is to start with a 15-second big-picture overview, e.g. "I'd like to assess this problem through the lens of four areas – first, ...; secondly, ...; thirdly, ...; and finally ..."



Step 2. Hit key points

Check if the candidate covers all key points typical for a revenue growth case structure:

Revenue analysis

- Revenue analysis

Business model

- Client segments
- Product portfolio

External factors

- Growth rate
- Competition



Step 3. Add stories (optionally)

To avoid cookie-cutter/generic approach, the candidates can incorporate 2-3 stories into their structure presentation, e.g.:

- "I'd think that monitoring software has likely been around for a while, so this is a mature market and thus its growth rate might be in low single-digit numbers"
- "The production of industrial air conditioning systems is likely capex-heavy and requires decent amount of R&D, thus the barriers for entry are fairly high, which makes me believe this is a consolidated space with just a few big-name players"
- "Given seemingly limited number of use cases for this software which include reporting and remote control, it's likely commoditized and doesn't provide distinguished differentiation points"



Step 4. Finish with a question

At the end of the structure presentation, it is helpful for candidate to show that they can drive team forward and prioritize, e.g. "Does this framework sound fair? If so, I'd like to look into the client first. What are the major differentiating points of this software?.."

Q2. Revenue growth ideas

02

Any ideas on how to help Henderson Electric increase the sales of their monitoring software?

Upgrade marketing strategy

[Typically, the more touch points (e.g. events, printed media, ads) the prospects have with the company, the higher chance of closing a contract.]

- Organize more marketing events for qualified prospects (e.g. parties, demo events, invite-only dinners)
- Publish more analytical pieces/reports on the value of this type of software (to build credibility and educate potential clients)
- Invest in marketing campaigns and promotions



Change pricing

[The price-sensitivity of different stakeholders (e.g. CIO, CFO) might vary, so the client should educate prospects on created value to justify pricing and be flexible to accommodate different perspectives on prices]

- Adjust pricing levels to match WTP (willingness-to-pay)
- Bundle software with equipment sales
- Offer different monetization models - subscription, pricing tiers (e.g. basic vs advanced), free trials (if feasible), etc.



Increase efficiency of distribution

[I'd imagine we have direct access to prospects as this software is likely a cross-selling opportunity which should make our sales efforts a bit easier.]

Salesforce

- Select stricter, train better, incentivize more generously, assess more often, ensure healthy culture
- Identify major prospects' objections and design a playbook to address those

Work with prospects

- Reactivate old qualified prospects
- Ensure follow-ups and reminders with prospects
- Use news and recent developments to reach out



Improve and expand value proposition

[Given this software is likely a big-ticket item, clients conduct benchmarking analysis, so ability to differentiate might provide competitive advantage to Henderson Electric]

- Analyze the needs and pain points of specific qualified leads and adjust sales pitch

Features

- Customize features of the software where possible
- Add new features to match competitors' value proposition

Pain points

- Provide 24/7 helpdesk support
- Reinforce tester teams to minimize risks of bugs
- Reinforce IT team to shorten the software implementation cycle



Note: This is just one of many potential ways to brainstorm. Please treat this example only as a reference point and develop your own style. [The candidate is usually expected to generate at least 4 ideas. The best practice is 7-8 ideas, structured approach, and on-the-fly delivery without taking notes]

Q2. Make sure the candidate follows these steps



- 80% of interviewers feel comfortable when candidates take 30-40 seconds to think and write down their ideas before walking the interviewer through them
- The best practice is to ideate on-the-fly
- The best practice is to structure brainstorming and offer a 10-second top-down overview, e.g. "Sure, I'd like to think about four types of revenue growth ideas - first, improving marketing; secondly, optimizing pricing strategy; thirdly, strengthening distribution channels; and finally ensuring strong value proposition"
- Regular feedback from consulting firms is that candidates offer only three ideas which is a bit on the lower end
- Push the candidate to provide at least 4 ideas
- Top-5% of candidates can usually suggest 7-8 ideas
- To impress the interviewer, the candidates can contextualize some of their ideas
- Examples are given in [] brackets on the previous slide

Q3. Math exercise – prompt

03

What is the break-even number of clients for this software?



**Please share with the candidate
the following information**

- Appendix 1

**Please provide this additional
information only upon request**

- Average subscription price for the software is \$28k per year
- Currently Henderson Electric offers only subscription option
- Current number of clients is 500

Q3. Math exercise – calculations

03

What is the break-even number of clients for this software?**Current bottom-line**

$$500 \text{ clients} \times \$28k - (8M + 6M + 2M + 2.5M + 1.5M) = -\$6M$$

Variable costs per unit

$$(2.5M + 1.5M) \div 500 = \$8k$$

Contribution margin

$$\$28k - \$8k = \$20k$$

Additional sales to break-even

$$\$6M \div \$20k = 300$$

Henderson Electric needs to add 300 more accounts to reach 800 clients and break-even on this software

Q3. Math exercise – contextualization of the answer

03

What is the break-even number of clients for this software?**Basic comments
(expected from everyone)**

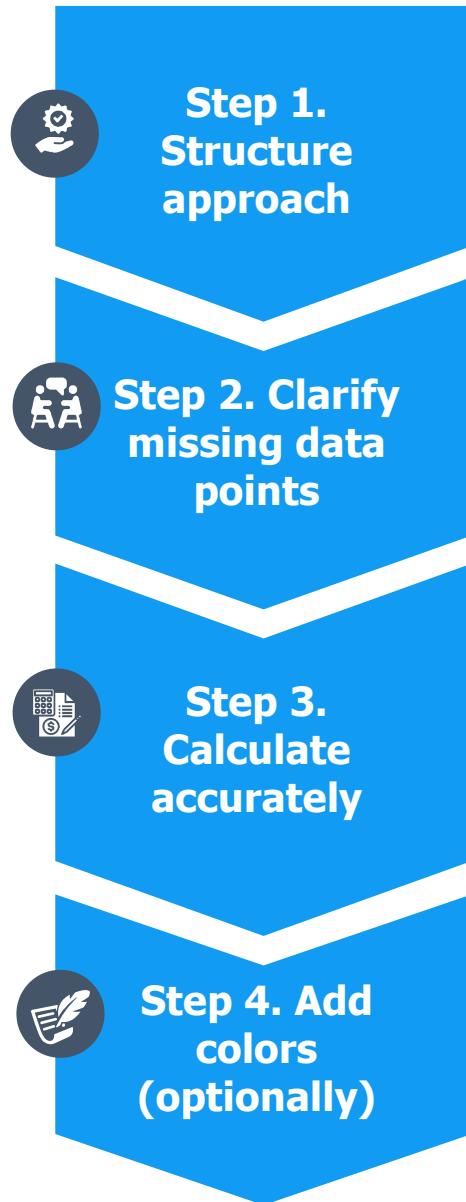
- In order to break-even on its software Henderson Electric should have 800 active clients

Advanced comments (for outstanding candidates)

- 300 additional clients seems like an aggressive goal and might not be realistic
- Such a dramatic increase of 60% in the client base might take time and substantially increase marketing costs pushing break-even point up
- A rapid market share expansion might trigger considerable competitive response making additional contracts even more challenging
- The economics of software doesn't consider potential synergies - for example, software maintenance alarms might encourage factories to purchase maintenance services from Henderson Electric
- Variable costs are a small portion of the total costs which makes sense as software businesses are usually high on IT engineer expenses (R&D) and marketing costs to educate clients re the software features

Note: The candidate is not expected to mention all the advanced comments, but adding some of them will demonstrate that the candidate can connect the dots, see the depth, add colors and bring some insights even if the candidate is not that familiar with the industry/topic

Q3. Make sure the candidate follows these steps



- Providing big-picture approach of how to calculate the answer might help the candidate gain more points and help the interviewer follow the candidate's thought process
- Often interviewers don't provide all the information
 - The candidate needs to proactively ask for missing pieces
- Ideally the candidate shouldn't make any mistakes
 - It is okay to ask for some time to run numbers and then walk the interviewer through the calculations (some interviewers though might push back and ask you to do your Math on the fly)
- The interviewers highly appreciate it when the candidate not only calculates the answer correctly, but also contextualizes it
 - See some advanced comments on the previous slide as example of the contextualization

Q4. Reasons behind low adoption rate

04

Out of 16k large manufacturing facilities in the U.S. only 4k have adopted the software to monitor and manage their air conditioning units. Why don't the rest 12k do the same?



Financial reasons

[The clients likely assess the total cost of ownership (TCO) when they make purchasing decisions for big-ticket items. For many factories TCO might be too high or unclear.]

Cost factors

- High price for software
- High costs for follow-up software customization
- Additional in-house IT resources needed to support software

Investment criteria

- Unclear ROI/payback/etc.



Low perceived value

[With 25% of market penetration (4k/16k) this software should have become an industry standard which should propel software sales. If that isn't happening, software might be valuable just for specific types of factories]

- Lack of awareness of the monitoring software benefits
- Low level of incidents/repairs that software is designed to prevent
- Efficient and budget-friendly in-house manual reporting
- Low number of air conditioning units
- Air conditioning units don't represent critical equipment [vs food storage where malfunctioning cooling system might lead to spoilage]



Risks

[Big purchasing decisions should come with comprehensive risk assessment to stress-test existing assumptions]

Financial risks

- The company is locked in contract and software prices might increase

Operational risks

- Long implementation period
- Potential disruption of processes during the implementation

Software-specific risks

- Potential bugs and other flaws in the software
- Lack of vendor's ability to customize and/or support software
- Lack of usability (too complicated)
- Questionable security (not hack-proof)

Note: This is just one of many potential ways to brainstorm. Please treat this example only as a reference point and develop your own style. [The candidate is usually expected to generate at least 4 ideas. The best practice is 7-8 ideas, structured approach, and on-the-fly delivery without taking notes]

Q4. Make sure the candidate follows these steps



- 80% of interviewers feel comfortable when candidates take 30-40 seconds to think and write down their ideas before walking the interviewer through them
- The best practice is to ideate on-the-fly
- The best practice is to structure brainstorming and offer a 10-second top-down overview, e.g. "Interesting. 12k factories might stay away from this software due to financial reasons, low perceived value of the software and potentially high risks. On the financial side, the reasons might be..."
- Regular feedback from consulting firms is that candidates offer only three ideas which is a bit on the lower end
- Push the candidate to provide at least 4 ideas
- Top-5% of candidates can usually suggest 7-8 ideas
- To impress the interviewer, the candidates can contextualize some of their ideas
- Examples are given in [] brackets on the previous slide

Q5. Recommendation

05

The client has just entered the room and would like to learn about how the project is going and what your current recommendations are.

Recommendation

"It's pleasure to work on this project and help you boost your software sales. Preliminarily we see a sizeable total addressable market of 16k large manufacturing enterprises and we have designed a detailed sales growth plan with a lot of initiatives, including reenforcing your salesforce"



Reasoning

- "First, corporate big-ticket sales are mostly driven by salesforce, so high-quality salespeople are the key success factor to boost sales"
- "Secondly, given long sales cycle and the fact that 12k big-scale factories don't use this software, you might need far more salespeople to digest so many potential leads"
- "Thirdly, decent market share of 10+% (500/4k) suggests your salesforce is qualified"



Risks

"Saying that we will need to explore risks and look into potential lack of talent to staff your salesforce, disruption to the established culture by ballooning the salesforce's size, and decrease in quality of new salespeople if we soften selection criteria to accelerate recruitment"



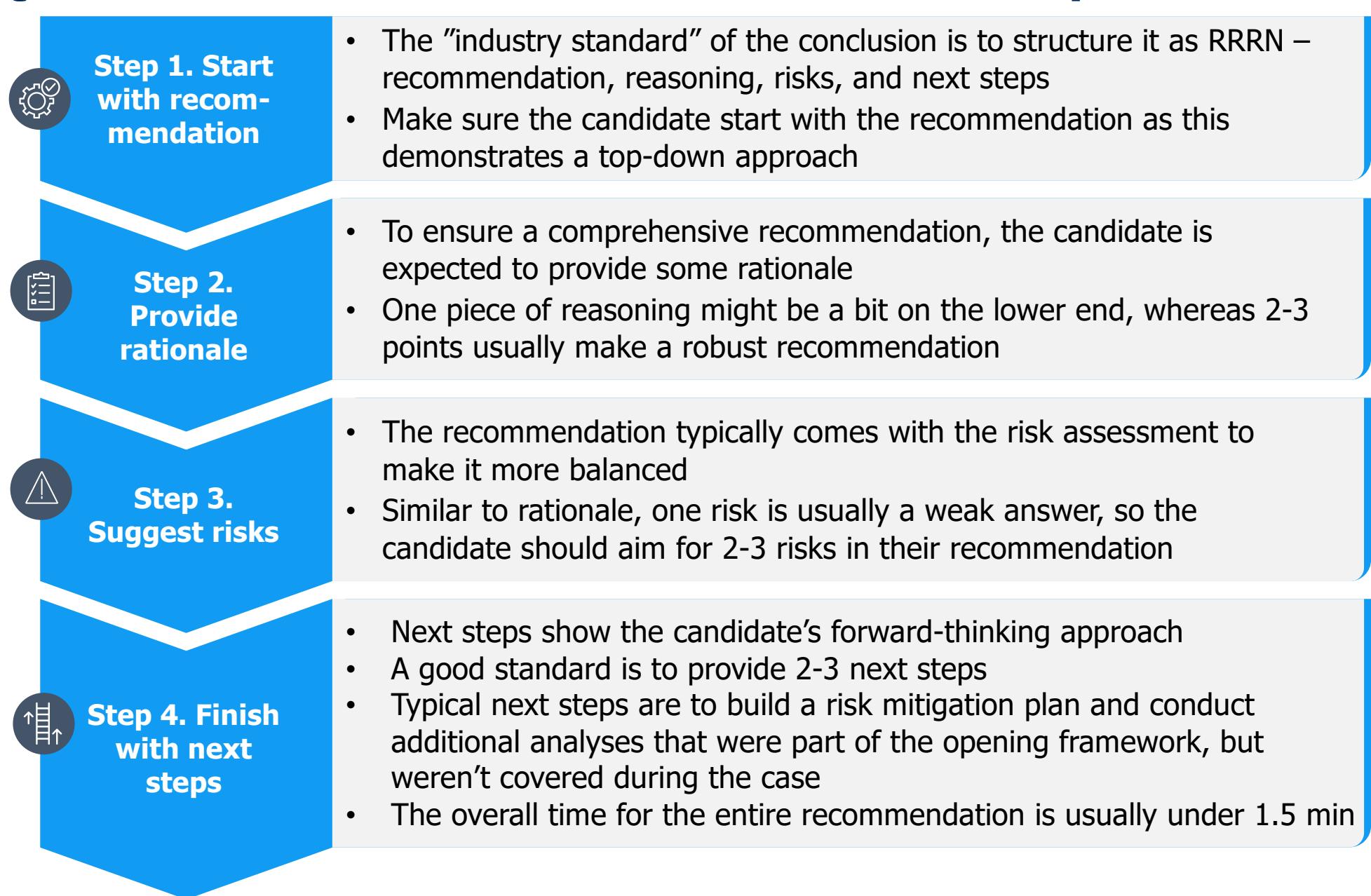
Next steps

"As our next steps, we plan to conduct a holistic assessment of other revenue growth opportunities, design a risk mitigation strategy and analyse the competitive landscape"



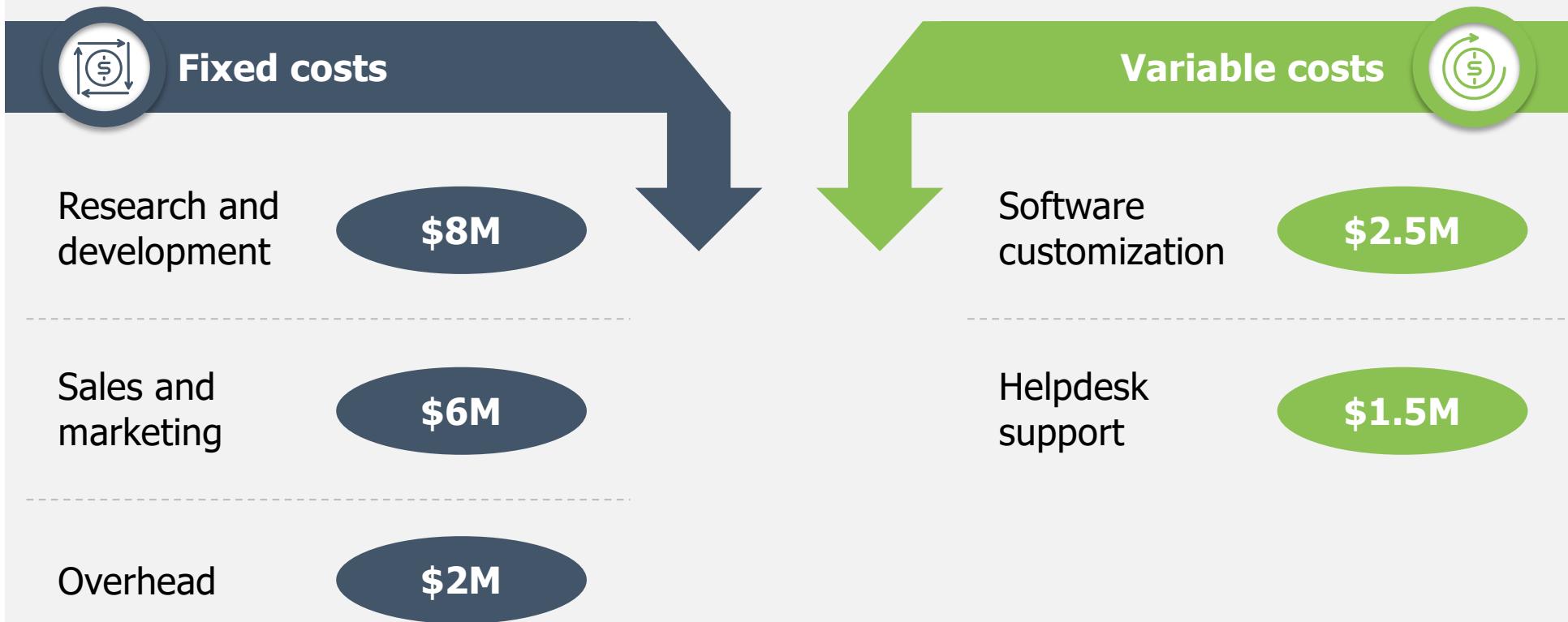
Note: This is just one of many potential ways to make a recommendation. Please treat this example only as a reference point and develop your own style.

Q5. Make sure the candidate follows these steps



Appendix 1. Cost structure for Henderson Electric's monitoring software

Cost structure for Henderson Electric's monitoring software, 2020

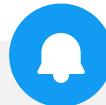


Case #10

McKinsey
& Company

Inspired by McKinsey
Kitchen World
2021

Case #10. Inspired by McKinsey. 2021. Kitchen World



Prompt

- Kitchen World is a high-end retail chain offering a wide variety of kitchenware - cookware, bakeware, dinnerware, electrics, and tools. With 100 stores across the U.S. and Canada and recently developed online channel Kitchen World generates \$200M a year. However, the growth trajectory has flattened out over the last three years. So, they are looking for a 3-year sales growth strategy. We're in early 2020 (before the pandemic).



Additional information

Please provide this information only upon request

- Online channel accounts for around 5-10% of the client's revenue
- Kitchen World targets both B2C and B2B (e.g. premium restaurants, upscale hotels)
- Overall kitchenware market in the North America was \$18B (2019) with the high-end segment capturing around 10% of it
- The space is fairly fragmented with several big-name chains like Sur la Table* and Williams Sonoma
- The client didn't provide us with any sales goals, but expects ambitious growth plan



Case type

- Revenue growth
- Medium-Hard level
- Interviewer-driven case
- Expected time is 15-20 minutes

*Declared bankruptcy in July'20 and was acquired by Marquee Brands and CSC Generation. At the time of the case (early 2020), it was a major player

Opening. Make sure the candidate follows these steps



Step 1. Restate the prompt

Typically the candidates are expected to restate the prompt to make sure they are on the same page with the interviewer



Step 2. Add colors (optionally)

Candidates can react to the prompt by providing some quick thoughts which will demonstrate candidates' business acumen, e.g.:

- "It's great to see that our client is an established company with large geographical footprint and high top-line which suggests they might enjoy high brand awareness and deep marketing pockets"
- "It's an interesting space as due to growing appetite for healthier food options and strengthening trend of cooking at home, the demand for kitchenware might be up"
- "For the upscale segments brand loyalty, developed distribution and high quality products are usually key success factors. Inability to deliver on one of those might be part of the problem"



Step 3. Ask 2-3 questions

It is common that candidates ask 2-3 clarifying questions before designing their framework. Typical questions include:

- Geography of client's operations/sales
- Financial goal
- Business model of the client



Step 4. Ask for a moment to structure

- Typically candidates ask for a couple of minutes to structure their approach
- Sometimes during interviewer-driven cases, the interviewers ask the first question and then the candidate takes time to build their framework

Case questions (this is an interviewer-driven case)

01

What would be your plan of attack to help Kitchen World create a revenue growth strategy?

02

The team is thinking about launching a loyalty program to increase the client's sales. What are the factors you would think of to design it?

03

The client used a 3rd party loyalty card platform to run a pilot. Based on the results of this pilot (see Appendix 1), what would be a 1-year break-even number of loyalty card members for Kitchen World?

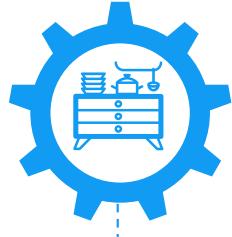
04

If the client decides to go ahead and introduce a loyalty program, what risks should they anticipate?



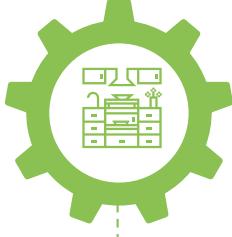
Appendix 1.

Q1. What would be your plan of attack to help Kitchen World create a revenue growth strategy?



High-end kitchenware U.S. market

- Growth rate
- Major premium kitchenware chains
- Recent changes in customer behavior and other trends



Kitchen World

- Customer segments (e.g. B2C/B2B, professionals vs amateurs, gifts vs for yourself)
- Product range
- Marketing strategy



Revenue analysis

- Growth rate and market share
- Break-down by region, product line and customer segment
- Pricing strategy



Sales growth opportunities

- Geographical expansion
- Market share increase
- New customer segments
- Product innovation

Note: This is just one of many potential ways to structure your approach. Please treat this example only as a reference point and develop your own style.

Q1. Make sure the candidate follows these steps



Step 1. Do horizontal presentation

The best practice is to start with a 15-second big-picture overview, e.g. "I'd like to assess this problem through the lens of four areas – first, ...; secondly, ...; thirdly, ...; and finally ..."



Step 2. Hit key points

Check if the candidate covers all key points typical for a revenue growth case structure:

Revenue analysis

- Revenue analysis

Business model

- Client segments
- Product portfolio

External factors

- Growth rate
- Competition



Step 3. Add stories (optionally)

To avoid cookie-cutter/generic approach, the candidates can incorporate 2-3 stories into their structure presentation, e.g.:

- "Kitchenware is likely a commoditized market due to standardized product form and functionality (e.g. plates, pots), however kitchenware design might be a strong differentiation point, especially for high-end brands like ours"
- "Kitchenware represents a wide variety of products which offers a lot of cross-selling and up-selling opportunities at different points of customer cooking journey (e.g. beginner, advanced, professional)"
- "I'd expect a fairly fragmented competitive landscape given healthy margins and high barriers for entry like strong brand loyalty and deep product expertise"



Step 4. Finish with a question

At the end of the structure presentation, it is helpful for candidate to show that they can drive team forward and prioritize, e.g. "This is how I plan to attack this problem. Does it make sense to you? If it does, I'd like to explore the market first. Do we have...?"

Q2. Loyalty program factors

02

The team is thinking about launching a loyalty program to increase the client's sales. What are the factors you would think of to design it?



Financial reasons

[Loyalty programs usually increase switching costs for customers thus improving the retention rate and lifetime value. However, it comes at a cost, so financial analysis is crucial.]

Cost factors

- Capex for software and hardware
- Opex: marketing, IT (e.g. upgrading, bug fixing), and overhead
- Loyalty model (e.g. planned discounts, points schedule)

Revenue factors

- Forecasted increase in number of customers, frequency of visits, average ticket
- Improved pricing due to stronger loyalty

Investment criteria

- Target ROI/payback/etc.



Strategic value

[Loyalty programs might be a powerful market intelligence tool and an important part of the brand identity of the company.]

Customer data collection

- Improved customer segmentation
- Increased efficiency of marketing (e.g. via deeper segments insights, direct email access to customers)
- Better transparency of customer experience for strategic decision making (e.g. metrics of loyalty program will help track brand quality)

Stronger personalization

- Strengthened brand loyalty (e.g. via tailored messages and new perks)
- More brand advocates
- Augmented customer experience



Risks

Financial risks

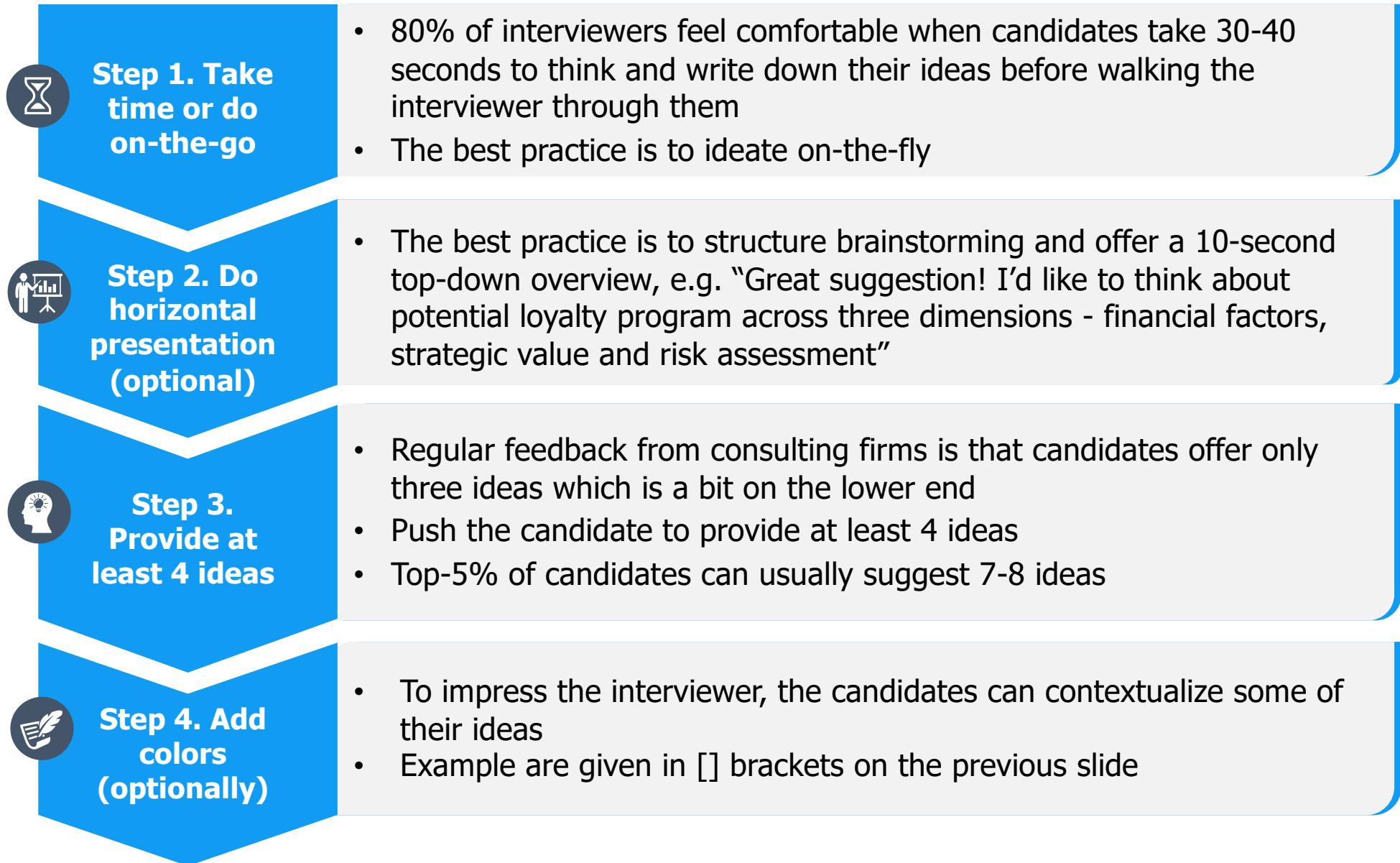
- Lack of funding
- Underestimated costs
- Exaggerated revenue assumptions [e.g. lack of customers' interest as high-end clients aren't usually price-sensitive]
- Cannibalization [high-volume customers will get into loyalty program to get discounts]
- Undermined value of loyalty program due to limited network effect [the client has only 100 stores for the entire North America]

Operational risks

- Long implementation period
- Potential disruption of processes during the implementation
- Increase in operational complexity

Note: This is just one of many potential ways to brainstorm. Please treat this example only as a reference point and develop your own style. [The candidate is usually expected to generate at least 4 ideas. The best practice is 7-8 ideas, structured approach, and on-the-fly delivery without taking notes]

Q2. Make sure the candidate follows these steps



Q3. Math exercise – prompt

03

The client used a 3rd party loyalty card platform to run a pilot. Based on the results of this pilot (see Appendix 1), what would be a 1-year break-even number of loyalty card members for Kitchen World?



Please share with the candidate
the following information

- Appendix 1

Please provide this additional
information only upon request

- Profit margins:
 - 19% for store A (pilot)
 - 20% for store B (control group)
- Expenses on own loyalty card platform:
 - \$4M in capex to build
 - \$0.1M in annual opex to maintain (e.g. to upgrade the software, fix potential bugs, analyze loyalty card data and organize marketing campaigns, etc.)

Q3. Math exercise – calculations

03

The client used a 3rd party loyalty card platform to run a pilot. Based on the results of this pilot (see Appendix 1), what would be a 1-year break-even number of loyalty card members for Kitchen World?



Annual profit of store A

$$50k \times 12 \text{ visits} \times \$50 \times 19\% = \$5.7M$$

Annual profit of store B

$$50k \times 10 \text{ visits} \times \$52 \times 20\% = \$5.2M$$

Annual incremental profit

$$\$5.7M - \$5.2M = \$0.5M$$

Number of loyalty card members

$$50k \times 20\% = 10k$$

Incremental contribution margin per year

$$\$0.5M \div 10k = \$50$$

Break-even number of members

$$\$4M + \$0.1M \div \$50 = 82k$$

Kitchen World will need to attract 82k members during the first year after the loyalty program launch

Q3. Math exercise – contextualization of the answer

03

The client used a 3rd party loyalty card platform to run a pilot. Based on the results of this pilot (see Appendix 1), what would be a 1-year break-even number of loyalty card members for Kitchen World?

Basic comments (expected from everyone)



- One year after the loyalty card launch the client will need to have 82k members to break-even

Advanced comments (for outstanding candidates)

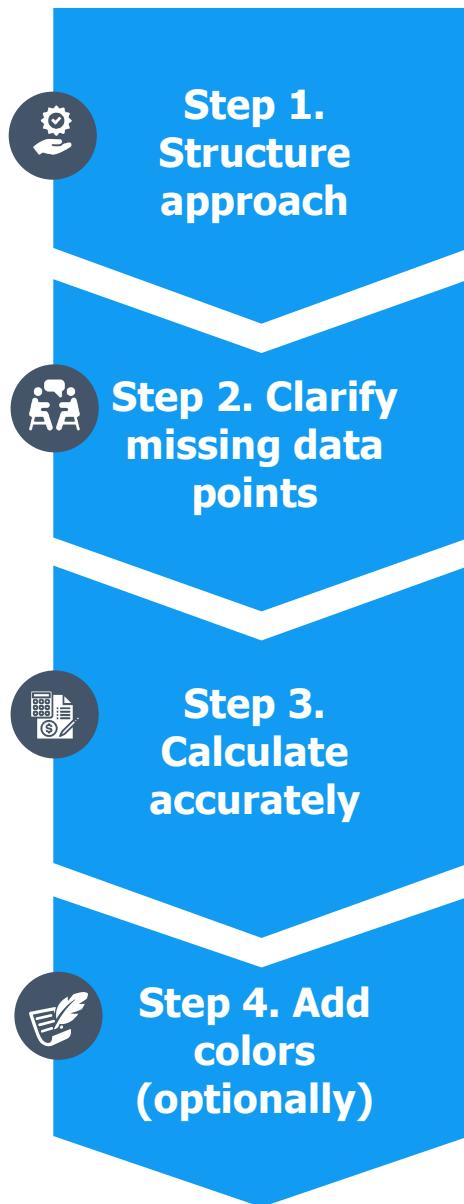


Given the average annual spending of around \$500 ($\$52 * 10$ visits) and the client's sales of \$200M, the number of unique customers is around 400k, which means that break-even point is at ~20% penetration which seems achievable

- If the client considers longer horizon (3-4 years instead of 1 year), the break-even point will drop considerably and might be more achievable
- The 20% penetration rate in store A seems reasonable as high-end customers aren't typically price-sensitive and thus might express less appetite for a loyalty card
- Lower average value of purchase (\$50) might be the result of promotions and discounts, potential cannibalization of high-volume customers who got a loyalty card, and change in product mix

Note: The candidate is not expected to mention all the advanced comments, but adding some of them will demonstrate that the candidate can connect the dots, see the depth, add colors and bring some insights even if the candidate is not that familiar with the industry/topic

Q3. Make sure the candidate follows these steps



- Providing big-picture approach of how to calculate the answer might help the candidate gain more points and help the interviewer follow the candidate's thought process
- Often interviewers don't provide all the information
 - The candidate needs to proactively ask for missing pieces
- Ideally the candidate shouldn't make any mistakes
 - It is okay to ask for some time to run numbers and then walk the interviewer through the calculations (some interviewers though might push back and ask you to do your Math on the fly)
- The interviewers highly appreciate it when the candidate not only calculates the answer correctly, but also contextualizes it
 - See some advanced comments on the previous slide as example of the contextualization

Q4. Risks

04

If the client decides to go ahead and introduce a loyalty program, what risks should they anticipate?

Market specific risks



Financial risks



Operational risks



- Competitive response (e.g. aggressive marketing campaign or launch of competitive loyalty cards)
- Potential negative brand implications [e.g. high discounts offered by loyalty program might hurt high-end brand]

- Lack of funding
- Underestimated costs
- Exaggerated revenue assumptions [e.g. lack of customers' interest as high-end clients aren't usually price-sensitive]
- Cannibalization [high-volume customers will get into loyalty program to get discounts]
- Undermined value of loyalty program due to limited network effect [the client has only 100 stores for the entire North America]

- Long implementation period (software development, employee training, etc.)
- Potential disruption of processes during the implementation
- Increase in operational complexity
- Risk of inferior or unreliable loyalty program software

Note: This is just one of many potential ways to brainstorm. Please treat this example only as a reference point and develop your own style. [The candidate is usually expected to generate at least 4 ideas. The best practice is 7-8 ideas, structured approach, and on-the-fly delivery without taking notes]

Q4. Make sure the candidate follows these steps



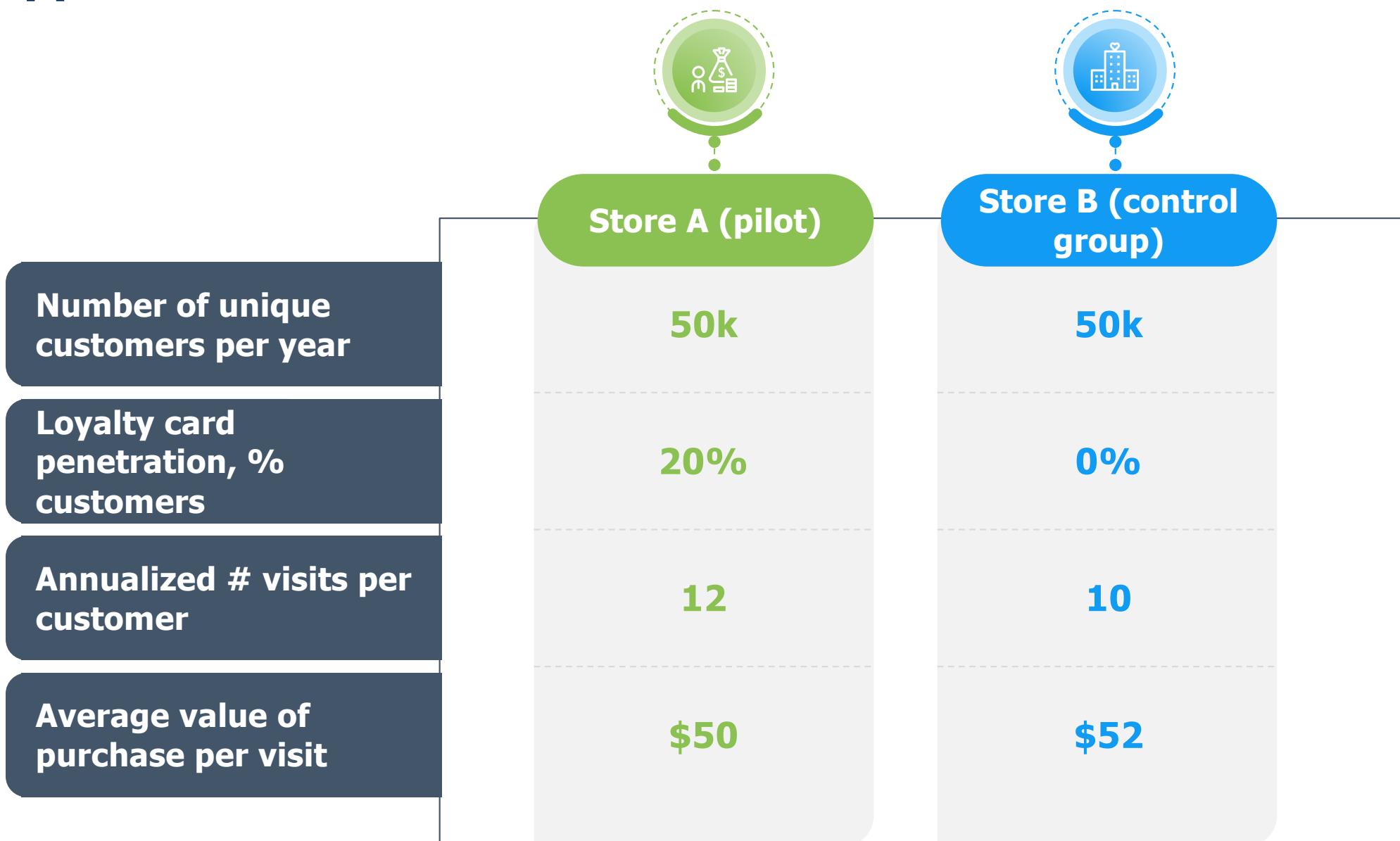
- 80% of interviewers feel comfortable when candidates take 30-40 seconds to think and write down their ideas before walking the interviewer through them
- The best practice is to ideate on-the-fly
- The best practice is to structure brainstorming and offer a 10-second top-down overview, e.g. "Great question. I'd like to break down risks into market-specific, financial and operational. On the market side, I'm thinking of..."
- Regular feedback from consulting firms is that candidates offer only three ideas which is a bit on the lower end
- Push the candidate to provide at least 4 ideas
- Top-5% of candidates can usually suggest 7-8 ideas
- To impress the interviewer, the candidates can contextualize some of their ideas
- Examples are given in [] brackets on the previous slide

Recommendation

**McKinsey
typically doesn't
require
recommendation
for their cases**



Appendix 1. Pilot results



Note: Data is collected for the same time period, in the same region and with similar marketing activities. Stores A and B have negligible differences in their product ranges.

Case #11

**Inspired by L.E.K.
The Hunter's Dog
2021**

L.E.K.



Case #11. Inspired by L.E.K. 2021. The Hunter's Dog



Prompt

- Our client is The Hunter's Dog, an online service that delivers freshly made dog food and allows customers to personalize food plans based on their dogs' preferences. The company's sales exceeded \$120M in 2020. Despite their overall market share is less than 1%, their share in the direct-to-consumer (DTC) segment is 15%. Their current growth is healthy, but they would like to triple their sales over the next three years. They brought your team in to design a strategy to make it happen.



Additional information

Please provide this information only upon request

- The pet food U.S. market jumped by 10% in 2020, reaching \$42B. The dog food market experienced similar dynamics
- The competitive landscape for dog food in the U.S. is fairly consolidated with Mars and Nestle controlling more than 60% of the market
- The DTC space is rapidly growing with a lot of newcomers
- Traditional distribution channels include Petsmart, Chewy, Petco, Amazon and Walmart



Case type

- Revenue growth
- Medium level
- Candidate-led case
- Expected time is 15-20 minutes

Opening. Make sure the candidate follows these steps



Step 1. Restate the prompt

Typically the candidates are expected to restate the prompt to make sure they are on the same page with the interviewer



Step 2. Add colors (optionally)

Candidates can react to the prompt by providing some quick thoughts which will demonstrate candidates' business acumen, e.g.:

- "Great to work on this exciting case! During the covid isolation in 2020, people felt lonely and spent more time at home, so I'd imagine there was strong appetite for adopting pets including dogs which propelled the demand for dog food"
- "It's great to see our client enjoys healthy growth and clear differentiating points"
- "Low overall market share suggests great growth potential, although eating into other companies' market shares is usually expensive and might require large marketing budgets and come at the expense of client's profitability"



Step 3. Ask 2-3 questions

It is common that candidates ask 2-3 clarifying questions before designing their framework. Typical questions include:

- Geography of client's operations/sales
- Financial goal
- Business model of the client



Step 4. Ask for a moment to structure

- Typically candidates ask for a couple of minutes to structure their approach
- Sometimes during interviewer-driven cases, the interviewers ask the first question and then the candidate takes time to build their framework

Case questions (this is a candidate-led case)

01

What factors should we consider to design a sales strategy to triple client's top-line over the next three years?

02

The direct-to-customer (DTC) sector sky-rocketed in 2020. What might be the drivers of such an explosive growth?

03

One of the sales growth opportunities for the Hunter's Dog is to start distributing through the traditional offline channels like Petsmart, Chewy and Petco. What are some risks about doing it though?

04

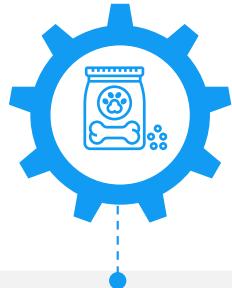
Petco, a pet product retailer, offers The Hunter's Dog to sell their dog food. The Hunter's Dog will need to expand its factory to accommodate Petco's demand. What is 1-year break-even number of customers for this deal?

Tips for candidate-led cases

- Try to minimize hand-holding. Try to let the candidate ask questions
- If the candidate isn't on the right track and seems lost, try to give a hint or ask a question from the previous slide
- Feel free to manage the conversation to hit all the questions from the previous slide, e.g.:
 - "That's a great question! What do you think?"
 - "Sure. Before we dig into that, what are your thoughts on ... [the question from the list]?"
 - "Yeah, that makes sense. The manager just walked in and they would like us to look into... [the question from the list]"
 - "Sure, we'll explore it. Before that, let me share some data from our analyst/client that we've just received and... [ask a Math question]"
- When the case time is running out, prompt the candidate to provide recommendation (see question 5)

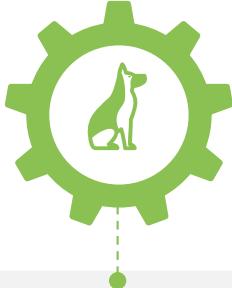


Q1. What factors should we consider to design a sales strategy to triple client's top-line over the next three years?



Dog food U.S. market

- Growth rate
- Key dog food brands (e.g. market shares, positioning, DTC or not)
- Dog owners' pain points and needs, recent trends



The Hunter's Dog

- Product range
- Target customer segments
- Geographical footprint
- Marketing strategy



Sales profile

- Pricing strategy (e.g. subscription, tiers)
- Volume dynamics
- Sales structure by product line, location, customer group



Revenue growth areas

- Increase market share
- Expand geographically
- Approach new customer group
- Do production innovation

Note: This is just one of many potential ways to structure your approach. Please treat this example only as a reference point and develop your own style.

Q1. Make sure the candidate follows these steps



Step 1. Do horizontal presentation

The best practice is to start with a 15-second big-picture overview, e.g. "I'd like to assess this problem through the lens of four areas – first, ...; secondly, ...; thirdly, ...; and finally ..."



Step 2. Hit key points

Check if the candidate covers all key points typical for a revenue growth case structure:

Revenue analysis

- Revenue analysis

Business model

- Client segments
- Product portfolio

External factors

- Growth rate
- Competition



Step 3. Add stories (optionally)

To avoid cookie-cutter/generic approach, the candidates can incorporate 2-3 stories into their structure presentation, e.g.:

- "Marketing might be key, as this business is driven by the recurring demand and is likely subscription-based, so customers might have high life-time value and thus companies are ready to throw large marketing budgets at their acquisition"
- "Fresh food likely means highly perishable and thus the client should build distribution nearby the served locations and can't store products for long which we should consider in our potential expansion plans"
- "Customized food plans and freshness might suggest we're playing in the premium segment and might enjoy some price flexibility which might help increase our sales"



Step 4. Finish with a question

At the end of the structure presentation, it is helpful for candidate to show that they can drive team forward and prioritize, e.g. "This is how I'd like to disaggregate and analyze this subject. If it sounds reasonable, I'd like to start by digging into the market first. Do we have any information about the competition?"

Q2. Market growth drivers

02

The direct-to-customer (DTC) sector sky-rocketed in 2020. What might be the drivers of such an explosive growth?

Overall market



- Covid-induced isolation and more time at home encouraged people to adopt pets to feel less lonely
- Millennials show increasing appetite to get a pet (e.g. new form of parenthood; driven by positive image and regular presence of pets at social media)
- In general, e-commerce have been booming for the last several years

DTC-specific

Competition



- DTC might provide differentiation as potentially DTC isn't as wide-spread to become an industry standard
- Covid-affected sales forced companies to be more creative and customer-centric developing new distribution channels like DTC

Customers



- More customers are looking for healthier and fresh food not only for themselves, but also for their pets which are often perceived as family members
- Food delivery trend is on the rise (e.g. Doordash, UberEats)
- Make-at-home trend is strong

Note: This is just one of many potential ways to brainstorm. Please treat this example only as a reference point and develop your own style. [The candidate is usually expected to generate at least 4 ideas. The best practice is 7-8 ideas, structured approach, and on-the-fly delivery without taking notes]

Q2. Make sure the candidate follows these steps



- 80% of interviewers feel comfortable when candidates take 30-40 seconds to think and write down their ideas before walking the interviewer through them
- The best practice is to ideate on-the-fly
- The best practice is to structure brainstorming and offer a 10-second top-down overview, e.g. "Interesting question. I'd like to think about potential drivers on the side of the dog food market in general and on the side of DTC-specific reasons that I'll break down into competition and customers"
- Regular feedback from consulting firms is that candidates offer only three ideas which is a bit on the lower end
- Push the candidate to provide at least 4 ideas
- Top-5% of candidates can usually suggest 7-8 ideas
- To impress the interviewer, the candidates can contextualize some of their ideas
- In this brainstorming each idea is presented as a story

Q3. Risks

03

One of the sales growth opportunities for the Hunter's Dog is to start distributing through the traditional offline channels like Petsmart, Chewy and Petco. What are some risks about doing it though?

Market specific risks



- High competitive pressure for the access to the channels and best shelves
- Potential negative brand implications [e.g. offline channels aren't associated with "freshness" which is at the core of the client's value proposition]

Financial risks



- Revenue-related**
- Cannibalization of online sales
 - Exaggerated revenue assumptions [e.g. mass channels are usually tailored to more price-sensitive target audience, not high-end customers]
- Cost-related**
- High negotiation power of distributor and thus high wholesale discounts [as they offer volume and a lot of brands want to be on their shelves]
 - Potentially high storage expenses, incl. refrigeration [which are fairly small right now given fresh food is delivered right away]
 - Underestimated costs

Operational risks



- Increase in operational complexity
- Lack of capacity in production, transportation and storage to accommodate the demand from offline distribution channel
- Potential supply chain constraints given boost to volume needed
- Potentially high waste [as the product is highly perishable and now it might need to be in transit and at the store for multiple days]
- Potentially higher risk of contamination give rapid scaling of operations and lack of expertise of running a large facility

Note: This is just one of many potential ways to brainstorm. Please treat this example only as a reference point and develop your own style. [The candidate is usually expected to generate at least 4 ideas. The best practice is 7-8 ideas, structured approach, and on-the-fly delivery without taking notes]

Q3. Make sure the candidate follows these steps



- 80% of interviewers feel comfortable when candidates take 30-40 seconds to think and write down their ideas before walking the interviewer through them
- The best practice is to ideate on-the-fly
- The best practice is to structure brainstorming and offer a 10-second top-down overview, e.g. "Sure, let me break down potential risks into market-specific, financial and operational. On the market-specific, I'm thinking of..."
- Regular feedback from consulting firms is that candidates offer only three ideas which is a bit on the lower end
- Push the candidate to provide at least 4 ideas
- Top-5% of candidates can usually suggest 7-8 ideas
- To impress the interviewer, the candidates can contextualize some of their ideas
- Examples are given in [] brackets on the previous slide

Q4. Math exercise – prompt

04

Petco, a pet product retailer, offers The Hunter's Dog to sell their dog food. The Hunter's Dog will need to expand its factory to accommodate Petco's demand. What is 1-year break-even number of customers for this deal?



Please share with the candidate
the following information

- The client had 100k unique customers in 2020
- Petco operates 1,400 stores across the U.S.

Please provide this additional
information only upon request

- Our client's gross margin is 40% (Revenue minus Variable Costs)
- The client plans to keep the same prices for Petco and their DTC channel
- Petco's commission is 25% of sales
- Additional opex is expected to be 5% of sales (incl. transportation and storage)
- Capex to expand the client's factory is \$30M
- The candidate should know the client's sales from the prompt (\$120M in 2020) and shouldn't ask for it

Q4. Math exercise – calculations

04

Petco, a pet product retailer, offers The Hunter's Dog to sell their dog food. The Hunter's Dog will need to expand its factory to accommodate Petco's demand. What is 1-year break-even number of customers for this deal?



Average ticket per year

$$\$120M \div 100k = \$1,200$$

Contribution margin, %

$$40\% - 25\% - 5\% = 10\%$$

Contribution margin, USD

$$\$1,200 \times 10\% = \$120$$

1-year break-even number of customers

$$\$30M \div \$120 = 250k$$

The Hunter's Dog will need to attract 250k new customers through Petco for annual orders to break-even after 1st year

Q4. Math exercise – contextualization of the answer

04

Petco, a pet product retailer, offers The Hunter's Dog to sell their dog food. The Hunter's Dog will need to expand its factory to accommodate Petco's demand. What is 1-year break-even number of customers for this deal?

**Basic comments
(expected from everyone)**



- The Hunter's Dog will break-even during the first year if they attract 250k new customers purchasing annual volume of dog food

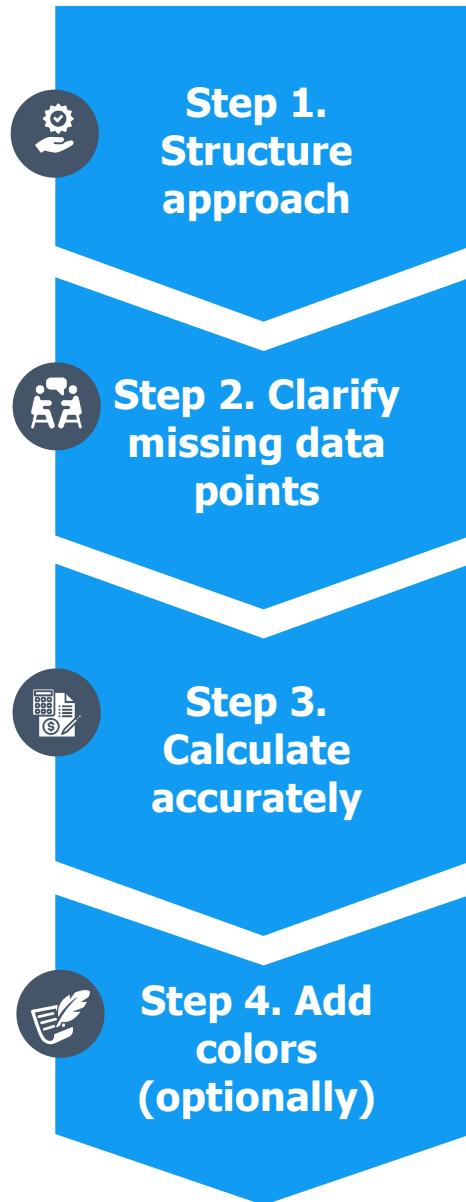
Advanced comments (for outstanding candidates)



- 250k will be x3.5 sales [100k+250k] after 1st year which might sound ambitious and even unrealistic
- We didn't consider churn rate which might be high given DTC likely attracts newcomers that do aggressive promotions and marketing campaigns, so the client might need to bring more than 250k customers
- If the client considers a longer period to break-even (3-4 years), then the break-even point will be more manageable (60-80k)
- One of the major risks is that Petco might break the deal, so the client might want some firm agreement and/or include cancellation penalties
- A \$30M factory expansion might take 1-2 years, and the economics of the business (e.g. gross margin) might change by then

Note: The candidate is not expected to mention all the advanced comments, but adding some of them will demonstrate that the candidate can connect the dots, see the depth, add colors and bring some insights even if the candidate is not that familiar with the industry/topic

Q4. Make sure the candidate follows these steps



- Providing big-picture approach of how to calculate the answer might help the candidate gain more points and help the interviewer follow the candidate's thought process
- Often interviewers don't provide all the information
- The candidate needs to proactively ask for missing pieces
- Ideally the candidate shouldn't make any mistakes
- It is okay to ask for some time to run numbers and then walk the interviewer through the calculations (some interviewers though might push back and ask you to do your Math on the fly)
- The interviewers highly appreciate it when the candidate not only calculates the answer correctly, but also contextualizes it
- See some advanced comments on the previous slide as example of the contextualization

Q5. Recommendation

05

During the team problem-solving session, the Partner asks you to synthesize the current version of your recommendations.

Recommendation

"Based on our initial analysis, it seems like the Hunter's Dog already enjoys a major market share in the DTC channel and might want to explore expanding to conventional offline channels"



Reasoning

- "First, offline channels are well developed with likely thousands of locations around the U.S. which will considerably strengthen the client's access to customers"
- "Secondly, the Hunter's Dog might boost their brand awareness through offline channels which might propel the online sales"
- "Thirdly, a contract with a big-name retailer might open doors to other retailers too"



Risks

"However, there are some obvious risks including drop in profitability as we'll need to pay considerable distribution commission, potentially high capex commitment, and damage to our brand as we might be moving from premium to mass market"



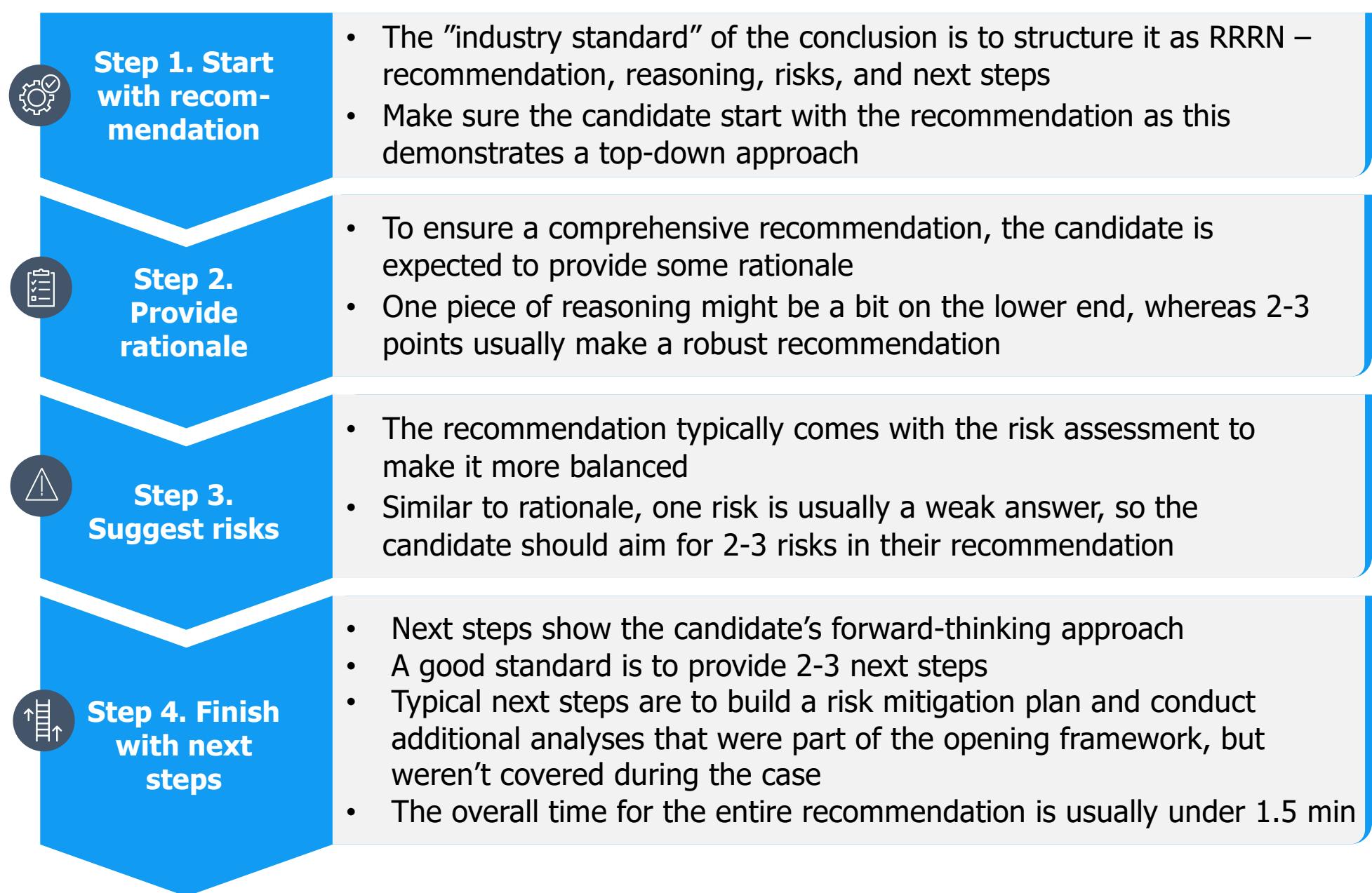
Next steps

"To move forward, I plan to develop a risk mitigation plan, conduct in-depth analysis of potential distribution partners, and assess the competitive threat to this plan"



Note: This is just one of many potential ways to make a recommendation. Please treat this example only as a reference point and develop your own style.

Q5. Make sure the candidate follows these steps



Case #12

Inspired by L.E.K.
Wen Windows
2020

L.E.K.

Case #12. Inspired by L.E.K. 2020. Wen Windows



Prompt

- Wen Windows is a vertically integrated window producer, with six manufacturing facilities and 30 service centers around the U.S. Their sales grew until 2019 when the company started losing its market share. They generated \$150M in sales in 2019. The CEO has hired you to help them turn things around and boost their sales. The case was in early 2020 (before the pandemic).



Additional information

Please provide this information only upon request

- The vertical integration implies that Wen Windows makes their own glass units, vinyl components, fiberglass frames, etc.
- Wen Windows works with both B2C and B2B
- Wen Windows already offers a wide variety of windows, but still keeps innovating
- The size of U.S. window market is around \$15B
- The space is quite fragmented with a lot of players
- No revenue goals provided



Case type

- Revenue growth
- Medium level
- Interviewer-driven case
- Expected time is 15-20 minutes

Opening. Make sure the candidate follows these steps



Step 1. Restate the prompt

Typically the candidates are expected to restate the prompt to make sure they are on the same page with the interviewer



Step 2. Add colors (optionally)

Candidates can react to the prompt by providing some quick thoughts which will demonstrate candidates' business acumen, e.g.:

- "It's an interesting market as it's highly dependent on the new construction volume and length of windows' useful life, thus I'd think it's a slowly growing space"
- "Great that our client enjoys a fairly large geographical footprint with 30 service centers, as windows are likely a location-driven business and proximity might be one of the key purchasing decision making criteria for customers"
- "We're likely in a fairly commoditized space and thus margins are slim, so decline in market share is alarming as it triggers diseconomies of scale eating into margins"



Step 3. Ask 2-3 questions

It is common that candidates ask 2-3 clarifying questions before designing their framework. Typical questions include:

- Geography of client's operations/sales
- Financial goal
- Business model of the client



Step 4. Ask for a moment to structure

- Typically candidates ask for a couple of minutes to structure their approach
- Sometimes during interviewer-driven cases, the interviewers ask the first question and then the candidate takes time to build their framework

Case questions (this is an interviewer-driven case)

01

How would you structure your approach to help the client increase their market share?

02

What are the advantages of the vertical integration for the client?

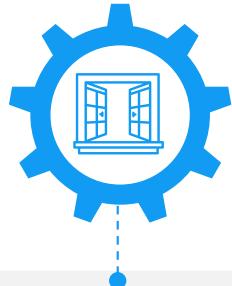
03

The client is considering investing in product development to respond to a growing trend of home automation (e.g. so-called smart windows, voice-activated smart shades). What are some risks of this investment?

04

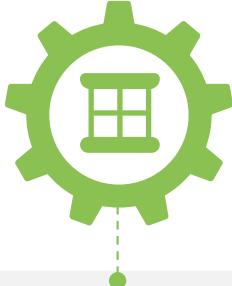
Wen Windows launched a new energy-efficient window model a couple of years ago, but the model is still unprofitable. How many units of this model should the company sell annually to break-even?

Q1. How would you structure your approach to help the client increase their market share?



U.S. windows industry

- Growth rate
- Major window manufacturers (incl. market shares, offerings)



Wen Windows

- Key window types and adjacency services
- Customer groups (e.g. B2C/B2B; high-end/low-end)
- Value chain
- Marketing and salesforce



Market share

- Current market share and its dynamics
- Current revenue and its growth rate
- Revenue breakdown by product line
- Pricing strategy



Market share growth areas

- Marketing strategy
- Distribution channels
- Pricing strategy
- Value proposition and customer experience

Note: This is just one of many potential ways to structure your approach. Please treat this example only as a reference point and develop your own style.

Q1. Make sure the candidate follows these steps



Step 1. Do horizontal presentation

The best practice is to start with a 15-second big-picture overview, e.g. "I'd like to assess this problem through the lens of four areas – first, ...; secondly, ...; thirdly, ...; and finally ..."



Step 2. Hit key points

Check if the candidate covers all key points typical for a revenue growth case structure:

Revenue analysis

- Revenue analysis

Business model

- Client segments
- Product portfolio

External factors

- Growth rate
- Competition



Step 3. Add stories (optionally)

To avoid cookie-cutter/generic approach, the candidates can incorporate 2-3 stories into their structure presentation, e.g.:

- "Given a commoditized nature of windows, innovation around their look and design might be a strong differentiating factor, which might help the client increase sales"
- "Solid portion of this market is likely driven by B2B clients like construction companies, so highly-qualified salesforce is essential to build relationship and close high-volume contracts"
- "Geographical proximity of service centers and windows' style might be among key purchasing decision factors for B2C, which provides healthy environment for small and medium size players, thus I'd think the market is fragmented"



Step 4. Finish with a question

At the end of the structure presentation, it is helpful for candidate to show that they can drive team forward and prioritize, e.g. "If this structure seems like a robust framework, I'd like to attack the core of the problem first. Do we have numbers on the current market share?"

Q2. Vertical integration advantages

02 What are the advantages of the vertical integration for the client?



Financial advantages

[Companies with large enough scale can capture financial benefit from vertical integration primarily through cost optimization.]

Cost advantages

- Cost synergies (e.g. shared overhead between value chain steps)
- Streamlined processes between value chain steps
- Capturing the margins of upstream value chain stages (were baked into supplies prices before vertical integration)

Revenue advantages

- Potentially stronger brand as strict start-to-finish quality control boosts customers' trust



Strategic advantages

[Vertical integration makes sense for large and rapidly growing businesses as it ensures predictable supply chain and provides more opportunities for operational improvements.]

New opportunities

- More flexibility and value chain expertise to innovate

Operational improvements

- Higher quality control at every step of the value chain
- Potentially shorter time-to-market cycle
- Potentially faster order production and delivery

Risk mitigation

- Less probability of supply chain disruptions

Note: This is just one of many potential ways to brainstorm. Please treat this example only as a reference point and develop your own style. [The candidate is usually expected to generate at least 4 ideas. The best practice is 7-8 ideas, structured approach, and on-the-fly delivery without taking notes]

Q2. Make sure the candidate follows these steps



- 80% of interviewers feel comfortable when candidates take 30-40 seconds to think and write down their ideas before walking the interviewer through them
- The best practice is to ideate on-the-fly
- The best practice is to structure brainstorming and offer a 10-second top-down overview, e.g. "Sure, I'd like to split the advantages into quantitative and qualitative - or in other words into financial and strategic"
- Regular feedback from consulting firms is that candidates offer only three ideas which is a bit on the lower end
- Push the candidate to provide at least 4 ideas
- Top-5% of candidates can usually suggest 7-8 ideas
- To impress the interviewer, the candidates can contextualize some of their ideas
- In this brainstorming each idea is presented as a story

Q3. Risks

03

The client is considering investing in product development to respond to a growing trend of home automation (e.g. so-called smart windows, voice-activated smart shades). What are some risks of this investment?

Market specific risks



[Any nascent market is associated with high level of ambiguity and risks of staying just a niche space.]

- Potentially fairly small nascent market
- Potentially lots of current players and newcomers which will make it hard to differentiate
- Unexpected change in customer preferences (e.g. privacy concerns over voice-assistants)

Financial risks



[All R&D projects possess financial risks.]

Revenue-related

- Cannibalization of regular window sales
- Exaggerated revenue assumptions [e.g. due to potential product-market mismatch; smart windows might be a premium product whereas Wen Windows might target mass market]

Cost-related

- Higher-than-expected capex required (e.g. equipment, software development)
- Underestimated opex (e.g. spare parts, new equipment operators/mechanics)

Operational risks

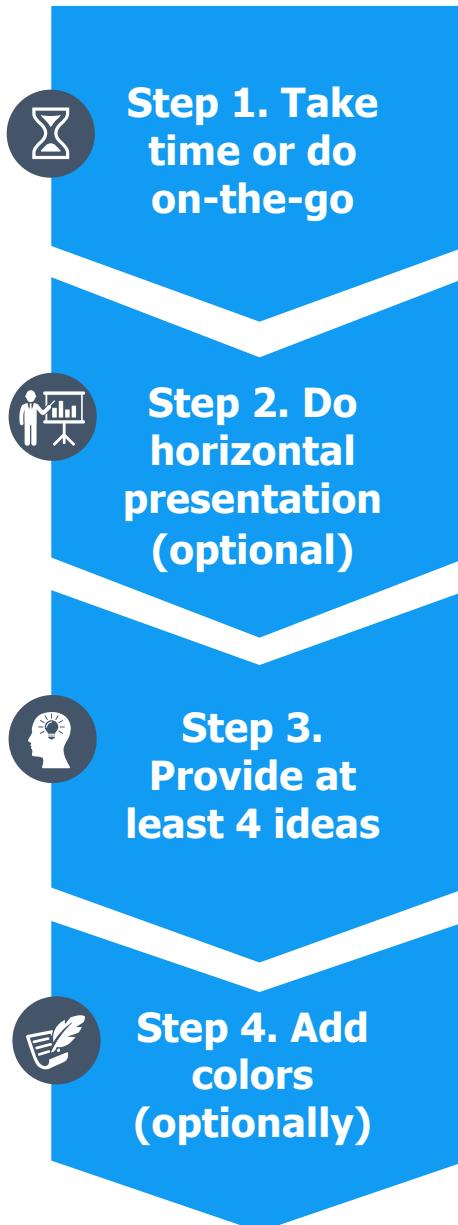


[This seems like a new arena for the client, which they might not be ready operationally.]

- Lack of expertise in smart tech
- Increase in operational complexity
- Longer R&D cycle
- Lack of talent to staff the production of smart windows
- Lack of production capacity suggesting extra capex needed to expand

Note: This is just one of many potential ways to brainstorm. Please treat this example only as a reference point and develop your own style. [The candidate is usually expected to generate at least 4 ideas. The best practice is 7-8 ideas, structured approach, and on-the-fly delivery without taking notes]

Q3. Make sure the candidate follows these steps



- 80% of interviewers feel comfortable when candidates take 30-40 seconds to think and write down their ideas before walking the interviewer through them
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- Examples are given in [] brackets on the previous slide

Q4. Math exercise – prompt

04

Wen Windows launched a new energy-efficient window model a couple of years ago, but the model is still unprofitable. How many units of this model should the company sell annually to break-even?



**Please share with the candidate
the following information**

- In 2019 Wen Windows sold 2k units of this model for the total of \$1.2M

**Please provide this additional
information only upon request**

- Annual fixed costs of marketing and production for this model is \$1M
- Gross margin for this model is 30% (revenue minus variable costs)

Q4. Math exercise – calculations

04

Wen Windows launched a new energy-efficient window model a couple of years ago, but the model is still unprofitable. How many units of this model should the company sell annually to break-even?



Average price per unit of new model

$$\$1.2M \div 2k \text{ units} = \$600$$

Contribution margin, USD

$$\$600 \times 30\% = \$180$$

1-year break-even sales number

$$\$1M \div \$180 = 5.6k$$

The client needs to sell 5.6k of energy-efficient windows annually to break-even

Q4. Math exercise – contextualization of the answer

04

Wen Windows launched a new energy-efficient window model a couple of years ago, but the model is still unprofitable. How many units of this model should the company sell annually to break-even?



**Basic comments
(expected from everyone)**

- In order to break-even the client should almost triple their sales from 2k to 5.6k

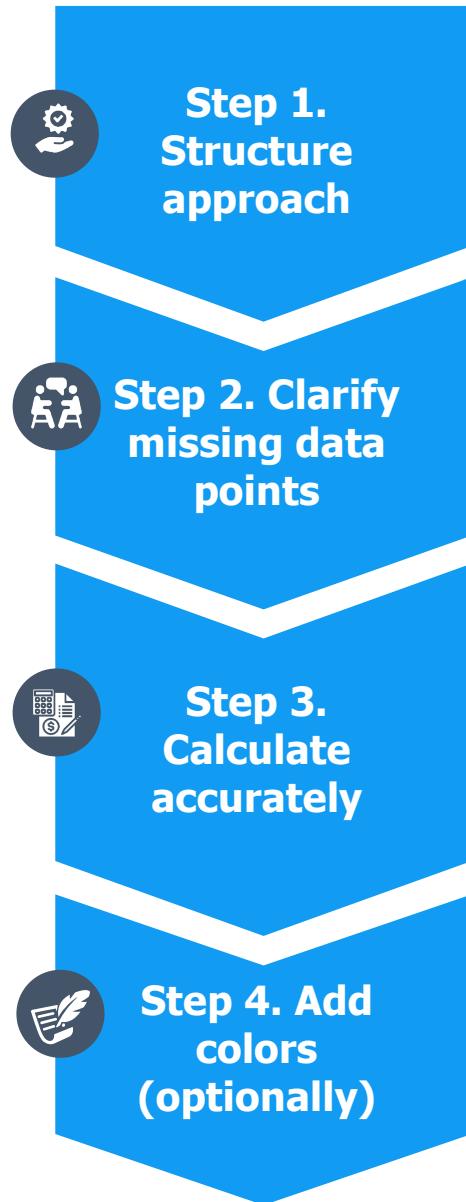


Advanced comments (for outstanding candidates)

- At the surface tripling current sales seems like an ambitious goal
- Energy-efficient windows are likely a premium model and if the client's typical target audience is mass market, then the client should adjust their marketing and distribution to increase sales of this model
- 30% gross margin seems reasonable as this model brings additional value of energy efficiency and thus might be priced higher
- Current model doesn't represent a substantial portion of overall sales (1.2M/150M) and thus its economics unlikely hurts client's profitability
- Increase in sales will contribute to stronger economies of scale which might improve gross margin and decrease a break-even point

Note: The candidate is not expected to mention all the advanced comments, but adding some of them will demonstrate that the candidate can connect the dots, see the depth, add colors and bring some insights even if the candidate is not that familiar with the industry/topic

Q4. Make sure the candidate follows these steps



- Providing big-picture approach of how to calculate the answer might help the candidate gain more points and help the interviewer follow the candidate's thought process
- Often interviewers don't provide all the information
 - The candidate needs to proactively ask for missing pieces
- Ideally the candidate shouldn't make any mistakes
 - It is okay to ask for some time to run numbers and then walk the interviewer through the calculations (some interviewers though might push back and ask you to do your Math on the fly)
- The interviewers highly appreciate it when the candidate not only calculates the answer correctly, but also contextualizes it
 - See some advanced comments on the previous slide as example of the contextualization

Recommendation

**This L.E.K. case
didn't require
recommendation**





More at
Peter-K.org

Case #13

McKinsey
& Company

Inspired by McKinsey Confectionery Land 2021

Case #13. Inspired by McKinsey. 2021. Confectionery Land



Prompt

- Confectionery Land is a house of major brands of chocolate and sugar confectionery sold primarily in Europe. The company is pursuing an active expansion strategy. Currently they are considering entering a European developing country X with their best-selling chocolate products. Their CEO reached out to your team to help them justify this decision.



Additional information

Please provide this information only upon request

- Country X has a population of 9M people
- The annual chocolate consumption in country X is \$600M
- The annual growth rate of chocolate product market was 10% over the last three years
- More than half of the market is controlled by Mondelez, Nestle and Mars, however there are a lot of small and medium size local players
- The client didn't provide any goals
- Confectionery Land offers chocolate bars, chocolate candies, and biscuits (cookies and crackers)



Case type

- Market entry
- Medium level
- Interviewer-driven case
- Expected time is 15-20 minutes

Opening. Make sure the candidate follows these steps



Step 1. Restate the prompt

Typically the candidates are expected to restate the prompt to make sure they are on the same page with the interviewer



Step 2. Add colors (optionally)

Candidates can react to the prompt by providing some quick thoughts which will demonstrate candidates' business acumen, e.g.:

- "Happy to work on this case! Chocolate is typically one of the major treats and desserts in the European culture, so the market should be decent in country X"
- "Great to see that our client enjoys a developed portfolio of strong brands and large scale which means they should have sufficient resources and capabilities to enter country X"
- "It seems like Confectionery Land has been aggressively expanding to other regions, so they can leverage their experience and benchmarking data from other countries to assess the attractiveness of country X"



Step 3. Ask 2-3 questions

It is common that candidates ask 2-3 clarifying questions before designing their framework. Typical questions include:

- Geography of client's operations/sales
- Financial goal
- Business model of the client



Step 4. Ask for a moment to structure

- Typically candidates ask for a couple of minutes to structure their approach
- Sometimes during interviewer-driven cases, the interviewers ask the first question and then the candidate takes time to build their framework

Case questions (this is an interviewer-driven case)

01

What factors do we need to consider to suggest if it makes sense for Confectionery Land to enter country X?

02

If country X turns out to be an attractive market, how would you design your go-to-market (GTM) strategy?

03

Your analyst has put together some data on chocolate consumption in country X (see Appendix 1). Can you calculate the size of the market in two years?

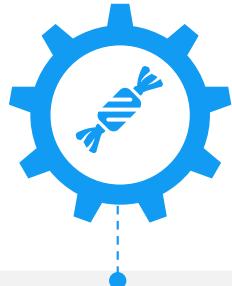
04

What are some risks of entering country X?



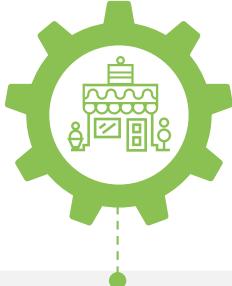
Appendix 1.

Q1. What factors do we need to consider to suggest if it makes sense for Confectionery Land to enter country X?



Chocolate market in country X

- Market size and growth rate
- Major chocolate brands (incl. market shares, positioning)
- Typical profitability
- Local tastes



Confectionery Land

- Chocolate offerings (e.g. bars, candies, brownies, etc)
- Customer segments (e.g. B2C, B2B, value/premium)
- Differentiating points



Financial analysis

- Forecasted revenue and market share
- Estimated costs
- Expected investment
- Investment criteria (e.g. ROI, NPV, payback period)



Risk assessment

- Market-specific
- Financial
- Operational

Note: This is just one of many potential ways to structure your approach. Please treat this example only as a reference point and develop your own style.

Q1. Make sure the candidate follows these steps



Step 1. Do horizontal presentation

The best practice is to start with a 15-second big-picture overview, e.g. "I'd like to assess this problem through the lens of four areas – first, ...; secondly, ...; thirdly, ...; and finally ..."



Step 2. Hit key points

Check if the candidate covers all key points typical for a market entry case structure:

Market assessment

- Size
- Growth rate
- Competition
- Typical profitability

Business model

- Client segments
- Product portfolio

Financial analysis*

- Expected profitability (e.g. revenue and costs)
- Expected capex
- Investment criteria



Step 3. Add stories (optionally)

To avoid cookie-cutter/generic approach, the candidates can incorporate 2-3 stories into their structure presentation, e.g.:

- "In terms of the growth rate, my running hypothesis is that chocolate products represent a mature market in country X and thus the growth rate is low"
- "Chocolate is likely a commoditized product, so the price pressure should be quite high and margins should be slim. It makes me believe that this is a volume-driven game, and we'll see several big-name players capturing high market shares"
- "Given Confectionery Land has already established manufacturing facilities across Europe, they'd likely make this market entry low-asset or even asset-free, so I don't expect high investment, but I'd need financial data to confirm it"



Step 4. Finish with a question

At the end of the structure presentation, it is helpful for candidate to show that they can drive team forward and prioritize, e.g. "This is how I would approach this problem. If this sounds reasonable, I was hoping to start by analyzing the market. Do we have information on the market size?.."

Q2. Go-to-market strategy

02

If country X turns out to be an attractive market, how would you design your go-to-market (GTM) strategy?

Financial considerations



[Market entry typically starts with an aggressive marketing campaign to quickly win a decent market share and make economics work.]

- Projected profitability/cashflow
 - Expected market share and revenue
 - Estimated costs
 - Potential synergies
- Planned investment
- Investment criteria (e.g. ROI)
- Scenario and sensitivity analysis (e.g. poor, basic, best case)

Business model considerations



[Chocolate is a commoditized consumer product, so customers are likely price-sensitive and value convenience. Thus positioning, distribution channels and pricing strategy would be crucial for GTM.]

- Marketing strategy
 - Target customer groups
 - Planned promotions and campaigns
 - Marketing channels
- Distribution channels
- Pricing strategy
- Offerings to enter with

Operational considerations

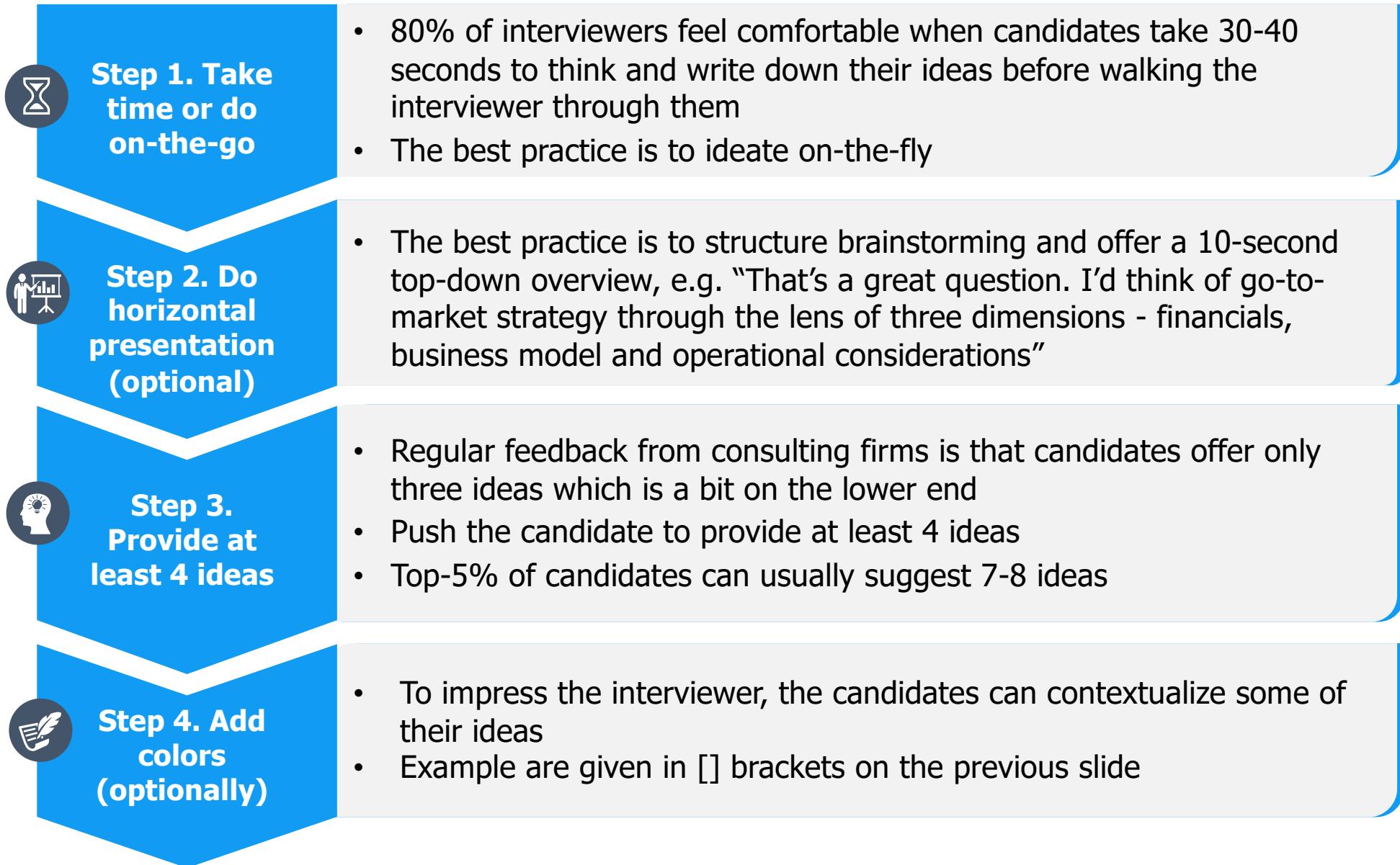


[Market entry is an operationally complex project and a stress test to supply chain, production, and logistics. Especially if country X is large and far from client's distribution centers.]

- Timeline
- Operational complexity
- Potential bottlenecks (e.g. lack of production or logistics capacity)
- Identified capability gaps

Note: This is just one of many potential ways to brainstorm. Please treat this example only as a reference point and develop your own style. [The candidate is usually expected to generate at least 4 ideas. The best practice is 7-8 ideas, structured approach, and on-the-fly delivery without taking notes]

Q2. Make sure the candidate follows these steps



Q3. Math exercise – prompt

03

Your analyst has put together some data on chocolate consumption in country X (see Appendix 1). Can you calculate the size of the market in two years?



Please share with the candidate
the following information

- Appendix 1

Please provide this additional
information only upon request

In two years:

- Overall spending in group "Children" will increase by 20%
- The average spend per purchase for group "18-44 yo" will jump from \$6 to \$7.5
- Group "45-64 yo" will purchase chocolate products more often - 16 times a year
- The behavior of group "65+ yo" isn't expected to change
- Population structure will remain the same
- Population growth rate is negligible

Q3. Math exercise – calculations

03

Your analyst has put together some data on chocolate consumption in country X (see Appendix 1). Can you calculate the size of the market in two years?



Consumption growth for children

$$\$120M \times 20\% = \$24M$$

Consumption growth for 18-44 yo

$$\$180M \times (\$7.5-\$6)/\$6 = \$45M$$

Consumption growth for 45-64 yo

$$\$180M \times (16-14)/14 = \$26M$$

Chocolate market size in 2 years

$$\$600M + \$24M + \$45M + \$26M = \$695M$$

The chocolate market will increase by \$95M in 2 years

Q3. Math exercise – contextualization of the answer

03

Your analyst has put together some data on chocolate consumption in country X (see Appendix 1). Can you calculate the size of the market in two years?

Basic comments (expected from everyone)



- The market for chocolate products will go up by \$95M in 2 years

Advanced comments (for outstanding candidates)



\$95M is around 15% growth rate ($95/600$), or 7-8% annually, which suggests that the market is going to slow down after growing for 10% every year for the last three years

- Still 7-8% annually seems attractive as mature markets typically grow by low single-digit numbers
- Chocolate consumption might be driven by aggressive marketing campaign of new entrants attracted by this large growing space
- It's surprising that adults eat more chocolate than children, although it might be as kids often aren't allowed to eat chocolate until 5-10 yo
- It makes sense that elderly people won't change their purchasing behavior as this group might not adjust their eating habits easily

Note: The candidate is not expected to mention all the advanced comments, but adding some of them will demonstrate that the candidate can connect the dots, see the depth, add colors and bring some insights even if the candidate is not that familiar with the industry/topic

Q3. Make sure the candidate follows these steps



- Providing big-picture approach of how to calculate the answer might help the candidate gain more points and help the interviewer follow the candidate's thought process
- Often interviewers don't provide all the information
- The candidate needs to proactively ask for missing pieces
- Ideally the candidate shouldn't make any mistakes
- It is okay to ask for some time to run numbers and then walk the interviewer through the calculations (some interviewers though might push back and ask you to do your Math on the fly)
- The interviewers highly appreciate it when the candidate not only calculates the answer correctly, but also contextualizes it
- See some advanced comments on the previous slide as example of the contextualization

Q4. Risks

04

What are some risks of entering country X?

Market specific risks



- Change in consumer behavior [e.g. strong trend for healthy food]
- Competitive response (e.g. aggressive marketing campaign or pricing war)
- Market consolidation [this is a volume-driven business, so to compete against big-name players, smaller brands might try to merge]
- Lots of newcomers (in case the market is attractive)
- Growing demand for substitutes (e.g. ice-cream)

Financial risks



- Lower-than-expected revenue and market share [e.g. due to different tastes and product-market mismatch, poor messaging, etc.]
- Underestimated costs (e.g. high distribution commissions, high logistics costs due to spike in fuel prices)
- Lack of funding

Operational risks



- Lack of production capacity
- Lack of warehouse and logistics capacity
- Cannibalization of production, warehouse or logistics resources from other markets
- Long negotiation cycles with major distribution channels
- Increase in operational complexity

Note: This is just one of many potential ways to brainstorm. Please treat this example only as a reference point and develop your own style. [The candidate is usually expected to generate at least 4 ideas. The best practice is 7-8 ideas, structured approach, and on-the-fly delivery without taking notes]

Q4. Make sure the candidate follows these steps



- 80% of interviewers feel comfortable when candidates take 30-40 seconds to think and write down their ideas before walking the interviewer through them
- The best practice is to ideate on-the-fly
- The best practice is to structure brainstorming and offer a 10-second top-down overview, e.g. "Sure, let me break down potential risks into market-specific, financial and operational. On the market-specific, I'm thinking of..."
- Regular feedback from consulting firms is that candidates offer only three ideas which is a bit on the lower end
- Push the candidate to provide at least 4 ideas
- Top-5% of candidates can usually suggest 7-8 ideas
- To impress the interviewer, the candidates can contextualize some of their ideas
- Examples are given in [] brackets on the previous slide

Recommendation

**McKinsey
typically doesn't
require
recommendation
for their cases**



Appendix 1. Annual chocolate consumption in country X

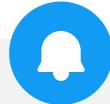
	 Segment size	 Segment share	 Purchases per year	 Average spend per purchase	 Annual spending
Children	\$120M	20%	12	\$5	\$60
18-44 yo	\$180M	30%	14	\$6	\$84
45-64 yo	\$180M	30%	14	\$6	\$84
65+ yo	\$120M	20%	10	\$4	\$40

Case #14

McKinsey
& Company

Inspired by McKinsey
Okay Mobile
2021

Case #14. Inspired by McKinsey. 2021. Okay Mobile



Prompt

- Okay Mobile is an Australian provider of mobile phone plans and operates as a MVNO (Mobile Virtual Network Operator) on one of top-3 cellphone service providers in Australia - Optus. Okay Mobile enjoys a base of 1M subscribers. The company is considering expanding to energy plans and become a “virtual” energy retailer that has no power generation assets, but resells energy from electricity and gas providers. They hope to get \$5M in profits from the energy business one year after launch. Your team is to advise them on whether it is a wise idea.



Additional information

Please provide this information only upon request

- MNVOs purchase wholesale mobile services from one of top-3 carriers and provide cellphone services to end users under their own brand
- Energy plans cover electricity and gas sourced from a wide variety of providers (100+ electricity and gas companies in Australia) and depend on usage amount, state and other variables
- There are 11M electricity customers and 5M gas customers in Australia
- The size of electricity retailing market is \$20B and the size of gas retailing market is \$3-4B. Both markets grow at 1-3% annually



Case type

- Market entry
- Medium-Hard level
- Interviewer-driven case
- Expected time is 15-20 minutes

Opening. Make sure the candidate follows these steps



Step 1. Restate the prompt

Typically the candidates are expected to restate the prompt to make sure they are on the same page with the interviewer



Step 2. Add colors (optionally)

Candidates can react to the prompt by providing some quick thoughts which will demonstrate candidates' business acumen, e.g.:

- "Interesting. With a fairly large scale it makes sense for our client to start exploring expansion opportunities and options to monetize a base of 1M subscribers"
- "It seems like the client is trying to leverage their experience of a virtual retailer of cellphone services and replicate this business model to another basic need - energy"
- "At the first glance the choice of the energy market makes sense, as it's a fundamental need and thus the market should be large, but I'll need to collect some hard data to support this statement"



Step 3. Ask 2-3 questions

It is common that candidates ask 2-3 clarifying questions before designing their framework. Typical questions include:

- Geography of client's operations/sales
- Financial goal
- Business model of the client



Step 4. Ask for a moment to structure

- Typically candidates ask for a couple of minutes to structure their approach
- Sometimes during interviewer-driven cases, the interviewers ask the first question and then the candidate takes time to build their framework

Case questions (this is an interviewer-driven case)

01

Do you think Okay Mobile should expand to this new vertical and how would you assess this decision?

02

What synergies should the client anticipate between the energy vertical and their core business?

03

Your manager was wondering if you could assess what profit Okay Mobile will have from its energy business one year after launch.

04

What are some risks of moving to the energy plan space for our client?

Q1. Do you think Okay Mobile should expand to this new vertical and how would you assess this decision?



Energy retail market in Australia

- Market size and growth rate
- Top energy plans (e.g. market shares, differentiating points)
- Average margins



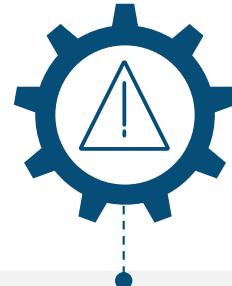
Okay Mobile's business model

- Planned target customer segments (e.g. B2C/B2B)
- Range of energy services
- Potential energy partners



Financial analysis

- Profitability
 - Forecasted revenue
 - Estimated costs
- Synergies
- Expected investment
- Investment criteria (e.g. ROI, NPV)



Risk assessment

- Market-specific
- Financial
- Operational

Note: This is just one of many potential ways to structure your approach. Please treat this example only as a reference point and develop your own style.

Q1. Make sure the candidate follows these steps



Step 1. Do horizontal presentation

The best practice is to start with a 15-second big-picture overview, e.g. "I'd like to assess this problem through the lens of four areas – first, ...; secondly, ...; thirdly, ...; and finally ..."



Step 2. Hit key points

Check if the candidate covers all key points typical for a market entry case structure:

Market assessment

- Size
- Growth rate
- Competition
- Typical profitability

Business model

- Client segments
- Product portfolio

Financial analysis

- Expected profitability (e.g. revenue and costs)
- Expected capex*
- Investment criteria* * - optional



Step 3. Add stories (optionally)

To avoid cookie-cutter/generic approach, the candidates can incorporate 2-3 stories into their structure presentation, e.g.:

- "In terms of business model, it seems like Okay Mobile would like to play in the asset-light and trading-type business, that is based on the sales commission"
- "Given energy is a pure commodity, the price pressure should be incredibly high and thus margins are likely quite narrow which might affect the client's economics"
- "This is likely a mature market, so I'd expect to see low single-digit numbers in terms of the growth rate similar to the GDP's growth rate of 2-3%"



Step 4. Finish with a question

At the end of the structure presentation, it is helpful for candidate to show that they can drive team forward and prioritize, e.g. "Does this approach sound like a fair plan of attack? If so, I'd like to explore the financials first as the client is expecting a clear financial outcome. Do we have any data on projected revenue?"

Q2. Synergies

02

What synergies should the client anticipate between the energy vertical and their core business?

Revenue synergies

[Cell phone and energy are fundamental services that almost everyone needs.

Okay Mobile can monetize their 1M client base by cross-selling energy plans.]

- Cross-selling opportunity
- More bundling options (various packages of cell phone services + energy bills)
- Better customer experience due to “one-stop shop” value proposition



Cost synergies

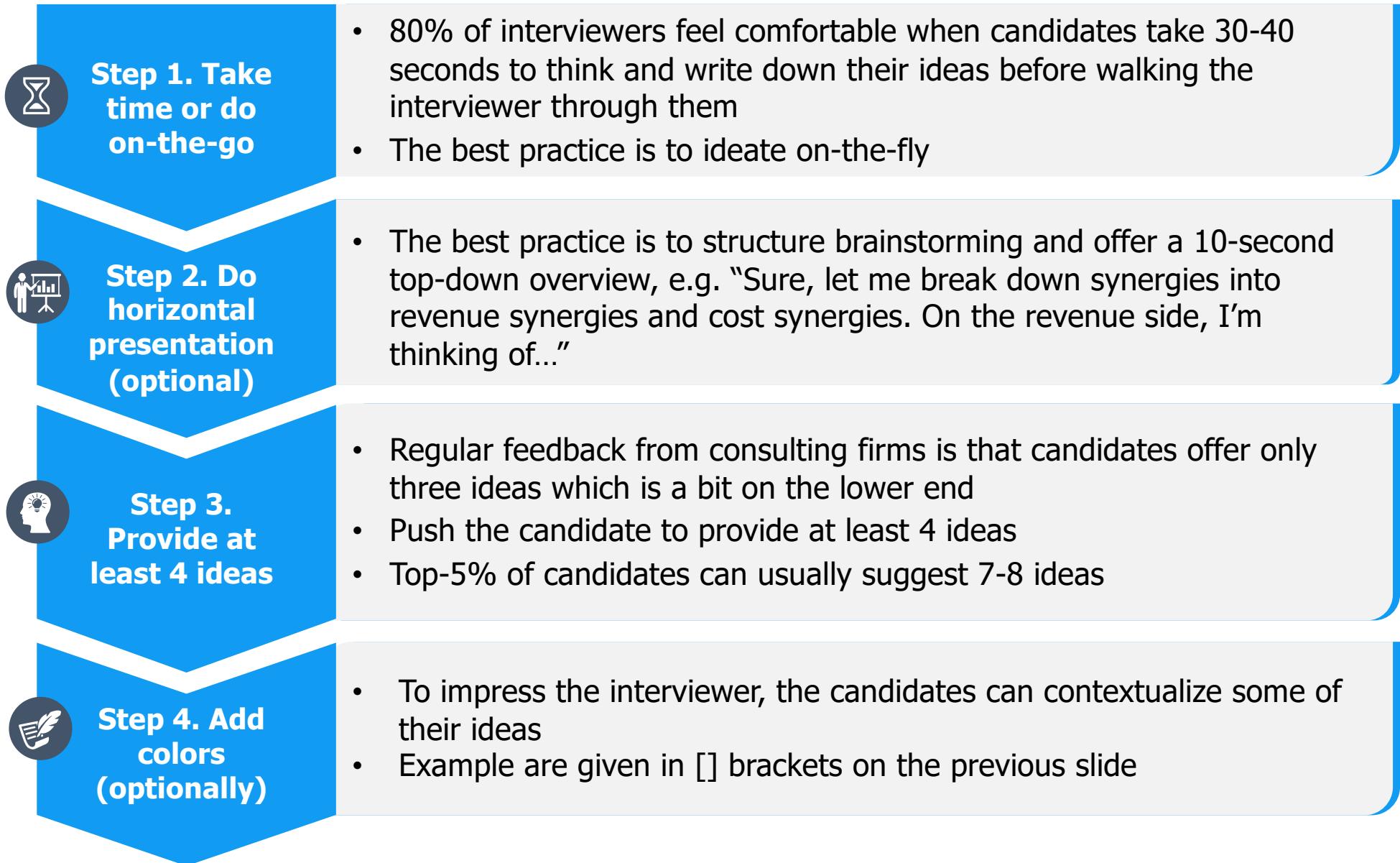
[Expanding product portfolio typically leads mostly to revenue synergies, but there are some cost synergies as well.]

- Shared software systems for customers (e.g. single smartphone app and online account for both services)
- Marketing costs [will be limited as Okay Mobile has direct access to 1M customers]
- Shared overhead (e.g. management, central services)



Note: This is just one of many potential ways to brainstorm. Please treat this example only as a reference point and develop your own style. [The candidate is usually expected to generate at least 4 ideas. The best practice is 7-8 ideas, structured approach, and on-the-fly delivery without taking notes]

Q2. Make sure the candidate follows these steps



Q3. Math exercise – prompt

03

Your manager was wondering if you could assess what profit Okay Mobile will have from its energy business one year after launch.



Please share with the candidate the following information

- We expect to have 0.2M customers by the end of 1st year (we can assume gradual increase in number of customers throughout the year)

Please provide this additional information only upon request

- On average Australian spends \$1.3k on electricity and \$700 on gas annually
- Client's retail commission that they charge electricity and gas companies is 10%
- The expected fixed costs are \$10M per year
- Variable costs are close to zero
- Capex (investment) isn't considered in profit calculation so the candidate shouldn't ask about it. Depreciation is negligible

Q3. Math exercise – calculations

03

Your manager was wondering if you could assess what profit Okay Mobile will have from its energy business one year after launch.



Average number of customers throughout the year

$$0.2M \text{ (end of the year)} \div 2 = 0.1M$$

Expected revenue for year 1

$$(\$1,300 + \$700) \times 0.1M \times 10\% = \$20M$$

Expected profit for year 1

$$\$20M - \$10M = \$10M$$

Okay Mobile will have \$10M in profits by the end of the first year

Q3. Math exercise – contextualization of the answer

03

Your manager was wondering if you could assess what profit Okay Mobile will have from its energy business one year after launch.



**Basic comments
(expected from everyone)**

- The client will earn \$10M in profits one year after the launch of its energy plan business



Advanced comments (for outstanding candidates)

- 0.2M clients as a 1-year goal seems ambitious and might require an aggressive marketing campaign which might hurt profits
- With expected \$10M the client will be able to hit their goal of \$5M and have fair amount of wiggle room in case some assumptions are off
- \$10M is 5% profit margin which makes sense as this is a commoditized business and price pressure should be high
- \$2k per year for energy costs feels a bit on the higher end, but maybe electricity and gas are expensive in Australia

Note: The candidate is not expected to mention all the advanced comments, but adding some of them will demonstrate that the candidate can connect the dots, see the depth, add colors and bring some insights even if the candidate is not that familiar with the industry/topic

Q3. Make sure the candidate follows these steps



- Providing big-picture approach of how to calculate the answer might help the candidate gain more points and help the interviewer follow the candidate's thought process
- Often interviewers don't provide all the information
 - The candidate needs to proactively ask for missing pieces
- Ideally the candidate shouldn't make any mistakes
 - It is okay to ask for some time to run numbers and then walk the interviewer through the calculations (some interviewers though might push back and ask you to do your Math on the fly)
- The interviewers highly appreciate it when the candidate not only calculates the answer correctly, but also contextualizes it
 - See some advanced comments on the previous slide as example of the contextualization

Q4. Risks

04

What are some risks of moving to the energy plan space for our client?

Market specific risks



Financial risks



Operational risks



- Competitive response (e.g. aggressive marketing campaign or pricing war)
- Market consolidation [this is a volume-driven business, so consolidation is a natural trend as companies with higher market share benefit from economies of scale and can offer lower prices]
- Lots of newcomers (in case the market is attractive)

- Lower-than-expected revenue and market share [e.g. due to poor marketing, inadequate pricing, sub-optimal distribution]
- Underestimated costs (e.g. higher IT costs, promotion discounts, larger marketing budgets)
- Lack of funding

[Although the client is familiar with the model of “virtual retailer”, energy plan might imply a different operational framework.]

- Lack of expertise
- Delays in energy contract execution
- Long negotiation cycles with electricity and gas providers
- Potential lack of capacity of customer service
- Cannibalization of IT resources and salesforce resources from cell phone business
- Increase in operational complexity

Note: This is just one of many potential ways to brainstorm. Please treat this example only as a reference point and develop your own style. [The candidate is usually expected to generate at least 4 ideas. The best practice is 7-8 ideas, structured approach, and on-the-fly delivery without taking notes]

Q4. Make sure the candidate follows these steps



- 80% of interviewers feel comfortable when candidates take 30-40 seconds to think and write down their ideas before walking the interviewer through them
- The best practice is to ideate on-the-fly
- The best practice is to structure brainstorming and offer a 10-second top-down overview, e.g. "Sure, let me break down potential risks into market-specific, financial and operational. On the market-specific, I'm thinking of..."
- Regular feedback from consulting firms is that candidates offer only three ideas which is a bit on the lower end
- Push the candidate to provide at least 4 ideas
- Top-5% of candidates can usually suggest 7-8 ideas
- To impress the interviewer, the candidates can contextualize some of their ideas
- Examples are given in [] brackets on the previous slide

Recommendation

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typically doesn't
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A surgeon wearing a surgical mask and gloves is performing a procedure on a patient's face. The patient is lying down, and the surgeon is focused on the task. The background is a blue surgical drape.

Case #15

**McKinsey
& Company**

**Inspired by McKinsey
Guyderma
2020**

Case #15. Inspired by McKinsey. 2020. Guyderma



Prompt

- Your client is a big-name beauty product company Guyderma. They enjoy a developed product portfolio of creams, lotions, cleansers, syrups, masks and other face solutions. The CEO is entertaining the idea of branching out to a new space of solutions for plastic surgeries (e.g. botox, disport and other injection types). They need your advice on whether this might be a wise decision.



Additional information

Please provide this information only upon request

- Around 18M plastic procedures are done annually in the U.S.
- The U.S. plastic procedure space has been growing at 1-2% per year
- Solutions for plastic surgeries is a fairly fragmented arena, however each solution has their own dominant players (e.g. the botox segment is mostly controlled by Allergan and Ipsen Pharma)
- Guyderma plans to distribute their plastic surgery solutions among plastic surgeon practices in the U.S.
- The client didn't provide us with any specific goals for this market expansion



Case type

- Market entry
- Medium level
- Interviewer-driven case
- Expected time is 15-20 minutes

Opening. Make sure the candidate follows these steps



Step 1. Restate the prompt

Typically the candidates are expected to restate the prompt to make sure they are on the same page with the interviewer



Step 2. Add colors (optionally)

Candidates can react to the prompt by providing some quick thoughts which will demonstrate candidates' business acumen, e.g.:

- "It makes sense that Guyderma would like to leverage their core R&D capabilities and likely strong brand for beauty products to expand to other verticals"
- "The plastic surgery solution space is an interesting choice as Guyderma is currently in a B2C market and they'll need to enter a B2B vertical. So, not only this expansion is about new product, but also about new customer segment, which might be too many steps from their core and thus too risky"
- "Great to see that our client is a big-name company and thus enjoys scale, as this market entry might require aggressive marketing campaign with large budgets"



Step 3. Ask 2-3 questions

It is common that candidates ask 2-3 clarifying questions before designing their framework. Typical questions include:

- Geography of client's operations/sales
- Financial goal
- Business model of the client



Step 4. Ask for a moment to structure

- Typically candidates ask for a couple of minutes to structure their approach
- Sometimes during interviewer-driven cases, the interviewers ask the first question and then the candidate takes time to build their framework

Case questions (this is an interviewer-driven case)

01

How would you structure your plan of attack for this case?

02

The cosmetic surgery and procedure market grows at 1-2% annually in the U.S. What might be the factors behind such a low growth rate? (see Appendix 1)

03

What risks should Guyderma take into consideration if they decide to expand to aesthetic solutions for cosmetic surgery and procedure market?

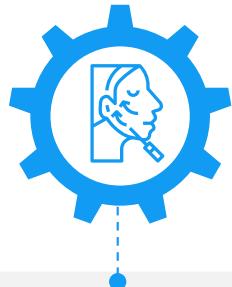
04

The client is considering expanding first into the botulinum toxin (botox) segment. What market share should they reach in this segment to hit \$10M in profits?



Appendix 1.

Q1. How would you structure your plan of attack for this case?



Cosmetic surgery solution market in the U.S.

- Market size and growth rate
- Major market segments
- Key solution manufacturers
- Average margins



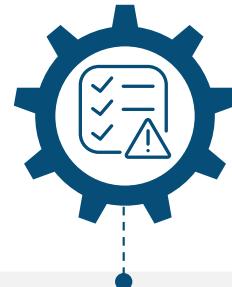
Guyderma

- Planned solution offerings
- Key customer groups to target (e.g. B2C/B2B)
- Expected distribution strategy



Financials of expansion

- Forecasted profitability
- Potential synergies
- Expected investment
- Investment criteria (e.g. ROI, NPV)



Potential risks

- Market-specific
- Financial
- Operational

Note: This is just one of many potential ways to structure your approach. Please treat this example only as a reference point and develop your own style.

Q1. Make sure the candidate follows these steps



Step 1. Do horizontal presentation

The best practice is to start with a 15-second big-picture overview, e.g. "I'd like to assess this problem through the lens of four areas – first, ...; secondly, ...; thirdly, ...; and finally ..."



Step 2. Hit key points

Check if the candidate covers all key points typical for a market entry case structure:

Market assessment

- Size
- Growth rate
- Competition
- Typical profitability

Business model

- Client segments
- Product portfolio

Financial analysis*

- Expected profitability (e.g. revenue and costs)
- Expected capex
- Investment criteria



Step 3. Add stories (optionally)

To avoid cookie-cutter/generic approach, the candidates can incorporate 2-3 stories into their structure presentation, e.g.:

- "Plastic surgeries have been around for a while, so this is likely a mature market and thus I won't expect it to grow too fast"
- "I'm not an expert in this field, but I'd think that the barriers for entry are likely high as this is a R&D-intensive and reputation-driven business, so it's likely a consolidated space with several players who enjoy high market shares"
- "Distribution might be crucial as this is going to be B2B and the client will need to develop a top-notch salesforce to establish and nurture relationships with plastic surgeons"



Step 4. Finish with a question

At the end of the structure presentation, it is helpful for candidate to show that they can drive team forward and prioritize, e.g. "This is how I plan to disaggregate and analyze the problem. If it resonates with you, I'd start by double-clicking on the market first. Do we know the size of this new vertical?..."

Q2. Market drivers

02

The cosmetic surgery and procedure market grows at 1-2% annually in the U.S. What might be the factors behind such a low growth rate? (see Appendix 1)

Supply factors

- Likely lack of innovation for new solutions/methods
 - High R&D expenses
 - Long FDA approval
- Potentially limited number of plastic surgeons
 - Limited number of plastic surgeon schools/programs
 - Low attractiveness of a profession
- Great development of cosmetic non-plastic solutions (e.g. beauty products) that don't require a plastic surgeon

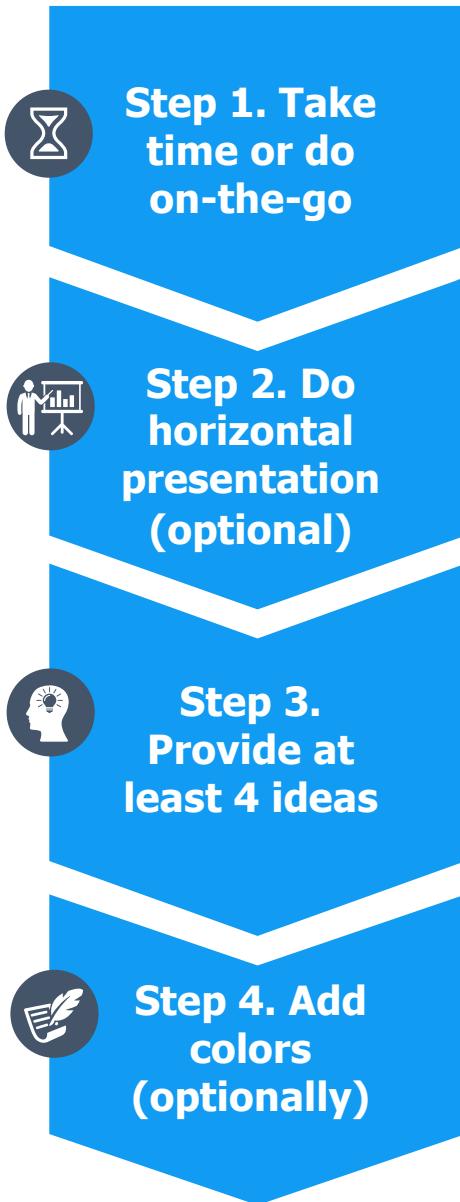


Demand factors

- Mature market [usually mature markets have already reached their saturation points and don't grow fast]
- Stigma around plastic procedures
- High price-sensitivity [plastic surgeries might be perceived as too expensive; they aren't typically covered by insurance]
- Low level of awareness of various plastic surgery solutions
- No burning need for plastic procedures for the vast majority of people
- Limited access [plastic surgeons might be mostly in big cities]

Note: This is just one of many potential ways to brainstorm. Please treat this example only as a reference point and develop your own style. [The candidate is usually expected to generate at least 4 ideas. The best practice is 7-8 ideas, structured approach, and on-the-fly delivery without taking notes]

Q2. Make sure the candidate follows these steps



- 80% of interviewers feel comfortable when candidates take 30-40 seconds to think and write down their ideas before walking the interviewer through them
- The best practice is to ideate on-the-fly
- The best practice is to structure brainstorming and offer a 10-second top-down overview, e.g. "Interesting. I'll try to identify the factors of the slow growth rate through the lens of two areas - supply and demand"
- Regular feedback from consulting firms is that candidates offer only three ideas which is a bit on the lower end
- Push the candidate to provide at least 4 ideas
- Top-5% of candidates can usually suggest 7-8 ideas
- To impress the interviewer, the candidates can contextualize some of their ideas
- Examples are given in [] brackets on the previous slide

Q3. Risks

03

What risks should Guyderma take into consideration if they decide to expand to aesthetic solutions for cosmetic surgery and procedure market?

Market specific risks



Financial risks



Operational risks



- Change in market dynamics [e.g. constant R&D in this space might lead to brand-new solutions that might make other solutions obsolete]
- Change in customer behavior [e.g. the space is known for a strong stigma around it that might get worse]
- Competitive response (e.g. aggressive marketing campaign)
- Newcomers (in case the market is attractive)

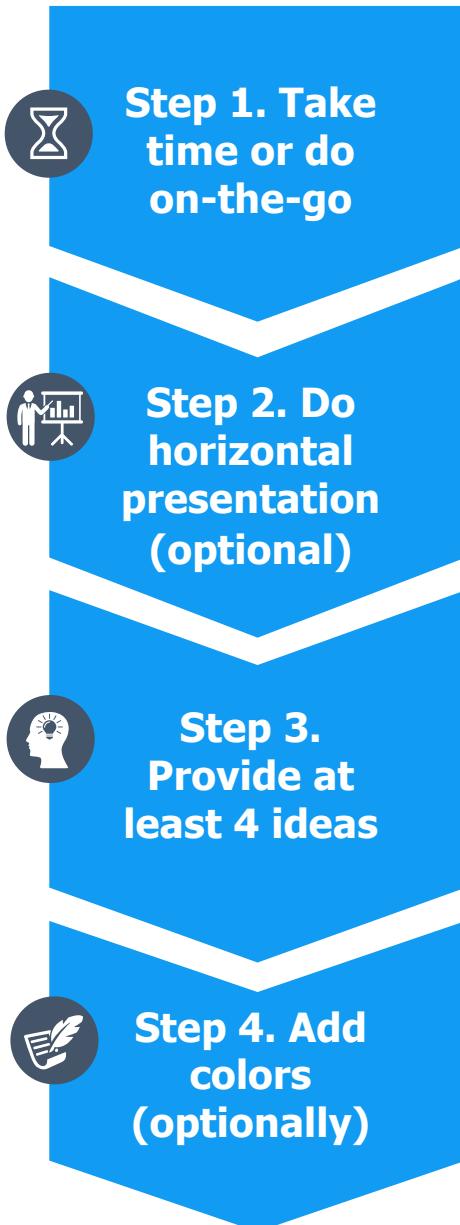
- Lower-than-expected revenue and market share [e.g. due to poor marketing, inadequate pricing, sub-optimal distribution]
- Underestimated costs (e.g. higher production costs, larger marketing budgets)
- Lack of funding

[Invasive products might require vastly different manufacturing process, storage and transportation than beauty product that our client currently offers.]

- Potential side effects of Guyderma new solutions [e.g. which will hurt brand]
- Long FDA approval cycle (if needed), long R&D period or production set-up
- Lack of expertise
- Cannibalization of resources of production and management from client's core business
- Increase in operational complexity

Note: This is just one of many potential ways to brainstorm. Please treat this example only as a reference point and develop your own style. [The candidate is usually expected to generate at least 4 ideas. The best practice is 7-8 ideas, structured approach, and on-the-fly delivery without taking notes]

Q3. Make sure the candidate follows these steps



- 80% of interviewers feel comfortable when candidates take 30-40 seconds to think and write down their ideas before walking the interviewer through them
- The best practice is to ideate on-the-fly
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- To impress the interviewer, the candidates can contextualize some of their ideas
- Examples are given in [] brackets on the previous slide

Q4. Math exercise – prompt

04

The client is considering expanding first into the botulinum toxin (botox) segment. What market share should they reach in this segment to hit \$10M in profits?



Please share with the candidate
the following information

- -

Please provide this additional
information only upon request

- Wholesales acquisition cost for a 200-unit vial of botox is \$1,200
- 2.5M vials of botox are sold annually in the U.S.
- The expected margin in the botox segment is 5%

Q4. Math exercise – calculations

04

The client is considering expanding first into the botulinum toxin (botox) segment. What market share should they reach in this segment to hit \$10M in profits?



Guyderma's sales of botox

$$\$10M \div 5\% = \$200M$$

Estimated botox U.S. market

$$\$1,200 \times 2.5M \text{ vials} = \$3B$$

Guyderma's market share in the botox segment

$$\$200M \div \$3B \approx 7\%$$

Guyderma should hit 7% of the market share in the botox segment to ensure \$10M in profits

Q4. Math exercise – contextualization of the answer

04

The client is considering expanding first into the botulinum toxin (botox) segment. What market share should they reach in this segment to hit \$10M in profits?



**Basic comments
(expected from everyone)**

- Given the assumption of 5% margin, the company should plan to reach 7% in the market share in order to get \$10M in profits



Advanced comments (for outstanding candidates)

- 5% margin makes sense as botox has been around for a while and its production is likely already standardized and it might be a product with little differentiation and thus high price pressure and low margins
- 7% market share sounds a bit ambitious as this is a low margin segment, and so it's volume-driven and we should expect big-name players that enjoy high market shares and represent tough competition
- Profitability is the function of the market share, so if 5% is industry average and there are dominant players, it might suggest that we should expect lower margin and thus higher market share to hit \$10M

Note: The candidate is not expected to mention all the advanced comments, but adding some of them will demonstrate that the candidate can connect the dots, see the depth, add colors and bring some insights even if the candidate is not that familiar with the industry/topic

Q4. Make sure the candidate follows these steps



- Providing big-picture approach of how to calculate the answer might help the candidate gain more points and help the interviewer follow the candidate's thought process
- Often interviewers don't provide all the information
 - The candidate needs to proactively ask for missing pieces
- Ideally the candidate shouldn't make any mistakes
 - It is okay to ask for some time to run numbers and then walk the interviewer through the calculations (some interviewers though might push back and ask you to do your Math on the fly)
- The interviewers highly appreciate it when the candidate not only calculates the answer correctly, but also contextualizes it
 - See some advanced comments on the previous slide as example of the contextualization

Recommendation

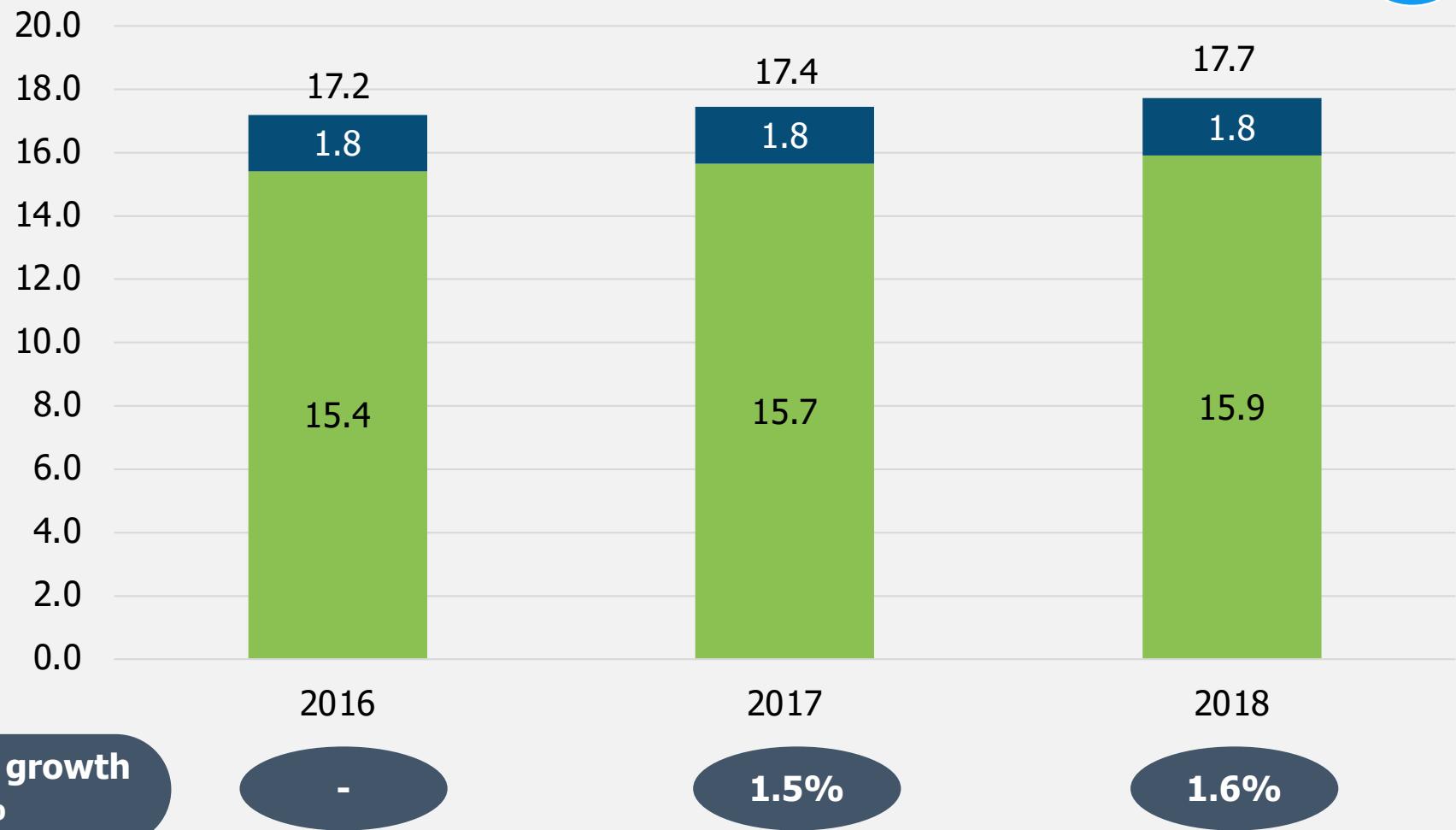
**McKinsey
typically doesn't
require
recommendation
for their cases**



Appendix 1. Total plastic surgery procedures in the U.S.

█ Minimally-invasive █ Surgical

Total plastic surgery procedures in the U.S., M (2016-18)

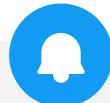


Case #16



**Inspired by BCG
City Food Bank
2021**

Case #16. Inspired by BCG. 2021. City Food Bank



Prompt

- One of the U.S. largest food banks - City Food Bank (CFB) - experienced an increase in both demand and donations during the pandemic in 2020. The donations skyrocketed by 60% and CFB would like to leverage this momentum and expand its geographical footprint in the U.S. CFB has brought your team in on a pro bono project to help them strategize their market expansion effort. We're in early 2021.



Additional information

Please provide this information only upon request

- The number of people experiencing food insecurity grew exponentially across the U.S. due to loss of home, unemployment, child and elder care needs, etc. Percent of all U.S. households that experienced food insecurity jumped from 11% in 2019 to 23% in 2020
- Distribution of food insecurity differs by state (see Appendix 1)
- CFB used to raise \$100M per year in donations, but in 2020 their donation collection jumped by 60%
- CFB would like to ensure at least 90% of funds will be applied to hunger-relief efforts in new regions (i.e. no more than 10% will be used to cover admin costs)



Case type

- Market entry
- Medium level
- Candidate-led case
- Expected time is 15-20 minutes

Opening. Make sure the candidate follows these steps



Step 1. Restate the prompt

Typically the candidates are expected to restate the prompt to make sure they are on the same page with the interviewer



Step 2. Add colors (optionally)

Candidates can react to the prompt by providing some quick thoughts which will demonstrate candidates' business acumen, e.g.:

- "Food banks are likely operationally heavy organizations, where distribution and food storage might be key to ensure close-to-zero food waste and maximize number of meals delivered"
- "I'd imagine that in 2020 a lot of people faced food security for the first time, so raising awareness of CFB's food assistance program through marketing campaign might be crucial for their expansion to new regions"
- "It'll be important for CFB to ensure consistent donations to make their presence in new regions sustainable"



Step 3. Ask 2-3 questions

It is common that candidates ask 2-3 clarifying questions before designing their framework. Typical questions include:

- Geography of client's operations/sales
- Financial goal
- Business model of the client



Step 4. Ask for a moment to structure

- Typically candidates ask for a couple of minutes to structure their approach
- Sometimes during interviewer-driven cases, the interviewers ask the first question and then the candidate takes time to build their framework

Case questions (this is a candidate-led case)

01

How would you structure your approach to help CFB with their expansion plans?

02

Once you identify the most attractive regions to expand to, what factors of go-to-market (GTM) strategy would you consider?

03

For their expansion plans, the client will need to scale up their operations. Should they move from their current warehouse to a bigger one or should they rent a second similar-size warehouse?

04

What warehousing capacity in pounds (either by moving to a bigger warehouse or renting a second warehouse) should the client ensure to accommodate increasing demand?



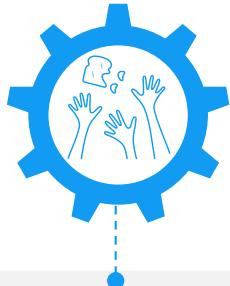
Appendix 1.

Tips for candidate-led cases

- Try to minimize hand-holding. Try to let the candidate ask questions
- If the candidate isn't on the right track and seems lost, try to give a hint or ask a question from the previous slide
- Feel free to manage the conversation to hit all the questions from the previous slide, e.g.:
 - "That's a great question! What do you think?"
 - "Sure. Before we dig into that, what are your thoughts on ... [the question from the list]?"
 - "Yeah, that makes sense. The manager just walked in and they would like us to look into... [the question from the list]"
 - "Sure, we'll explore it. Before that, let me share some data from our analyst/client that we've just received and... [ask a Math question]"
- When the case time is running out, prompt the candidate to provide recommendation (see question 5)

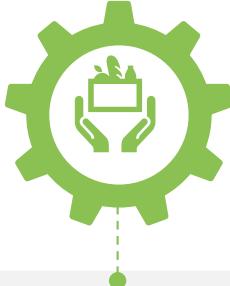


Q1. How would you structure your approach to help CFB with their expansion plans?



Hunger-relief organization space

- Size of population facing food insecurity by state
- Forecasted growth
- Federal/state/local food assistance programs by state
- Food banks and hunger-relief NGOs by state



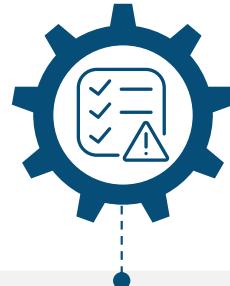
City Food Bank

- Target population groups (e.g. families, children)
- Food assistance offerings
- Distribution infrastructure
- Marketing strategy



Financial analysis

- Required capex
- Expected costs (to meet 90% goal)
- Planned donation amount



Risk assessment

- Financial
- Operational
- Space-specific

Note: This is just one of many potential ways to structure your approach. Please treat this example only as a reference point and develop your own style.

Q1. Make sure the candidate follows these steps



Step 1. Do horizontal presentation

The best practice is to start with a 15-second big-picture overview, e.g. "I'd like to assess this problem through the lens of four areas – first, ...; secondly, ...; thirdly, ...; and finally ..."



Step 2. Hit key points

Check if the candidate covers all key points typical for a market entry case structure:

Market assessment

- Size
- Growth rate
- Competition
- Typical profitability

Business model

- Client segments
- Product portfolio

Financial analysis

- Expected financials (e.g. donations and costs)
- Expected capex*
- Investment criteria* * - optional



Step 3. Add stories (optionally)

To avoid cookie-cutter/generic approach, the candidates can incorporate 2-3 stories into their structure presentation, e.g.:

- "Hunger is a well-known social problem of large scale, so I'd imagine there are a lot of government initiatives and hunger-relief NGOs. To maximize impact, our client might want to target regions with lowest number of this type of NGOs"
- "Once covid is over, the employment rate and thus disposable income will increase improving food security; the most economically vulnerable regions should be prioritized by the client as the hunger issue might stay alarming there for a while"
- "Expansion should strengthen economies of scale and lower overhead cost ratio"



Step 4. Finish with a question

At the end of the structure presentation, it is helpful for candidate to show that they can drive team forward and prioritize, e.g. "This is how I plan to attack this problem. Does it make sense? If so, I'd like to start by exploring the space first. Do we have data on the size of the population experiencing food insecurity?.."

Q2. Go-to-market strategy

02

Once you identify the most attractive regions to expand to, what factors of go-to-market (GTM) strategy would you consider?

Financial considerations



[Donations are likely subject to fluctuations which might affect CFB's activity dramatically. Thus detailed financial analysis and scenario projections are necessary to ensure geographical expansion is sustainable.]

- Projected economics
 - Expected donation flow
 - Estimated costs
 - Potential synergies
- Planned investment
- Scenario and sensitivity analysis (e.g. poor, basic, best case)

Business model considerations



[New region entry might require an active marketing campaign to raise awareness of the CFB's food assistance program and ensure high penetration among population in need.]

- Donation attraction
 - Salesforce
 - Methods and events
- Marketing strategy
 - Target population groups
 - Planned campaigns
 - Marketing channels
- Distribution infrastructure
 - Warehouse
 - Logistics
 - Points of food distribution

Operational considerations



[New region entry is an operationally complex project and a stress test to supply chain, warehousing, logistics and food distribution. Especially if a new region is large and far from CFB's distribution infrastructure.]

- Food purchasing: suppliers, price and terms negotiation
- Volunteer management (incl. attraction and retention)
- Timeline
- Operational complexity

Note: This is just one of many potential ways to brainstorm. Please treat this example only as a reference point and develop your own style. [The candidate is usually expected to generate at least 4 ideas. The best practice is 7-8 ideas, structured approach, and on-the-fly delivery without taking notes]

Q2. Make sure the candidate follows these steps



- 80% of interviewers feel comfortable when candidates take 30-40 seconds to think and write down their ideas before walking the interviewer through them
- The best practice is to ideate on-the-fly
- The best practice is to structure brainstorming and offer a 10-second top-down overview, e.g. "That's a great question. I'd think of go-to-market strategy through the lens of three dimensions - financials, business model and operational considerations"
- Regular feedback from consulting firms is that candidates offer only three ideas which is a bit on the lower end
- Push the candidate to provide at least 4 ideas
- Top-5% of candidates can usually suggest 7-8 ideas
- To impress the interviewer, the candidates can contextualize some of their ideas
- Examples are given in [] brackets on the previous slide

Q3. Warehousing expansion options

03

For their expansion plans, the client will need to scale up their operations. Should they move from their current warehouse to a bigger one or should they rent a second similar-size warehouse?

Financial criteria



[The financial evaluation of both options and potential scenario analysis will enable the client to identify the option with more attractive cost structure.]

Opex

- Rent costs and utilities
- Maintenance costs for building and equipment
- Insurance
- Warehouse labor costs
- Change in transportation costs (depends on the location)

Investment

- Equipment for warehouse

Strategic criteria



[Options might offer not only financial, but also qualitative value, that might feed into the CFB's long-term strategy]

Expansion opportunities

- Potential platform for further expansion to other regions

Operational considerations

- Capacity
- Operational hours
- Logistical accessibility
- Capabilities to store different types of food
- Reporting options (e.g. RFID trackers, activity trackers)

Risk mitigation

- Multiple locations help diversify risks of natural disasters, fire, blackout, etc.

Risks assessment



[Big-ticket contract decisions should come with comprehensive risk assessment to stress-test existing assumptions]

Operational risks

In case of two warehouses:

- Increase in operational complexity
- More challenging to exchange best practices between employees
- More challenging quality control

General:

- Potential lack of employees in a new location
- Too long implementation and launch

Financial risks

In case of two warehouses:

- Loss in economies of scale

General:

- Underestimated costs/ exaggerated revenues

Note: This is just one of many potential ways to brainstorm. Please treat this example only as a reference point and develop your own style. [The candidate is usually expected to generate at least 4 ideas. The best practice is 7-8 ideas, structured approach, and on-the-fly delivery without taking notes]

Q3. Make sure the candidate follows these steps



- 80% of interviewers feel comfortable when candidates take 30-40 seconds to think and write down their ideas before walking the interviewer through them
- The best practice is to ideate on-the-fly
- The best practice is to structure brainstorming and offer a 10-second top-down overview, e.g. "Great question! I'd like to assess both options across three dimensions - financial criteria, strategic criteria and risk assessment"
- Regular feedback from consulting firms is that candidates offer only three ideas which is a bit on the lower end
- Push the candidate to provide at least 4 ideas
- Top-5% of candidates can usually suggest 7-8 ideas
- To impress the interviewer, the candidates can contextualize some of their ideas
- Examples are given in [] brackets on the previous slide

Q4. Math exercise – prompt

04

What warehousing capacity in pounds (either by moving to a bigger warehouse or renting a second warehouse) should the client ensure to accommodate increasing demand?



**Please share with the candidate
the following information**

- CFB used to raise \$100M in donations annually, but in 2020 their donation collection jumped by 60%
- A typical length of a rent contract for a warehouse is 3 years
- We can assume that all the donations are spent to purchase food

**Please provide this additional
information only upon request**

- The total donation per one meal is \$2
- Average weight of one meal is 1.25 lbs
- The warehouse should have 5-week supply of meals
- We expect the demand for CFB's food assistance programs to increase by 30% in 3 years
- We can assume that cost structure will remain the same (e.g. zero inflation for food)

Q4. Math exercise – calculations

04

What warehousing capacity in pounds (either by moving to a bigger warehouse or renting a second warehouse) should the client ensure to accommodate increasing demand?



of meals in 2020

$$\$100M \times (1 + 60\%) \div \$2 \text{ per meal} = 80M \text{ meals}$$

Annual weight of meals to distribute in 3 years

$$80M \text{ meals} \times 1.25 \text{ lbs per meal} \times (1+30\%) = 130M \text{ lbs}$$

Weight of 5-week supply in 2023

$$130M \text{ lbs} \times \frac{5}{52} [\text{1 year} = 52 \text{ weeks}] = 13M \text{ lbs}$$

City Food Bank should ensure the warehousing capacity of 13M lbs

Q4. Math exercise – contextualization of the answer

04

What warehousing capacity in pounds (either by moving to a bigger warehouse or renting a second warehouse) should the client ensure to accommodate increasing demand?



**Basic comments
(expected from everyone)**

- City Food Bank should increase the capacity of their warehouse(s) to 13M lbs to accommodate growing demand



Advanced comments (for outstanding candidates)

- Such a radical increase in food storage might lead to more waste and thus higher warehouse management costs and potentially larger required warehousing capacity
- Explosive expansion of operations might offer stronger economies of scale and thus more attractive cost structure for meals, which might allow CFB to ensure larger volume of meals
- Reducing required amount of food supply from 5 weeks to 4 weeks might reduce the warehouse costs by 20% $[(5-4)/5]$ and allow to channel freed funds into more food assistance programs

Note: The candidate is not expected to mention all the advanced comments, but adding some of them will demonstrate that the candidate can connect the dots, see the depth, add colors and bring some insights even if the candidate is not that familiar with the industry/topic

Q4. Make sure the candidate follows these steps



- Providing big-picture approach of how to calculate the answer might help the candidate gain more points and help the interviewer follow the candidate's thought process
- Often interviewers don't provide all the information
 - The candidate needs to proactively ask for missing pieces
- Ideally the candidate shouldn't make any mistakes
 - It is okay to ask for some time to run numbers and then walk the interviewer through the calculations (some interviewers though might push back and ask you to do your Math on the fly)
- The interviewers highly appreciate it when the candidate not only calculates the answer correctly, but also contextualizes it
 - See some advanced comments on the previous slide as example of the contextualization

Q5. Recommendation

05

The client has just entered the room and they would like to know your current recommendations.

Recommendation

"Thank you for having us on this project. Our running hypothesis is that CFB should focus on regions with large population facing food insecurity, low level of penetration of hunger-relief NGOs and fair proximity to CFB's current geographical footprint"



Reasoning

- "It will likely maximize the impact of CFB's food assistance programs due to large unassisted population"
- "It will likely ensure healthy economics of CFB as large volume will drive stronger economies of scale and large population might make marketing more efficient"
- "It will make it operationally feasible and allow CFB to leverage existing warehouse"



Risks

"Before giving a green light to the expansion we need to consider risks of exaggerated assumptions for financial evaluation, potential fluctuations of donations and operational complexity of enlarged organization"



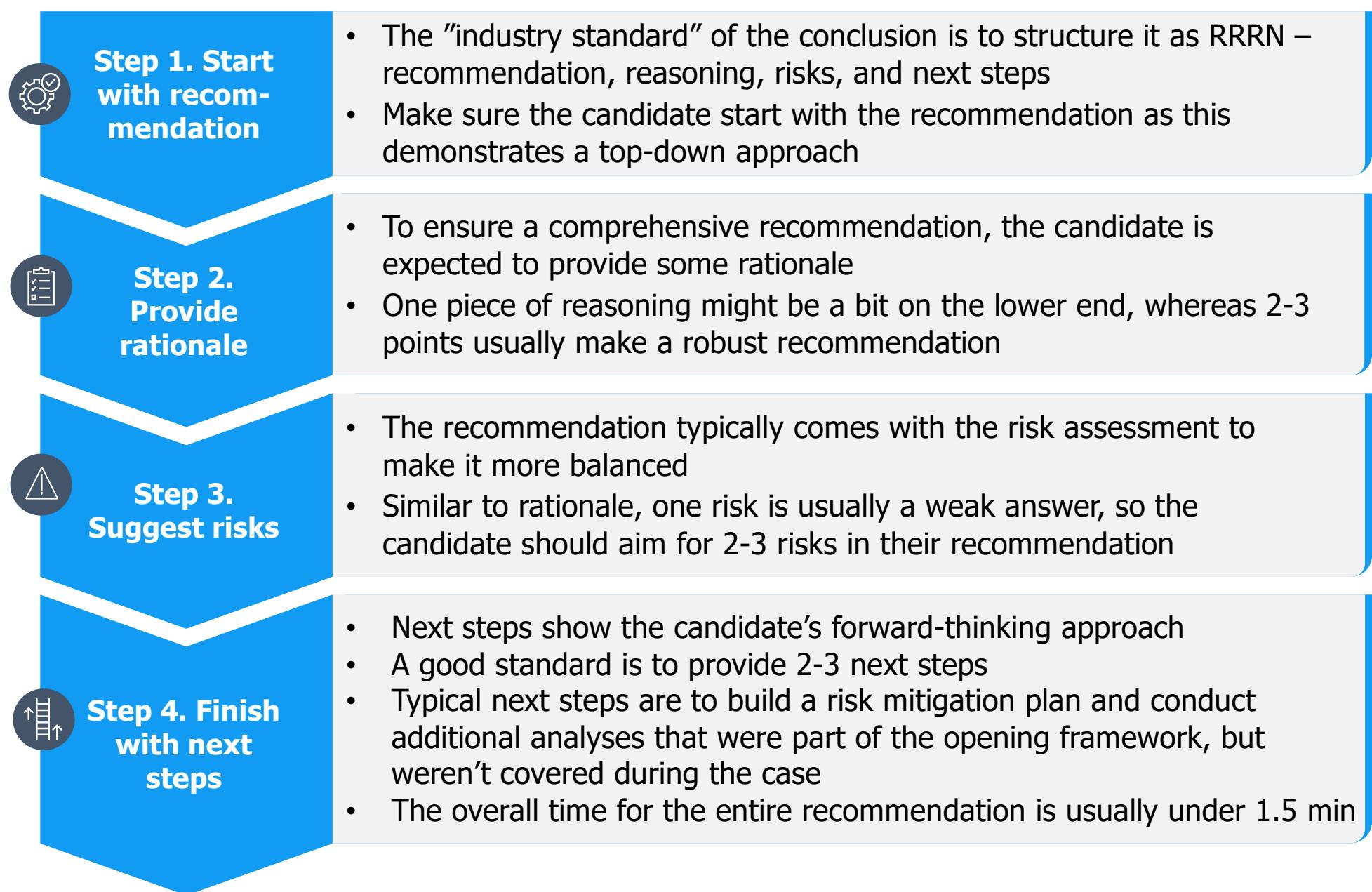
Next steps

"As for the next steps, I'd like to conduct more comprehensive analysis of potential states to expand to and develop a risk mitigation plan"



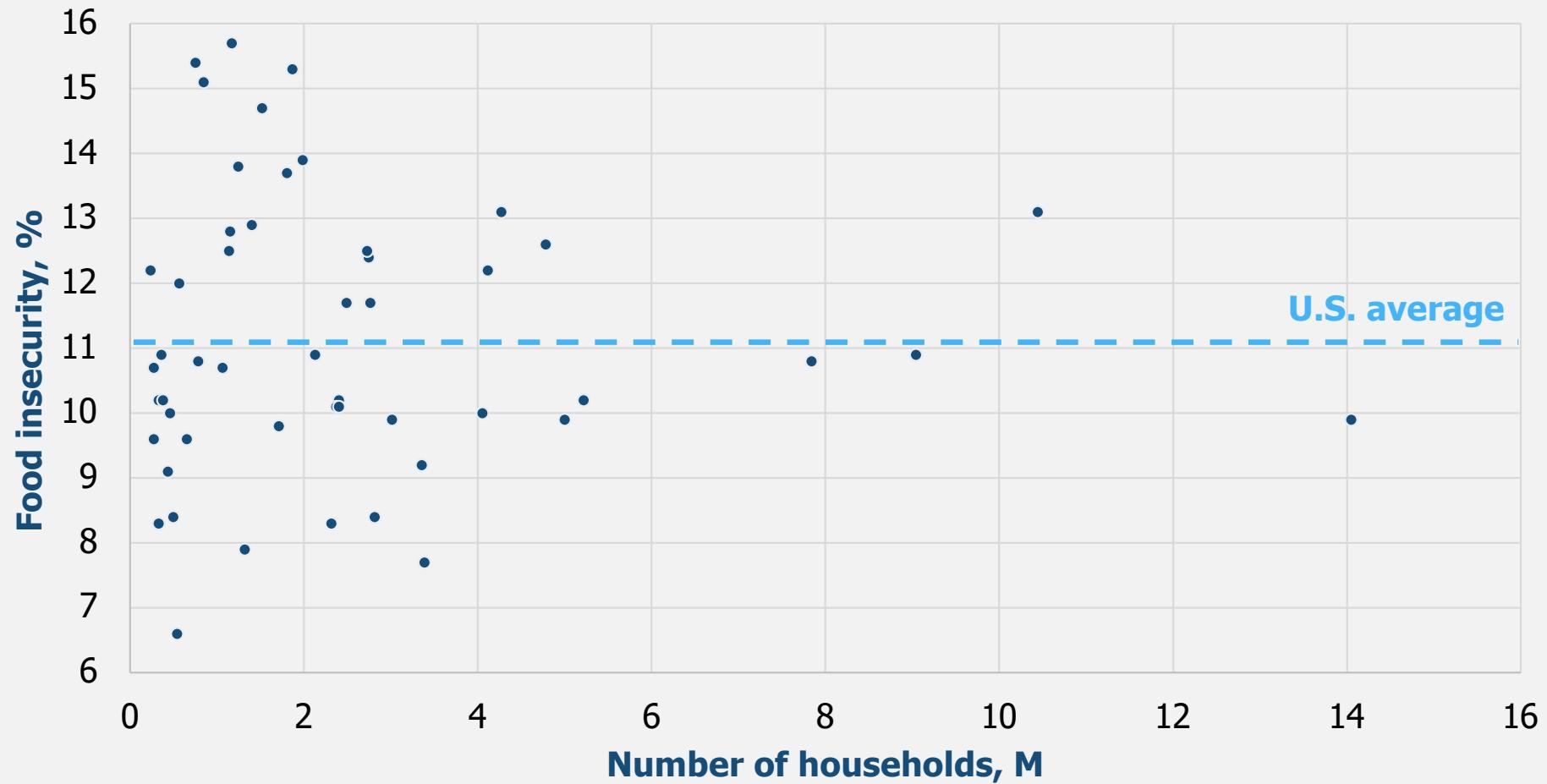
Note: This is just one of many potential ways to make a recommendation. Please treat this example only as a reference point and develop your own style.

Q5. Make sure the candidate follows these steps



Appendix 1. Prevalence of household-level food insecurity by state

Prevalence of household-level food insecurity by state, % (2017-19, average)



Case #17

BCG

Inspired by BCG
Betacer
2020

Case #17. Inspired by BCG. 2020. Betacer



Prompt

- Betacer is a major U.S. electronics manufacturer that offers laptop and desktop PCs, tablets, smartphones, monitors, projectors and cloud solutions for home users, business and government. Given low or negative growth rate in various segments of the electronics industry, Betacer is looking for expansion opportunities and is considering entering the U.S. video-game market. They've reached out to you to get your advice on whether this is a wise idea.



Additional information

Please provide this information only upon request

- Betacer would like to payback their investment within 2 years after the market entry
- Betacer plans to target the mass market, not hardcore gamers
- The client would like to focus on the U.S. video-game market
- It's a \$175B global market that skyrocketed in 2020 (see Appendix 1)
- It's a fragmented space with a lot of big-name players (see Appendix 2)
- The U.S. video-game market was at \$41B in 2020 (see Appendix 3)
- Betacer doesn't want to explore other growth opportunities but to focus on this market expansion



Case type

- Market entry
- Medium-Hard level
- Candidate-led case
- Expected time is 15-20 minutes

Opening. Make sure the candidate follows these steps



Step 1. Restate the prompt

Typically the candidates are expected to restate the prompt to make sure they are on the same page with the interviewer



Step 2. Add colors (optionally)

Candidates can react to the prompt by providing some quick thoughts which will demonstrate candidates' business acumen, e.g.:

- “At first glance this choice makes sense, as the pandemic likely positively affected the video-game market. Driven by anxieties and social isolation people turned to video-games to entertain themselves, fill their time and connect with friends”
- “Betacer might expect some marketing and distribution synergies as they produce smartphones and PC, major video-gaming platforms”
- “Great to see that Betacer is a big-name player as they likely enjoy high brand awareness and deep marketing pockets which they might leverage for their market expansion”



Step 3. Ask 2-3 questions

It is common that candidates ask 2-3 clarifying questions before designing their framework. Typical questions include:

- Geography of client's operations/sales
- Financial goal
- Business model of the client



Step 4. Ask for a moment to structure

- Typically candidates ask for a couple of minutes to structure their approach
- Sometimes during interviewer-driven cases, the interviewers ask the first question and then the candidate takes time to build their framework

Case questions (this is a candidate-led case)

01

What factors would you consider to suggest whether Betacer should enter the video-game market?

02

How do customers choose which video-game to purchase?

03

What synergies might Betacer capture by entering the video-game market?

04

How many customers should Betacer attract to payback their \$1M investment in a smartphone game “Treasure Hunters” within 2 years after launch?



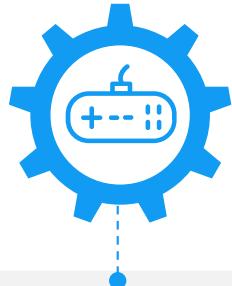
Appendix 1. Appendix 2. Appendix 3.

Tips for candidate-led cases

- Try to minimize hand-holding. Try to let the candidate ask questions
- If the candidate isn't on the right track and seems lost, try to give a hint or ask a question from the previous slide
- Feel free to manage the conversation to hit all the questions from the previous slide, e.g.:
 - "That's a great question! What do you think?"
 - "Sure. Before we dig into that, what are your thoughts on ... [the question from the list]?"
 - "Yeah, that makes sense. The manager just walked in and they would like us to look into... [the question from the list]"
 - "Sure, we'll explore it. Before that, let me share some data from our analyst/client that we've just received and... [ask a Math question]"
- When the case time is running out, prompt the candidate to provide recommendation (see question 5)

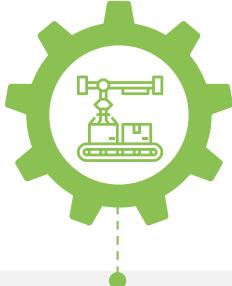


Q1. What factors would you consider to suggest whether Betacer should enter the video-game market?



Video-game market

- Size and growth rate
- Major video-game producers
- Typical profitability
- Substitutes (e.g. TV-streaming services, leisure activities)



Betacer

- Target customer segments (e.g. children or adults; low-end/high-end)
- Offerings (video-game types and platforms; etc.)
- Planned distribution channels



Financial assessment

- Expected profitability
 - Forecasted revenue and market share
 - Estimated costs
- Required capex
- Payback period



Potential market entry risks

- Market specific
- Financial
- Operational

Note: This is just one of many potential ways to structure your approach. Please treat this example only as a reference point and develop your own style.

Q1. Make sure the candidate follows these steps



Step 1. Do horizontal presentation

The best practice is to start with a 15-second big-picture overview, e.g. "I'd like to assess this problem through the lens of four areas – first, ...; secondly, ...; thirdly, ...; and finally ..."



Step 2. Hit key points

Check if the candidate covers all key points typical for a market entry case structure:

Market assessment

- Size
- Growth rate
- Competition
- Typical profitability

Business model

- Client segments
- Product portfolio

Financial analysis

- Expected profitability (e.g. revenue and costs)
- Expected capex
- Investment criteria



Step 3. Add stories (optionally)

To avoid cookie-cutter/generic approach, the candidates can incorporate 2-3 stories into their structure presentation, e.g.:

- "My running hypothesis is that this is an enormous market as video-gaming is one of the major entertainment ways nowadays, and is part of the lifestyle for many"
- "This is likely a capex-intensive and thus volume-driven business with high R&D costs and thus number of users might be a key success factor"
- "Barriers for entry for some video-game segments might be low. For example, smartphone games are sold through a transparent well-developed app stores like Apple and Google Play that provide direct access to end users"



Step 4. Finish with a question

At the end of the structure presentation, it is helpful for candidate to show that they can drive team forward and prioritize, e.g. "Does this structure come across as a fair approach to you? If so, do we have any information on the market size?.."

Q2. Key purchasing decision making criteria

02

How do customers choose which video-game to purchase?

Great perception

- Know and heard about the video-game a lot [high brand awareness due to marketing campaigns, promotions, etc.]
- Social pressure [a lot of their peers play this game and they don't want to miss out]
- Peers highly recommended this video-game
- High rankings
- Positive reviews

Appealing pricing

- [Given most video-games target mass market, the end users are likely price-sensitive]
- Free or appealing pricing (both one-time and in-game purchases)
 - No need to purchase a new platform (e.g. console or PC) and thus no additional costs

Convenient distribution

- [Like any software, video-games are fairly easy to find and purchase online, through app store at smartphone, or tablet]
- Easy to find and purchase - available at app store or online

Attractive value proposition

- [Each gamer might have their preferences in terms of type, level of difficulty, time commitment and other aspects of a video-game, which suggests there are a lot of various customer segments]
- Platform compatible (e.g. doesn't require console)
 - Matches preferred game type (e.g. fights, strategy)
 - Offers high-value features (e.g. in-game social interaction with friends, team-based activities)
 - Sense of novelty, clearly differentiated type of a game



Note: This is just one of many potential ways to brainstorm. Please treat this example only as a reference point and develop your own style. [The candidate is usually expected to generate at least 4 ideas. The best practice is 7-8 ideas, structured approach, and on-the-fly delivery without taking notes]

Q2. Make sure the candidate follows these steps



- 80% of interviewers feel comfortable when candidates take 30-40 seconds to think and write down their ideas before walking the interviewer through them
- The best practice is to ideate on-the-fly
- The best practice is to structure brainstorming and offer a 10-second top-down overview, e.g. "Sure, I'd like to think about purchasing reasons through four areas - marketing/perception, pricing, distribution, and value proposition. On the marketing side, the reasons might be..."
- Regular feedback from consulting firms is that candidates offer only three ideas which is a bit on the lower end
- Push the candidate to provide at least 4 ideas
- Top-5% of candidates can usually suggest 7-8 ideas
- To impress the interviewer, the candidates can contextualize some of their ideas
- Examples are given in [] brackets on the previous slide

Q3. Synergies

03

What synergies might Betacer capture by entering the video-game market?

Revenue synergies

[Betacer enjoys several core capabilities they can leverage to sell video-games - established distribution and marketing channels and a strong brand.]



- Leverage established distribution infrastructure for offline sales of video-games
- More bundling options (Betacer's laptop or smartphone + video-games at a discount)
- Capitalize on Betacer's high brand awareness to promote video-games
- Launch co-marketing campaigns to promote video-games

Cost synergies

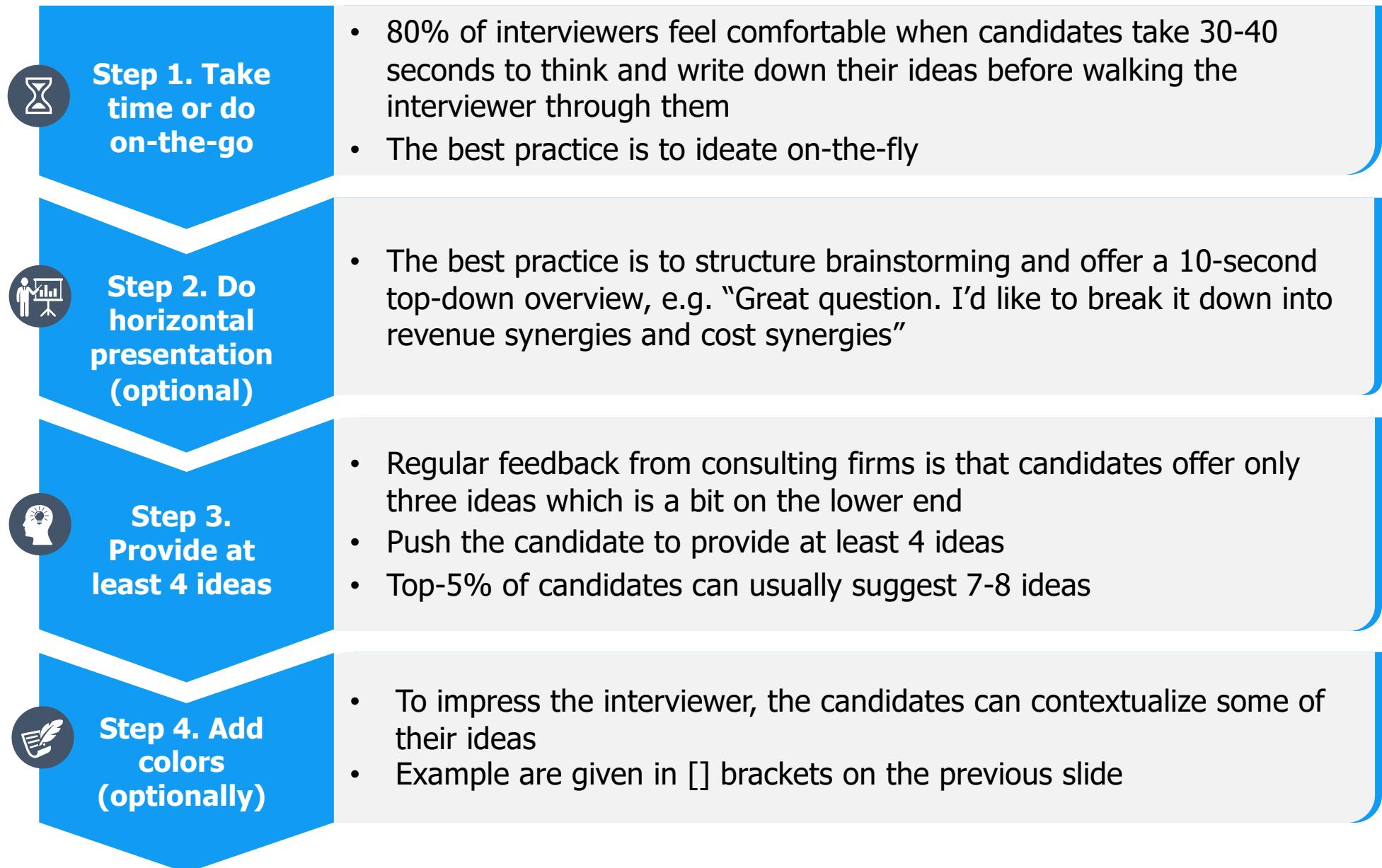
[Expanding product portfolio typically leads mostly to revenue synergies, but there are some cost synergies as well.]



- Shared overhead (e.g. management, central services)
- Potentially better markups from distribution partners for larger overall sales (electronics and video-games)

Note: This is just one of many potential ways to brainstorm. Please treat this example only as a reference point and develop your own style. [The candidate is usually expected to generate at least 4 ideas. The best practice is 7-8 ideas, structured approach, and on-the-fly delivery without taking notes]

Q3. Make sure the candidate follows these steps



Q4. Math exercise – prompt

04

How many customers should Betacer attract to payback their \$1M investment in a smartphone game “Treasure Hunters” within 2 years after launch?



Please share with the candidate the following information

- Betacer plans to invest \$1M in the design and development of a smartphone game “Treasure Hunters”
- The game is going to be free with in-game purchases

Please provide this additional information only upon request

- Typical commission of app stores (e.g. Apple App Store, Google Play, Microsoft Store) is 30%
- Expected annual opex is \$0.2M (apart from app store commission)
- Average spending per paying user for similar games is \$120
- Share of paying users among all users is 5%

Q4. Math exercise – calculations

04

How many customers should Betacer attract to payback their \$1M investment in a smartphone game “Treasure Hunters” within 2 years after launch?



Contribution margin per user

\$120 per paying user

×

5%

×

(1 - 30%) [commission]

=

\$4.2

Total costs for 2 years (capex and opex)

\$0.2M in opex

×

2 years

+

\$1M in capex

=

\$1.4M

Number of users needed to payback

\$1.4M

÷

\$4.2

≈

330k

Betacer should acquire 330k users to payback their investment within 2 years

Q4. Math exercise – contextualization of the answer

04

How many customers should Betacer attract to payback their \$1M investment in a smartphone game “Treasure Hunters” within 2 years after launch?



**Basic comments
(expected from everyone)**

- In order to payback within 2 years their investment Betacer should attract 330k users for their smartphone game “Treasure Hunters”

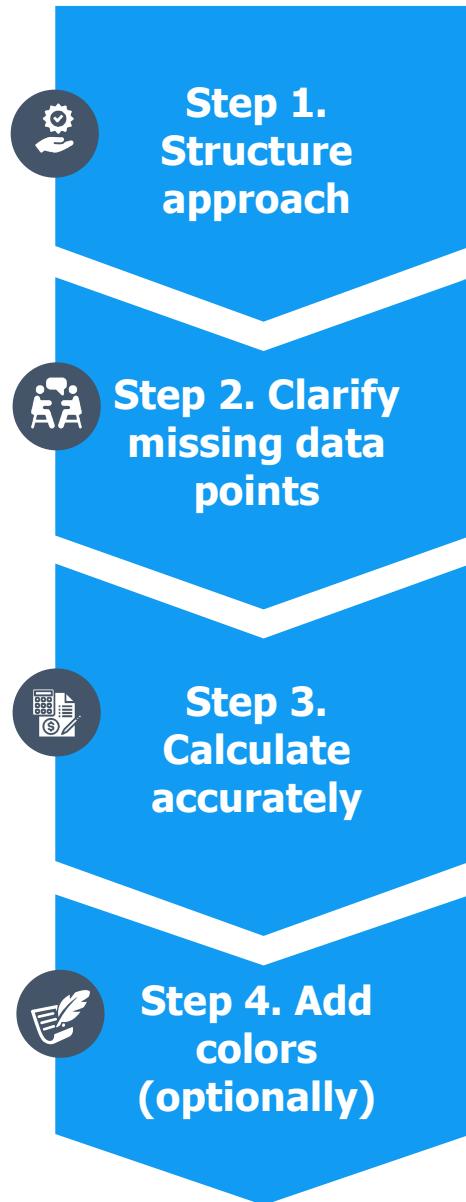


Advanced comments (for outstanding candidates)

- 330k users sound realistic as it is a fraction of the U.S. market and Betacer enjoys deep marketing pockets to ensure aggressive promotion
- \$2M in sales [$330k * \$120 * 5\%$] also seems manageable
- Given this is going to be the first Betacer’s experience in the video-game production, there might be some bugs and flaws in design that would likely hurt the sales
- The smartphone game space is extremely crowded and in order to keep healthy sales of Betacer’s game the client should ensure sustainable marketing support which might exceed \$0.2M in annual opex

Note: The candidate is not expected to mention all the advanced comments, but adding some of them will demonstrate that the candidate can connect the dots, see the depth, add colors and bring some insights even if the candidate is not that familiar with the industry/topic

Q4. Make sure the candidate follows these steps



- Providing big-picture approach of how to calculate the answer might help the candidate gain more points and help the interviewer follow the candidate's thought process
- Often interviewers don't provide all the information
 - The candidate needs to proactively ask for missing pieces
- Ideally the candidate shouldn't make any mistakes
 - It is okay to ask for some time to run numbers and then walk the interviewer through the calculations (some interviewers though might push back and ask you to do your Math on the fly)
- The interviewers highly appreciate it when the candidate not only calculates the answer correctly, but also contextualizes it
 - See some advanced comments on the previous slide as example of the contextualization

Q5. Recommendation

05

The project manager bumped into you at the elevator and asked you to summarize your current recommendations.

Recommendation

"Based on our initial assessment, the U.S. video-game market seems fundamentally attractive for Betacer to enter"



Reasoning

- "It's a \$41B space that has been experiencing exponential growth and grew by 30-40% during 2018-20"
- "The competitive landscape is fairly fragmented with no clear dominating player which offers space for new entrants"
- "Betacer will likely be able to payback their investment within 2 years after launch"



Risks

"However, there are some risks to consider like product-market mismatch as for Betacer it is going to be the first experience and their video-game might not find healthy appetite among users. Secondly, the competitive landscape might start consolidating. And thirdly, our assumptions for financial modeling might not be validated"



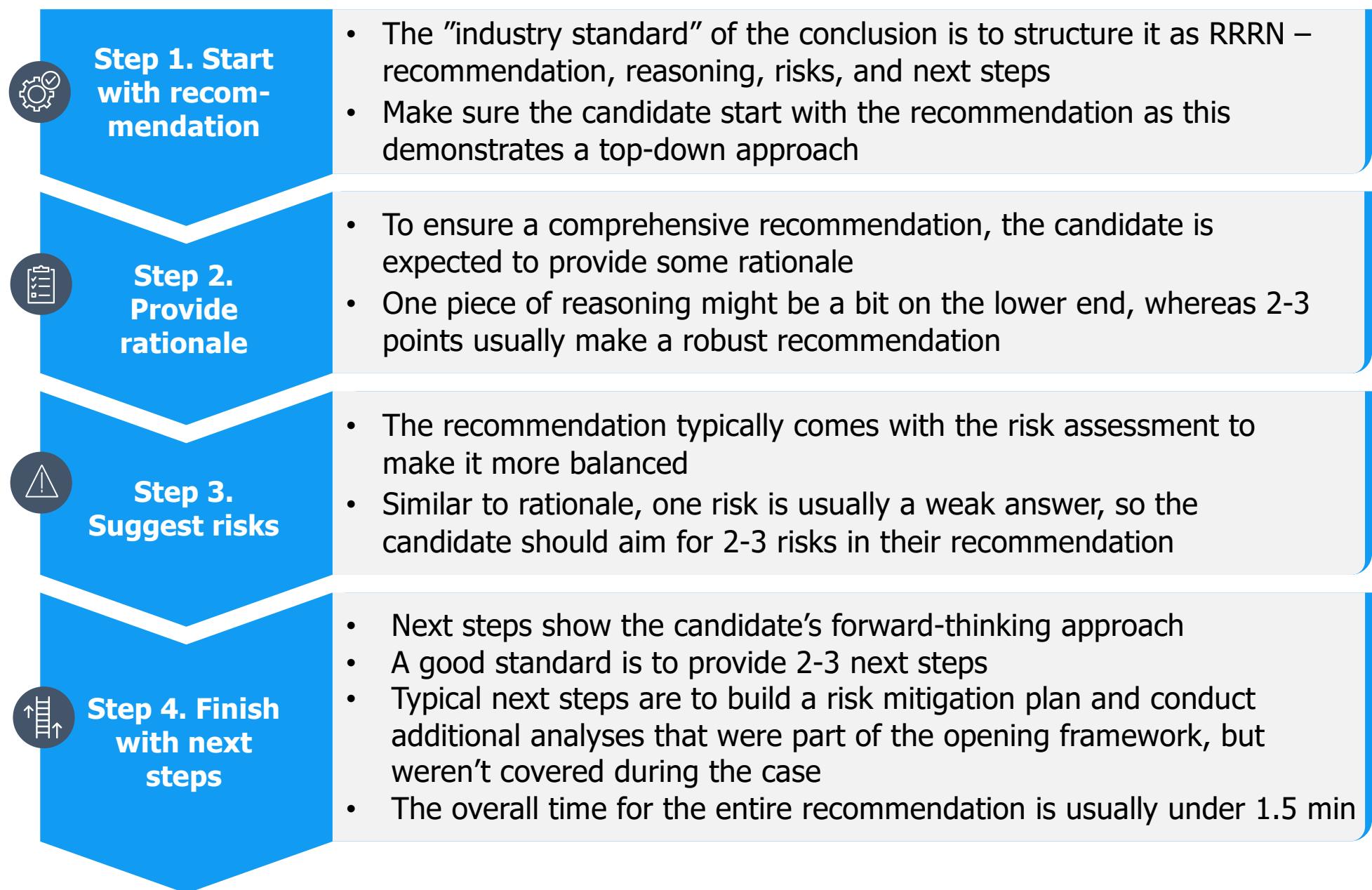
Next steps

"As for our next steps, I would suggest design a risk mitigation plan and develop a go-to-market roadmap"



Note: This is just one of many potential ways to make a recommendation. Please treat this example only as a reference point and develop your own style.

Q5. Make sure the candidate follows these steps

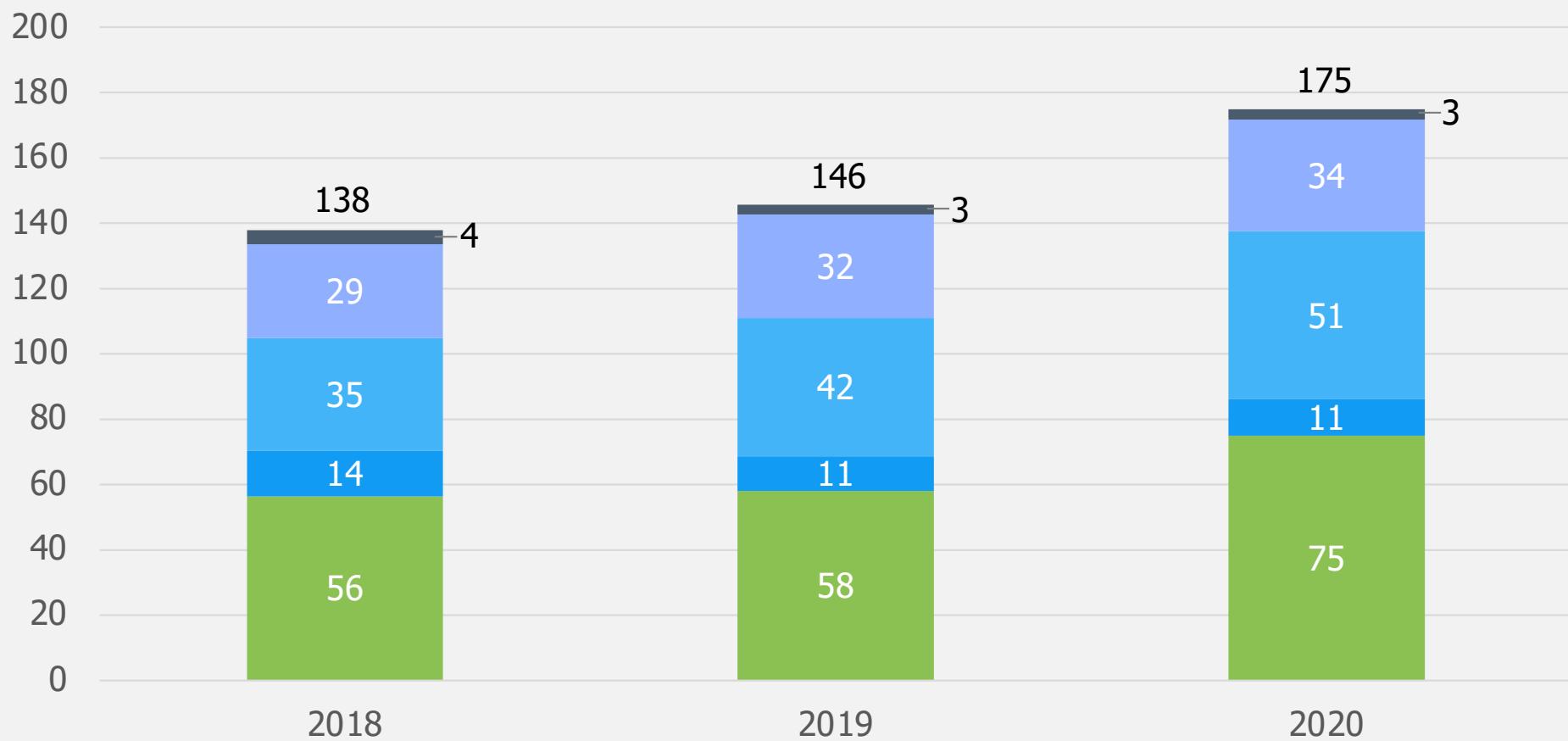


Appendix 1. Global video-game market size by segment

Global video-game market size by segment, Bn USD (2018-20)



■ Browser PC ■ Boxed/Downloaded PC ■ Console ■ Tablet ■ Smartphone

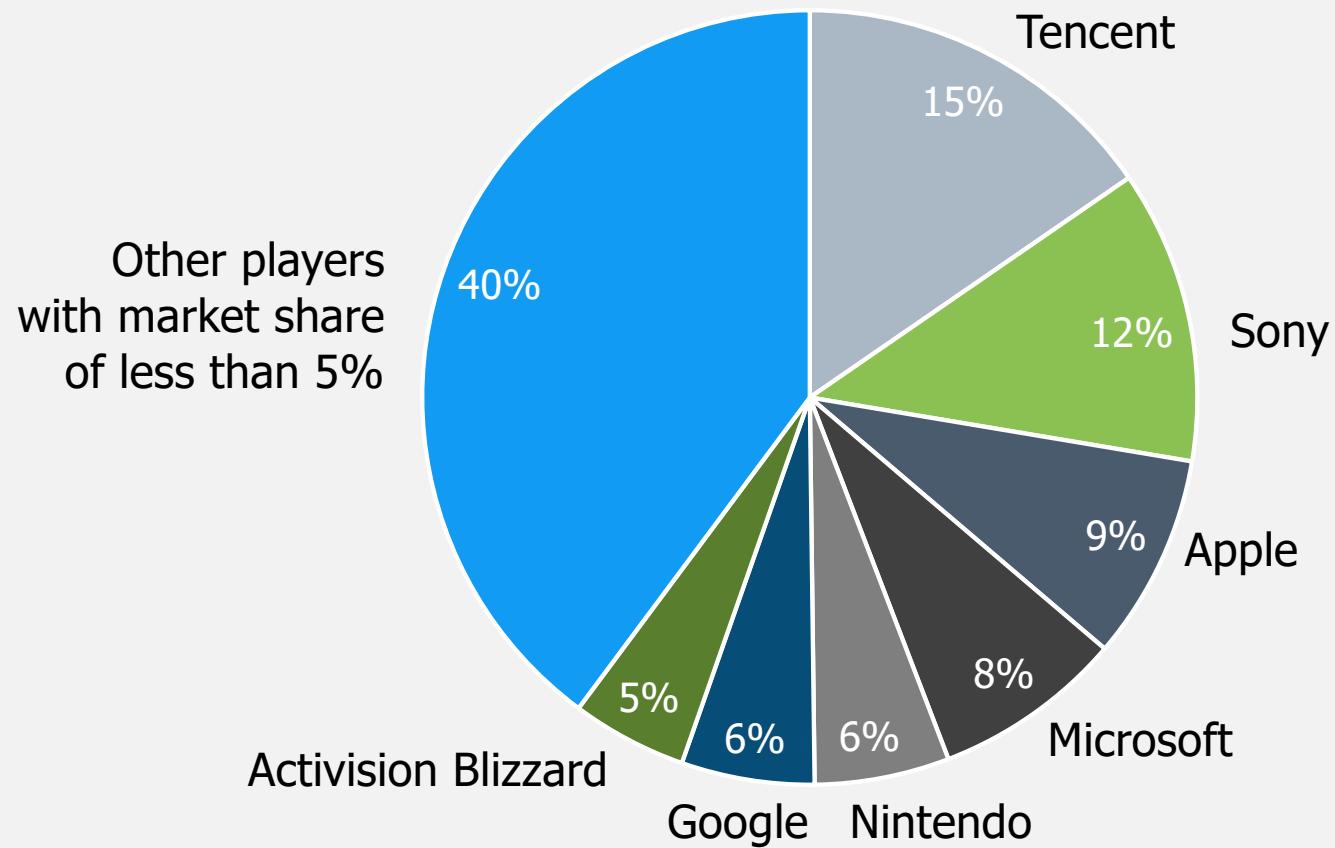


Appendix 2. Competitive landscape of global video-game market

Competitive landscape of global video-game market*, % (2020)

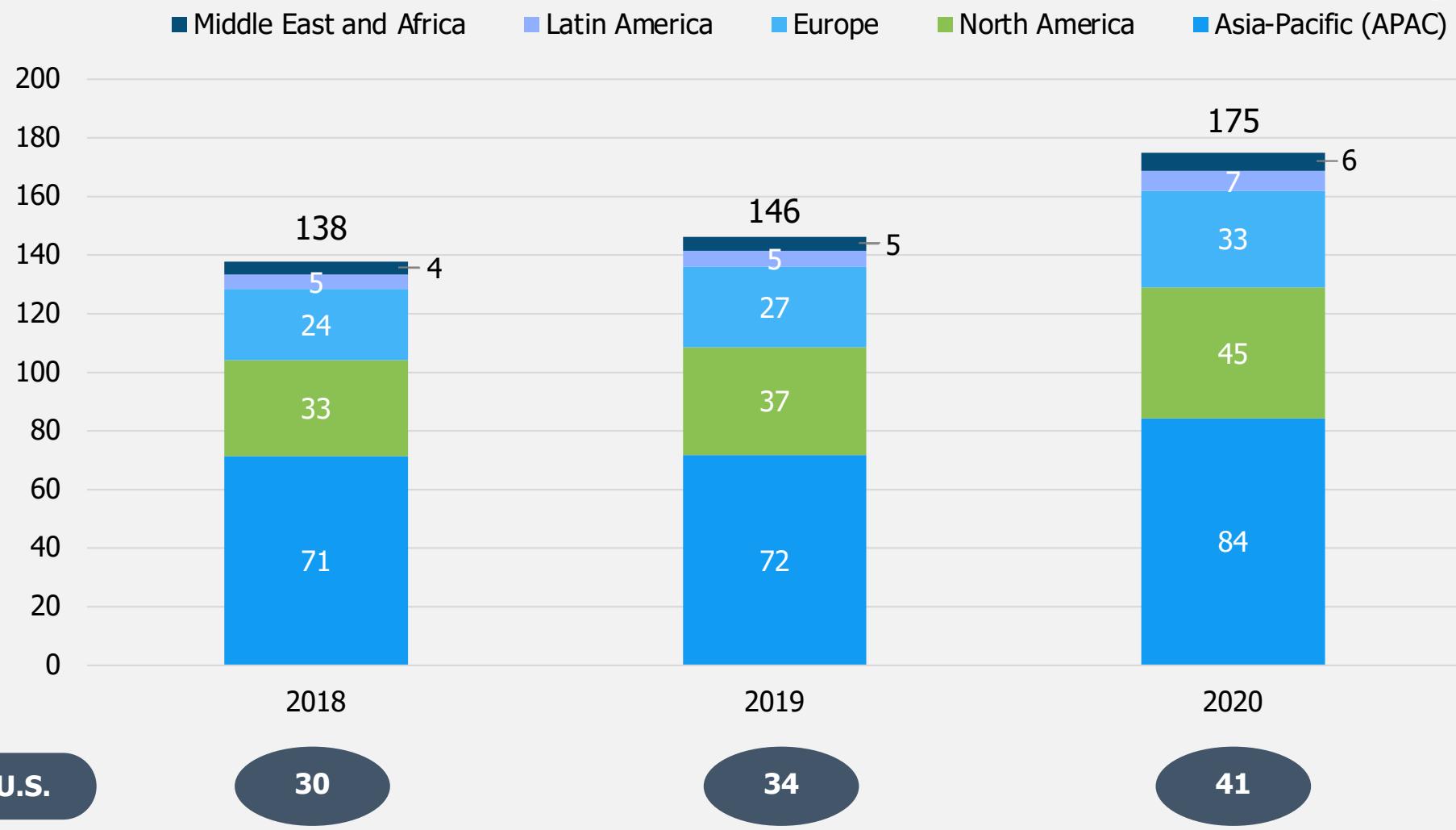


Market size = \$175B



Appendix 3. Global video-game market size by region

Global video-game market size by region, Bn USD (2018-20)



Case #18

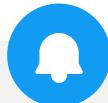
Inspired by BCG

Sunshine Apparel

2020



Case #18. Inspired by BCG. 2020. Sunshine Apparel



Prompt

- Sunshine Apparel offers cool, stylish kid's clothes with unique designs that inspire kids to be outdoors and explore the world with a spirit of adventure. The management is looking for product expansion opportunities and they consider entering the traditional toy space (not video-games). The CEO has hired your team to assess how reasonable this strategy is.



Additional information

Please provide this information only upon request

- Sunshine Apparel has \$1B in sales and enjoys 4% EBT margin
- Sunshine Apparel has a network of 200 retail stores and outlets nationwide
- The company would like to increase their sales by 10% through this expansion in a reasonable timeframe
- The U.S. toy market jumped in 2020 as families took toys to help keep their children engaged, active, and delighted in times of hardship (see Appendix 1)
- The competitive landscape is quite fragmented (see Appendix 2)



Case type

- Market entry
- Medium-Hard level
- Candidate-led case
- Expected time is 15-20 minutes

Opening. Make sure the candidate follows these steps



Step 1. Restate the prompt

Typically the candidates are expected to restate the prompt to make sure they are on the same page with the interviewer



Step 2. Add colors (optionally)

Candidates can react to the prompt by providing some quick thoughts which will demonstrate candidates' business acumen, e.g.:

- "It makes sense that the client is trying to capitalize on their brand and established distribution infrastructure targeted at children"
- "Toys might provide great cross-selling opportunities for Sunshine Apparel and even offer some synergies in raw materials purchasing and marketing although it'll depend on the toy segment the client would want to enter"
- "My current understanding is that toys are a great expansion option as it's likely an enormous market. Parents typically purchase several toys for their kids every year and the demand for toys might be quite high"



Step 3. Ask 2-3 questions

It is common that candidates ask 2-3 clarifying questions before designing their framework. Typical questions include:

- Geography of client's operations/sales
- Financial goal
- Business model of the client



Step 4. Ask for a moment to structure

- Typically candidates ask for a couple of minutes to structure their approach
- Sometimes during interviewer-driven cases, the interviewers ask the first question and then the candidate takes time to build their framework

Case questions (this is a candidate-led case)

01

What factors would you consider to assess the toy market entry opportunity for Sunshine Apparel?

02

Sunshine Apparel is entertaining the idea of entering the doll market. What is the break-even market share that Sunshine Apparel should capture within 1 year if they decide to start offering dolls?

03

What distribution channels can Sunshine Apparel consider if they decide to start offering dolls?

04

The client is unsure if they should prioritize DTC (direct-to-consumer) or mass market retailers for their potential doll business. What are your thoughts?



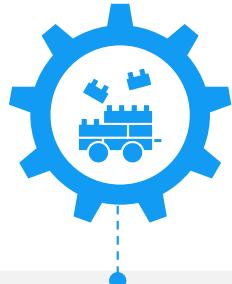
Appendix 1. Appendix 2. Appendix 3.

Tips for candidate-led cases

- Try to minimize hand-holding. Try to let the candidate ask questions
- If the candidate isn't on the right track and seems lost, try to give a hint or ask a question from the previous slide
- Feel free to manage the conversation to hit all the questions from the previous slide, e.g.:
 - "That's a great question! What do you think?"
 - "Sure. Before we dig into that, what are your thoughts on ... [the question from the list]?"
 - "Yeah, that makes sense. The manager just walked in and they would like us to look into... [the question from the list]"
 - "Sure, we'll explore it. Before that, let me share some data from our analyst/client that we've just received and... [ask a Math question]"
- When the case time is running out, prompt the candidate to provide recommendation (see question 5)



Q1. What factors would you consider to assess the toy market entry opportunity for Sunshine Apparel?



U.S. traditional toy market

- Size and growth rate by toy segment
- Competitive landscape (e.g. top toy producers, positioning, share)
- Average margins



Sunshine Apparel

- Target children groups (e.g. age, high-end/low-end)
- Planned product segments (puzzles, dolls, building sets, etc.)
- Marketing strategy



Financial assessment

- Expected profitability
 - Forecasted revenue and market share
 - Estimated costs
- Potential synergies
- Required capex



Risk assessment

- Market specific
- Financial
- Operational

Note: This is just one of many potential ways to structure your approach. Please treat this example only as a reference point and develop your own style.

Q1. Make sure the candidate follows these steps



Step 1. Do horizontal presentation

The best practice is to start with a 15-second big-picture overview, e.g. "I'd like to assess this problem through the lens of four areas – first, ...; secondly, ...; thirdly, ...; and finally ..."



Step 2. Hit key points

Check if the candidate covers all key points typical for a market entry case structure:

Market assessment

- Size
- Growth rate
- Competition
- Typical profitability

Business model

- Client segments
- Product portfolio

Financial analysis

- Expected profitability (e.g. revenue and costs)
- Expected capex*
- Investment criteria* * - optional



Step 3. Add stories (optionally)

To avoid cookie-cutter/generic approach, the candidates can incorporate 2-3 stories into their structure presentation, e.g.:

- "Traditional toys are likely a mature market, and its growth rate might be low. Also, given shrinking children population in the U.S. due to later marriage age and more children-free families, the growth rate in this space might be even negative"
- "I'd imagine the competitive landscape in the toy market is quite fragmented as this is a differentiated market with a lot of different concepts, styles and designs"
- "Given a wide variety of toy options, the client will need to invest in aggressive marketing campaign to gain a material market share for their toy offerings"



Step 4. Finish with a question

At the end of the structure presentation, it is helpful for candidate to show that they can drive team forward and prioritize, e.g. "Does this structure sound reasonable to you? If so, do we have data on the market size for traditional toys in the U.S.?"

Q2. Math exercise – prompt

02

Sunshine Apparel is entertaining the idea of entering the doll market. What is the break-even market share that Sunshine Apparel should capture within 1 year if they decide to start offering dolls?



**Please share with the candidate
the following information**

- Sunshine Apparel plans to sell their dolls at \$30 per unit

**Please provide this additional
information only upon request**

- The client plans to invest \$4.5M in the production of dolls
- The team doesn't have estimated margins but put together other players' data - Appendix 3 [the candidate can suggest target margin based on this data]
- The market size data for the doll segment is in Appendix 1

Q2. Math exercise – calculations

02

Sunshine Apparel is entertaining the idea of entering the doll market. What is the break-even market share that Sunshine Apparel should capture within 1 year if they decide to start offering dolls?

Contribution margin per doll sold	\$30	\times	5%*	$=$	\$1.5
Break-even volume	\$4.5M in investment	\div	\$1.5	$=$	3M units
Break-even sales	3M units	\times	\$30	$=$	\$90M
Doll segment size (based on Appendix 1)	\$33B	\times	14%	\approx	\$4.6B
Break-even market share	\$90M	\div	\$4.6B	\approx	2%

Sunshine Apparel will need to hit 2% of the market share in the doll segment to break-even within 1 year

* - the candidate can have different estimate based on Appendix 3 and the calculation answer will change

Q2. Math exercise – contextualization of the answer

02

Sunshine Apparel is entertaining the idea of entering the doll market. What is the break-even market share that Sunshine Apparel should capture within 1 year if they decide to start offering dolls?

Basic comments (expected from everyone)



- Sunshine Apparel should capture 2% of the doll market in order to break-even within 1 year



2% or \$90M in sales sounds a bit too ambitious for a newcomer, although Sunshine Apparel likely enjoys deep marketing pockets and established distribution infrastructure they can leverage to jump-start and grow their doll business

- Margins vary a lot across major toy players and are likely highly dependent on the economies of scale as top-2 players enjoy healthy double-digit profitability whereas smaller toy manufacturers are in low single-digit numbers or even in the red zone. Break-even 2% market share might not be sufficient scale to ensure healthy economics, and thus our margin estimate might be exaggerated
- Given this is a crowded space, Sunshine Apparel might need aggressive initial marketing campaign to win market share which will add to their investment and thus increase the break-even point

Advanced comments (for outstanding candidates)

Note: The candidate is not expected to mention all the advanced comments, but adding some of them will demonstrate that the candidate can connect the dots, see the depth, add colors and bring some insights even if the candidate is not that familiar with the industry/topic

Q2. Make sure the candidate follows these steps



- Providing big-picture approach of how to calculate the answer might help the candidate gain more points and help the interviewer follow the candidate's thought process
- Often interviewers don't provide all the information
 - The candidate needs to proactively ask for missing pieces
- Ideally the candidate shouldn't make any mistakes
 - It is okay to ask for some time to run numbers and then walk the interviewer through the calculations (some interviewers though might push back and ask you to do your Math on the fly)
- The interviewers highly appreciate it when the candidate not only calculates the answer correctly, but also contextualizes it
 - See some advanced comments on the previous slide as example of the contextualization

Q3. Distribution channels

03

What distribution channels can Sunshine Apparel consider if they decide to start offering dolls?

Offline channels



[Likely largest revenue contributor, as offline is a legacy channel and touch-and-feel aspect might be the key driver for sales]

Retail chains

- Specialty toy retail chains (like Toys R Us that went bankrupt)
- Mass market retailers (e.g. Walmart, Target)
- Own branded stores of Sunshine Apparel
- Other retailers (e.g. pharmacies like CVS, family fast food chains like McDonalds, electronic stores like BestBuy)

Individual operators

- Wholesale distributors
- Mom-and-pop toy stores
- Vending toy machines

Online channels

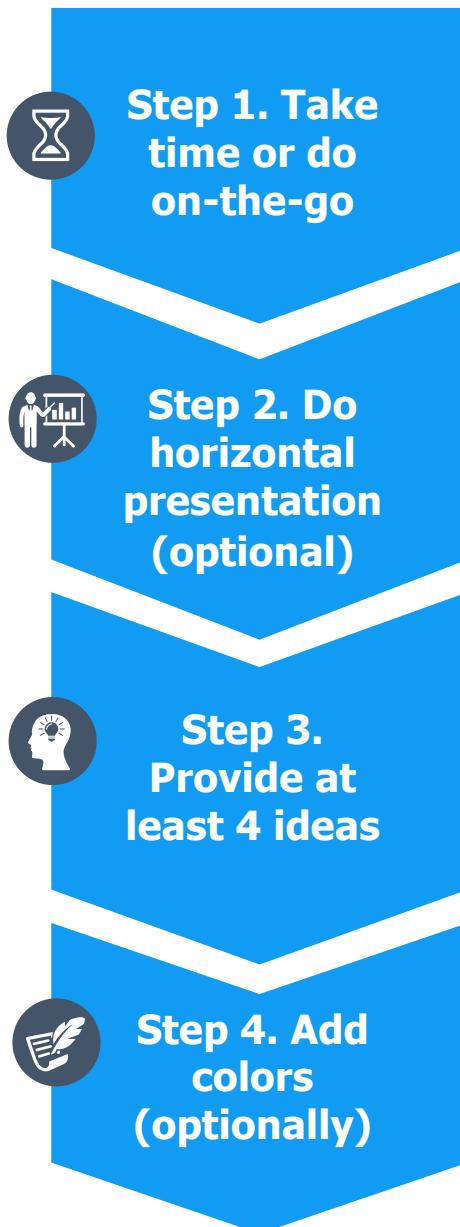


[During the pandemic the online channel likely skyrocketed as locked-down people developed new online purchasing habits.]

- DTC (direct-to-consumer)
 - Own online store of Sunshine Apparel
 - Subscription boxes of Sunshine Apparel
- Online marketplaces (e.g. Amazon)
- Online partners (e.g. toy bloggers, social media influencers selling toys)

Note: This is just one of many potential ways to brainstorm. Please treat this example only as a reference point and develop your own style. [The candidate is usually expected to generate at least 4 ideas. The best practice is 7-8 ideas, structured approach, and on-the-fly delivery without taking notes]

Q3. Make sure the candidate follows these steps



- 80% of interviewers feel comfortable when candidates take 30-40 seconds to think and write down their ideas before walking the interviewer through them
- The best practice is to ideate on-the-fly
- The best practice is to structure brainstorming and offer a 10-second top-down overview, e.g. "Great question. I'd imagine distribution channels typically fall into two categories - offline and online. In terms of offline..."
- Regular feedback from consulting firms is that candidates offer only three ideas which is a bit on the lower end
- Push the candidate to provide at least 4 ideas
- Top-5% of candidates can usually suggest 7-8 ideas
- To impress the interviewer, the candidates can contextualize some of their ideas
- Examples are given in [] brackets on the previous slide

Q4. DTC vs mass market retailers

04

The client is unsure if they should prioritize DTC (direct-to-consumer) or mass market retailers for their potential doll business. What are your thoughts?



Financial factors

Cost factors

- Capex [DTC will require investment in online platform, delivery capabilities and marketing]
- Opex [Retailers will charge a distribution commission]

Revenue factors

- Access to customers [Retailers will offer almost immediate access to a decent share of customer base; also, some customer groups don't buy toys online]
- Geographical footprint [Retailers will provide large coverage]
- Pricing flexibility [might be limited as retailers might have price restrictions in their stores]
- Trends [e-commerce is a growing trend and DTC might help Sunshine Apparel capitalize on this trend]



Strategic criteria

- New capabilities [DTC might enable the client to develop new core skills that they can leverage in other verticals of their business]
- Better customer experience [DTC will allow the client to control end-to-end customer journey]
- Data on customer behavior [DTC might offer arguably more in-depth data on customers purchasing behavior by tracking their online activities in the e-store]
- Increased efficiency of marketing (e.g. direct email access to customers)
- Brand considerations [DTC might strengthen Sunshine Apparel's brand]



Potential risks

Financial risks

- Lack of funding
- Underestimated costs
- Exaggerated revenue assumptions [e.g. product-market mismatch in case of lack of differentiation of Sunshine Apparel's dolls]
- Increased dependency on some retailers that might account for a material portion of sales [e.g. Toys R Us bankruptcy led to drop in sales for a lot of toy brands]

Operational risks

- Increase in operational complexity
- Long implementation period
- Potential disruption of processes during the implementation
- Lack of expertise in DTC

Note: This is just one of many potential ways to brainstorm. Please treat this example only as a reference point and develop your own style. [The candidate is usually expected to generate at least 4 ideas. The best practice is 7-8 ideas, structured approach, and on-the-fly delivery without taking notes]

Q4. Make sure the candidate follows these steps



- 80% of interviewers feel comfortable when candidates take 30-40 seconds to think and write down their ideas before walking the interviewer through them
- The best practice is to ideate on-the-fly
- The best practice is to structure brainstorming and offer a 10-second top-down overview, e.g. "Sure, let me compare DTC vs retailers through the lens of three dimensions - financial factors, strategic criteria and potential risks. In terms of financials, I'm thinking..."
- Regular feedback from consulting firms is that candidates offer only three ideas which is a bit on the lower end
- Push the candidate to provide at least 4 ideas
- Top-5% of candidates can usually suggest 7-8 ideas
- To impress the interviewer, the candidates can contextualize some of their ideas
- Examples are given in [] brackets on the previous slide

Q5. Recommendation

05

During the client's meeting, the team manager asks you to summarize your recommendations.

Recommendation

"Sure. First, it was great pleasure to work on this project so far and look into the U.S. toy market attractiveness. Based on the initial assessment, this market seems like a potential lucrative opportunity and we would recommend Sunshine Apparel to proceed with its entry strategy"



Reasoning

- "First, the U.S. toy market is \$33B and sky-rocketed in 2020 due to the increase in home childcare during the pandemic"
- "Secondly, the competitive landscape seems favorable as it's crowded and there is no dominant player which offers a fair opportunity to win a market share"
- "Thirdly, Sunshine Apparel might capture some synergies by entering the toy space"



Risks

"There are some risks, however, to keep in mind. It might take time to reach a break-even point, there might be limited appetite for client's toys especially if they aren't too differentiated, and finally this product expansion might increase operational complexity of Sunshine Apparel's business considerably"



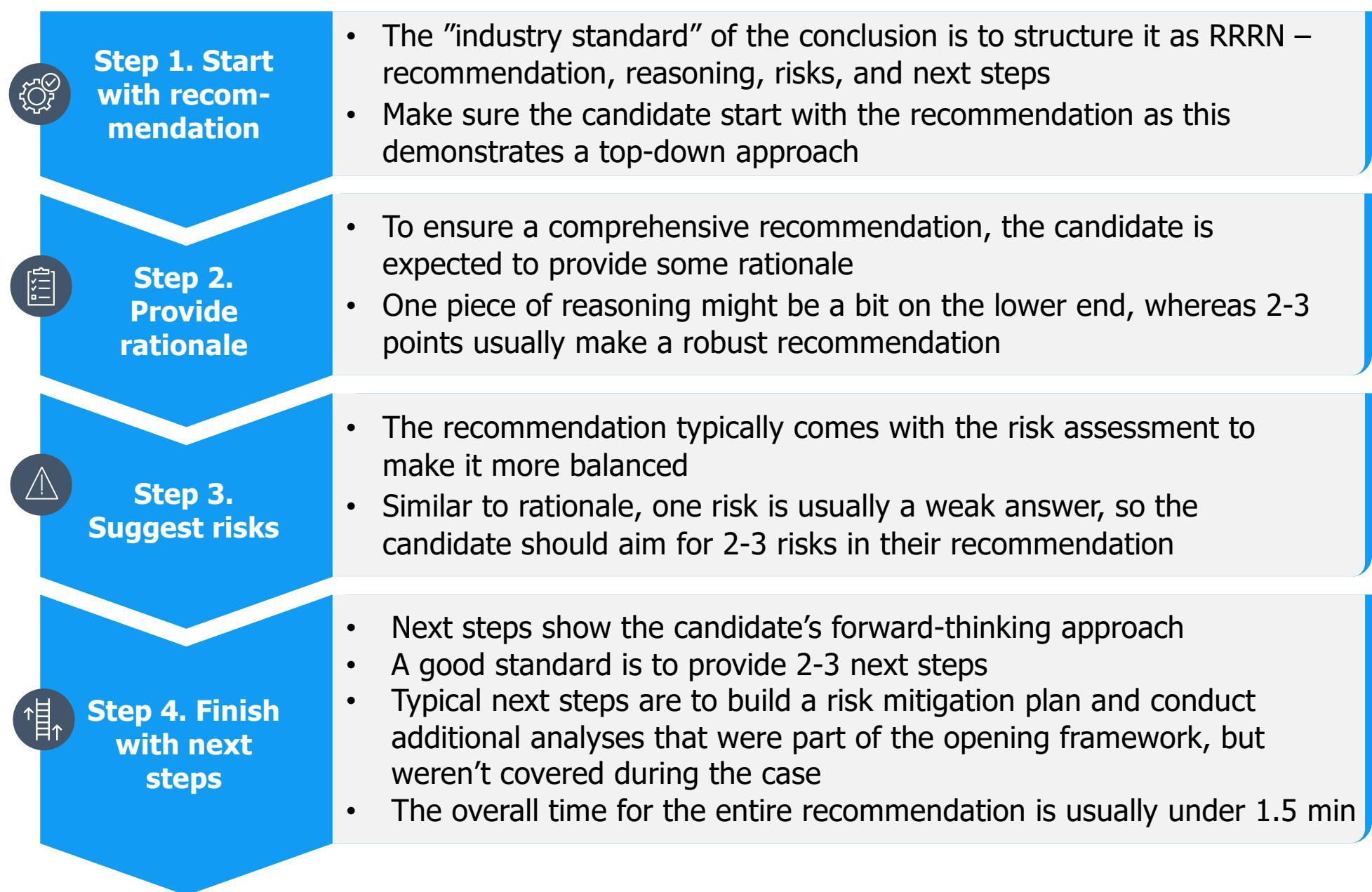
Next steps

"As for the next steps, I'd suggest designing a go-to-market strategy, developing a risk mitigation plan, and assess the competitive landscape a bit in more detail"



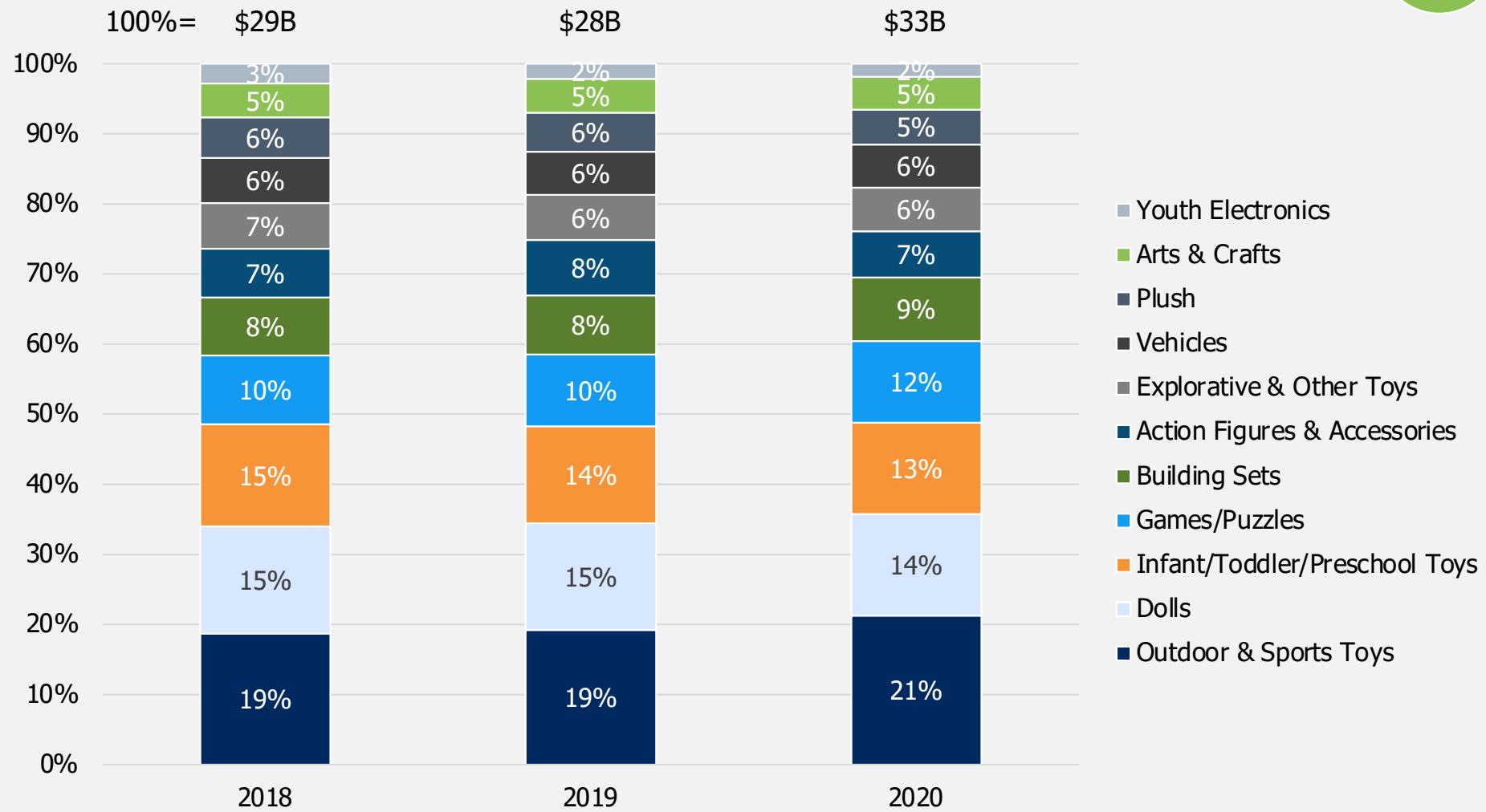
Note: This is just one of many potential ways to make a recommendation. Please treat this example only as a reference point and develop your own style.

Q5. Make sure the candidate follows these steps



Appendix 1. U.S. traditional toy market size by segment

U.S. traditional toy market size by segment, B USD and % (2018-20)

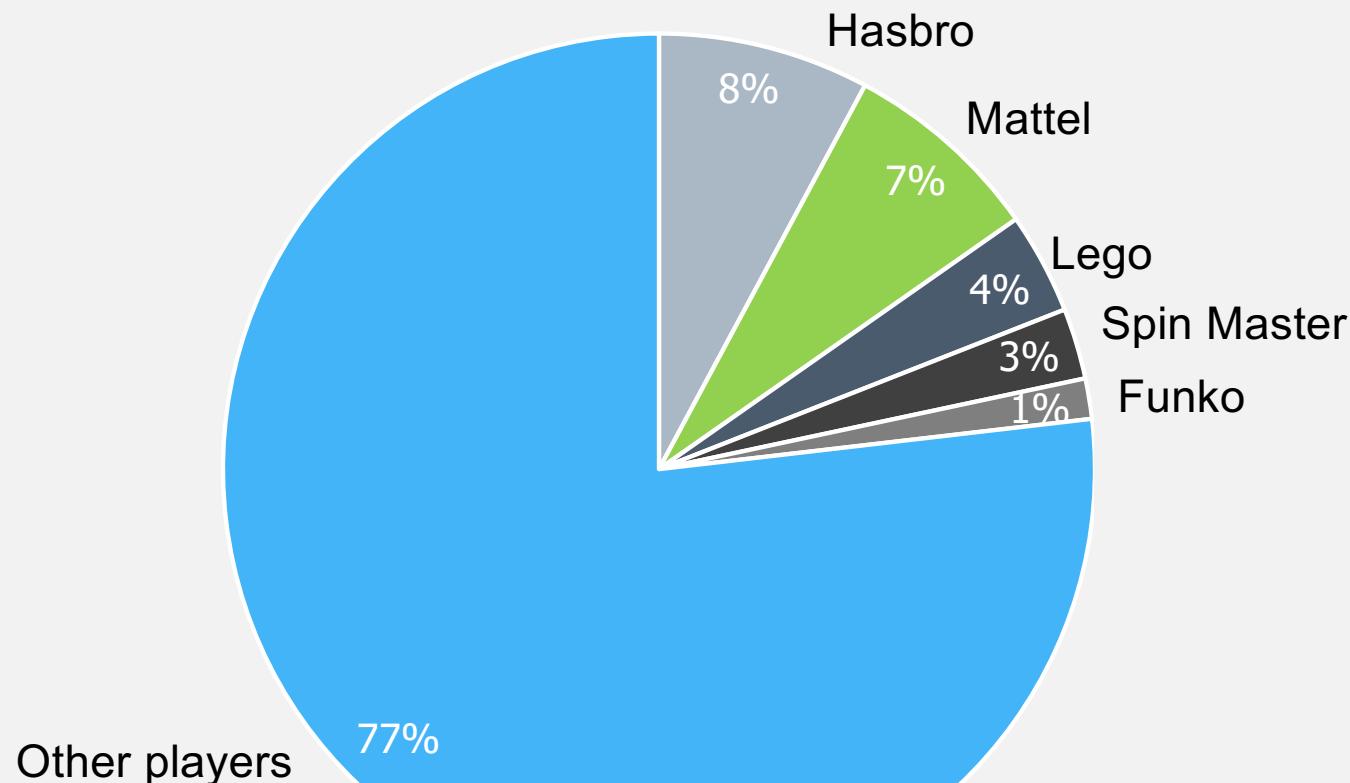


Appendix 2. Top-5 toy manufacturers in the U.S. traditional toy market

Top-5 toy manufacturers in the U.S. traditional toy market, % (2020)

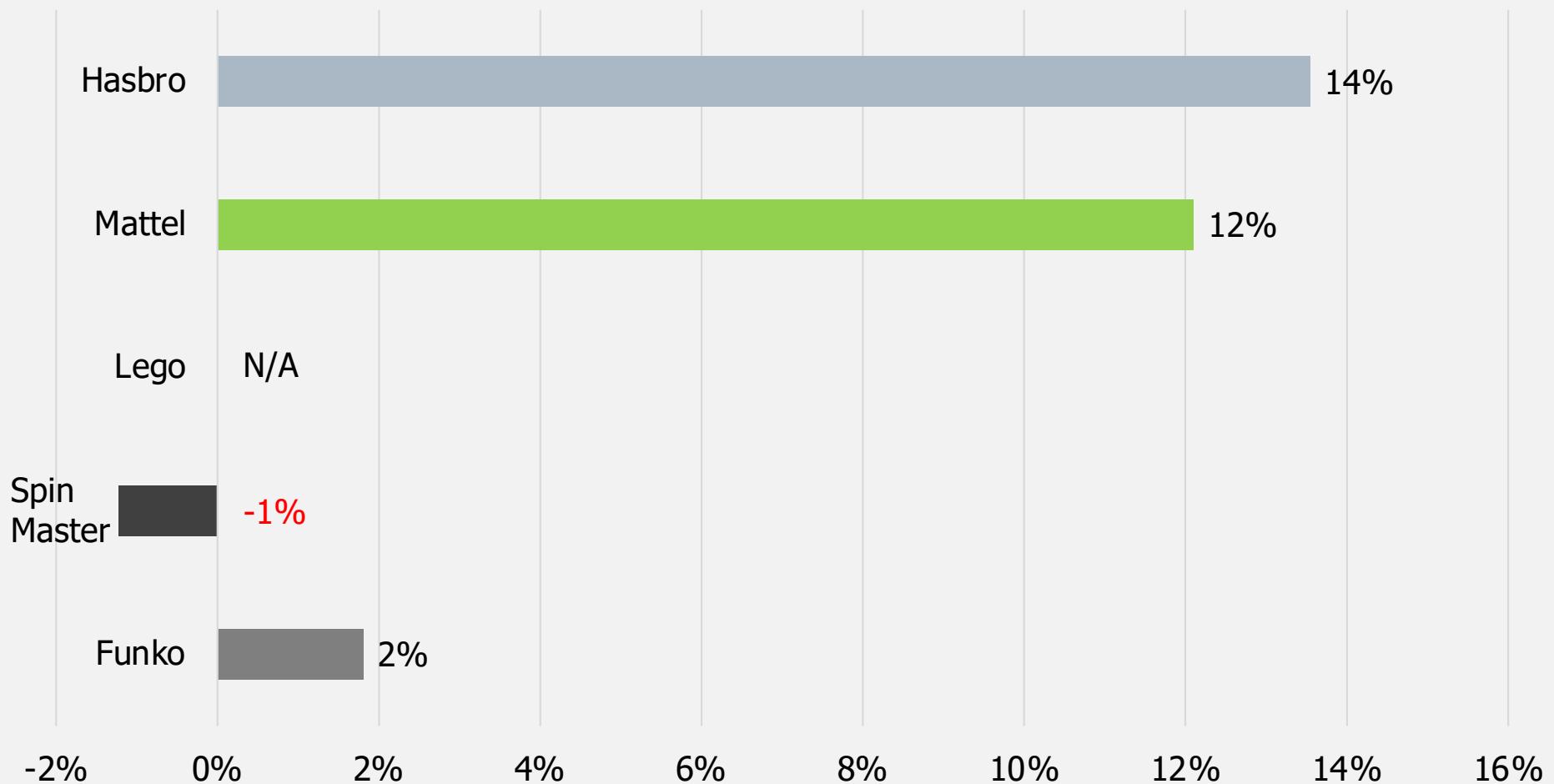


Market size = \$33B



Appendix 3. Profit margin of top-5 toy manufacturers in the U.S.

Profit margin* of top-5 toy manufacturers in the U.S., % (2020)





More at
Peter-K.org



Case #19

McKinsey
& Company

Inspired by McKinsey Beta Optics 2021

Case #19. Inspired by McKinsey. 2021. Beta Optics



Prompt

- Beta Optics is a U.S.-based mid-size prescription eyeglass lens manufacturer. Due to the pandemic their revenues dropped by 30% in 2020 as far fewer people got their eye exams for glass prescription and a lot of optical retailers were closed. In order to improve their economics Beta Optics is considering investing in a cutting-edge digitized production process. They reached out to you to get your advice on whether they should do it.



Additional information

Please provide this information only upon request

- Beta Optics is a B2B business and supplies for prescription glass manufacturers like Warby Parker
- Beta Optics is focused on the U.S.
- Beta Optics didn't share any objectives for this investment
- 80M pairs of eyeglasses are sold annually in the U.S.
- Beta Optics sold 1M pair of eyeglass lenses in 2020 at an average price of \$50 per pair
- The conventional lens manufacturing process has 10+ stages and is quite labor-intensive
- The new technology will shorten, automatize and digitize a lot of parts of lens production process



Case type

- Comparison
- Hard level
- Interviewer-driven case
- Expected time is 20 minutes

Opening. Make sure the candidate follows these steps



Step 1. Restate the prompt

Typically the candidates are expected to restate the prompt to make sure they are on the same page with the interviewer



Step 2. Add colors (optionally)

Candidates can react to the prompt by providing some quick thoughts which will demonstrate candidates' business acumen, e.g.:

- "Interesting. I'd imagine this is a challenging space, as nowadays laser vision correction is gaining prominence and contact lenses are increasingly popular, so there might be shrinking demand for glasses"
- "30% drop in sales is huge, and Beta Optics might have experienced severe diseconomies of scale potentially sending margins in the red zone. No wonder they are exploring cost optimization strategies to improve their profitability"
- "I'd imagine eyeglass lenses are quite commoditized, so if this new cutting-edge technology offers add-on features for lenses, that might help increase sales too"



Step 3. Ask 2-3 questions

It is common that candidates ask 2-3 clarifying questions before designing their framework. Typical questions include:

- Geography of client's operations/sales
- Financial goal
- Business model of the client



Step 4. Ask for a moment to structure

- Typically candidates ask for a couple of minutes to structure their approach
- Sometimes during interviewer-driven cases, the interviewers ask the first question and then the candidate takes time to build their framework

Case questions (this is an interviewer-driven case)

01

How would you structure your approach to analyse if the client should invest in the new production technology?

02

Warby Parker, a major retailer of glasses in the U.S., is one of the Beta Optics' clients. What factors does Warby Parker consider in choosing their suppliers of prescription eyeglass lenses?

03

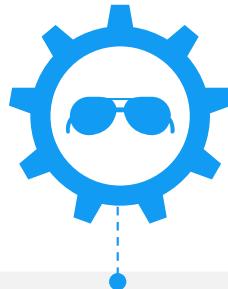
Lower prices for lenses might trigger a lot of interest from Warby Parker and other eyeglass retailers. We hope that the new technology will help Beta Optics push their costs down to offer more appealing prices. What are the key cost items of Beta Optics?

04

So, does it make economic sense to invest in this new production technology? Can you estimate the value that this new equipment can generate for Beta Optics?

Appendix 1.

Q1. How would you structure your approach to analyse if the client should invest in the new production technology?



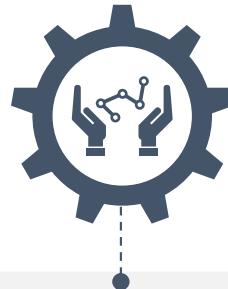
Beta Optics

- Business model
 - Client groups
 - Offerings
- Existing production process (e.g. flow, capabilities)
- New technology



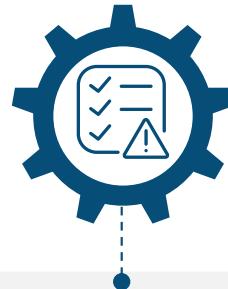
Financial analysis of new tech

- Expected investment
- Estimated ongoing expenses
- Forecasted impact on revenue



Strategic benefits of new tech

- New opportunities
- Operational improvements
- Impact on customer experience
- Risks mitigation



Potential risks of new tech

- Financial
- Operational

Note: This is just one of many potential ways to structure your approach. Please treat this example only as a reference point and develop your own style.

Q1. Make sure the candidate follows these steps



Step 1. Do horizontal presentation

The best practice is to start with a 15-second big-picture overview, e.g. "I'd like to assess this problem through the lens of four areas – first, ...; secondly, ...; thirdly, ...; and finally ..."



Step 2. Hit key points

Check if the candidate covers all key points typical for a comparison case structure:

Options to compare

- Option 1
- Option 2
- ...

Financial analysis

- Capex
- Opex
- Revenue

Strategic value

- New opportunities
- Advantages in ops
- Improvement in CX
- Risk mitigation

Risk assessment

- Operational
- Financial



Step 3. Add stories (optionally)

To avoid cookie-cutter/generic approach, the candidates can incorporate 2-3 stories into their structure presentation, e.g.:

- "New technology might increase cost efficiency, but also offer higher productivity and higher quality of lenses, which might translate in larger revenue"
- "Given contact lenses are fairly standardized and don't differentiate much, clients might be quite price-sensitive. This high price pressure likely drives lens producers to explore cost optimization strategies, so if Beta Optics doesn't adopt this new technology, other players might invest in it and gain competitive advantage"
- "We should stay open-minded and assess the strategic benefits too, as this tech might open new doors like ability to produce lenses for cameras"



Step 4. Finish with a question

At the end of the structure presentation, it is helpful for candidate to show that they can drive team forward and prioritize, e.g. "This is how I would like to attack this problem. If this works for you, I'd like to start by digging into the financials. Do we have any data on the expected capex?.."

Q2. Purchasing decision-making criteria

02

Warby Parker, a major retailer of glasses in the U.S., is one of the Beta Optics' clients. What factors does Warby Parker consider in choosing their suppliers of prescription eyeglass lenses?

Financial criteria



[Given the commoditized nature of contact lens, the prices are likely standardized across different suppliers. So, purchasing decision will likely be largely influenced by non-financial factors]

- Price of the eyeglass lenses
- Potential volume discounts
- Shipment costs
- Percentage of flawed lenses (waste)
- Payment terms and options

Strategic criteria



New opportunities

- Ability to offer specific features (e.g. scratch resistance, UV protection, blue light protection)
- Sustainability practices for brand considerations

Operational considerations

- Geographical footprint (to support offline operations)
- Supplier's production capacity
- Delivery time (speed)
- Quality of lenses

Client experience

- Supplier's reputation in the market
- Supplier's pool of current clients

Risk mitigation

- Supplier risk diversification (in case Warby Parker doesn't want to depend on one supplier)

Risk assessment



[Big contracts should come with comprehensive risk assessment to stress-test existing assumptions]

Operational risks

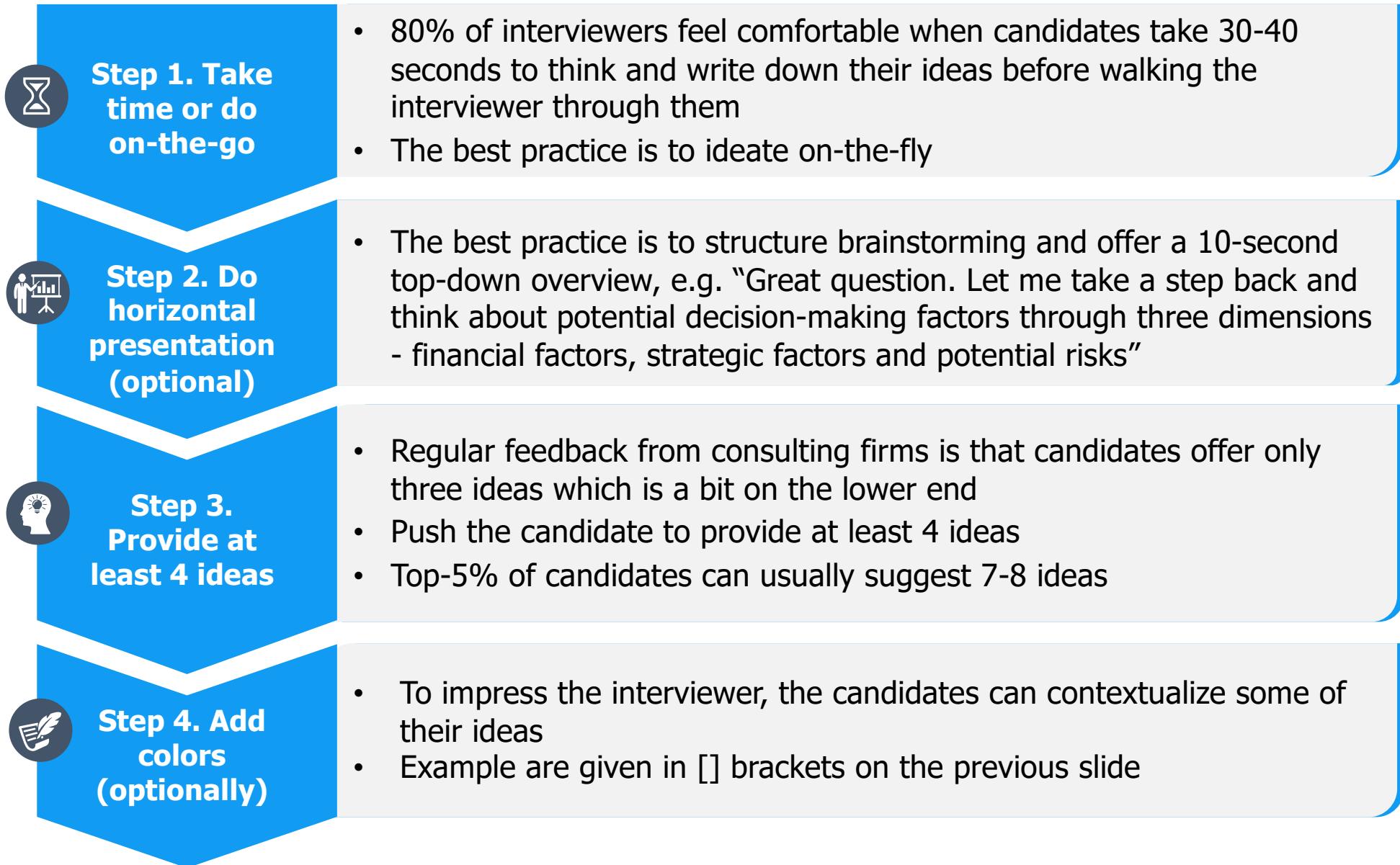
- Longer delivery time, delays
- Lack of supplier's production capacity
- Low quality of lenses
- Lack of experience working with this supplier

Financial risks

- Allocating too large volumes to one supplier which will give them negotiation power for future contracts

Note: This is just one of many potential ways to brainstorm. Please treat this example only as a reference point and develop your own style. [The candidate is usually expected to generate at least 4 ideas. The best practice is 7-8 ideas, structured approach, and on-the-fly delivery without taking notes]

Q2. Make sure the candidate follows these steps



Q3. Key cost items

03

Lower prices for lenses might trigger a lot of interest from Warby Parker and other eyeglass retailers. We hope that the new technology will help Beta Optics push their costs down to offer more appealing prices. What are the key cost items of Beta Optics?

Fixed costs

- 1 Rent and utilities (energy, water, etc.)
- 2 Maintenance [this is a capex-heavy business with lots of equipment]
- 3 Marketing [might be minor costs as this is a B2B business which typically relies on direct salesforce]
- 4 Overhead [central services and management]
- 5 Transportation
- 6 R&D [lenses are commoditized so the players might invest a lot in R&D to innovate and differentiate]



Variable costs

- 7 Labor [depends on the level of production automation]
- 8 Raw materials (e.g. glass, plastic)

Note: This is just one of many potential ways to brainstorm. Please treat this example only as a reference point and develop your own style. [The candidate is usually expected to generate at least 4 ideas. The best practice is 7-8 ideas, structured approach, and on-the-fly delivery without taking notes]

Q3. Make sure the candidate follows these steps



- 80% of interviewers feel comfortable when candidates take 30-40 seconds to think and write down their ideas before walking the interviewer through them
- The best practice is to ideate on-the-fly
- The best practice is to structure brainstorming and offer a 10-second top-down overview, e.g. "Sure, I'd like to break-down costs into fixed and variable. On the fixed cost side..."
- Regular feedback from consulting firms is that candidates offer only three ideas which is a bit on the lower end
- Push the candidate to provide at least 4 ideas
- Top-5% of candidates can usually suggest 7-8 ideas
- To impress the interviewer, the candidates can contextualize some of their ideas
- Examples are given in [] brackets on the previous slide

Q4. Math exercise – prompt

04

So, does it make economic sense to invest in this new production technology? Can you estimate the value that this new equipment can generate for Beta Optics?



**Please share with the candidate
the following information**

- Appendix 1
- For the sake of this calculation we can assume discount rate equal 0%

**Please provide this additional
information only upon request**

- Expected investment for new technology is \$50M
- Lifetime of the new equipment in 10 years
- Production line employees work 2k hours per year on average
- Beta Optics sold 1M pair of eyeglass lenses in 2020 at an average price \$50 per pair
- We can assume zero growth rate and no change in economics for the next 10 years

Q4. Math exercise – calculations

04

So, does it make economic sense to invest in this new production technology? Can you estimate the value that this new equipment can generate for Beta Optics?



Annual labor cost savings	500 FTEs	\times	2k hours per year	\times	\$19/h	\times	30%	$=$	\$5.7M
Annual waste elimination	\$6M in raw materials	\times	5% in eliminated waste	$=$	\$0.3M				
Annual fixed cost savings	\$1M*30%	$+$	\$1M*30%	$+$	\$1M*20%	$=$	\$0.8M		
Total annual savings	\$5.7M	$+$	\$0.3M	$+$	\$0.8M	$=$	\$6.8M		
Estimated value	\$6.8M	\times	10 years	$-$	\$50M of investment	$=$	\$18M		

The new equipment will generate \$18M over 10 years in additional value (earnings) for Beta Optics

Q4. Math exercise – contextualization of the answer

04

So, does it make economic sense to invest in this new production technology? Can you estimate the value that this new equipment can generate for Beta Optics?

Basic comments (expected from everyone)



- If Beta Optics invests \$50M in this new technology, they would capture \$18M in extra value (earnings) over 10 years

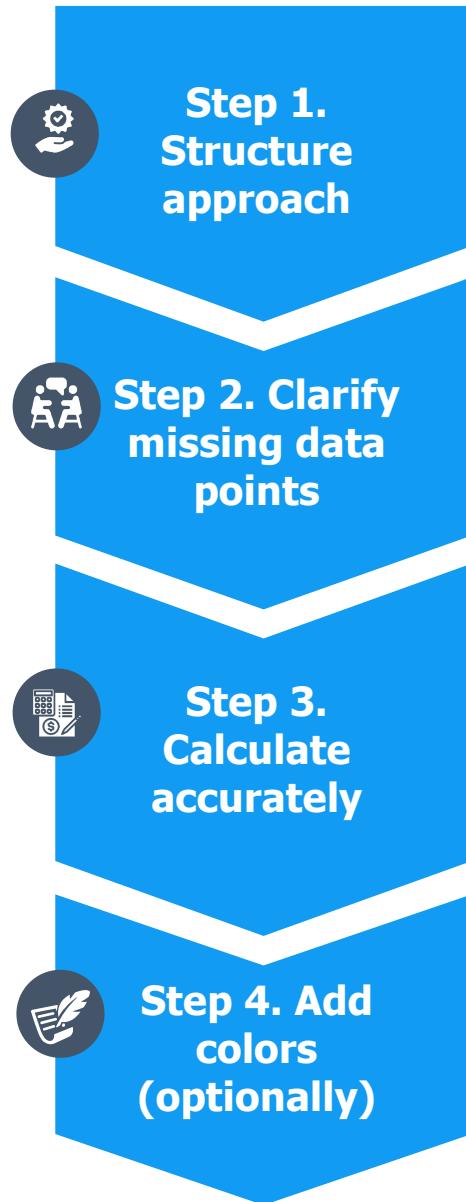
Advanced comments (for outstanding candidates)



- It seems like a lucrative investment and the client should consider it
- Other players might realize the potential of this new technology and implement it as well, making it a new industry standard and taking away from our competitive advantage, so Beta Optics needs to move fast
- We need to stress-test a lot of our assumptions; for example, we assumed that discount rate is going to be 0% and that there will be zero growth rate
- \$50M in capex might be too heavy for our client to lift as their total top-line is \$50M as well, so this investment might carry prohibitive financial risk

Note: The candidate is not expected to mention all the advanced comments, but adding some of them will demonstrate that the candidate can connect the dots, see the depth, add colors and bring some insights even if the candidate is not that familiar with the industry/topic

Q4. Make sure the candidate follows these steps



- Providing big-picture approach of how to calculate the answer might help the candidate gain more points and help the interviewer follow the candidate's thought process
- Often interviewers don't provide all the information
 - The candidate needs to proactively ask for missing pieces
- Ideally the candidate shouldn't make any mistakes
 - It is okay to ask for some time to run numbers and then walk the interviewer through the calculations (some interviewers though might push back and ask you to do your Math on the fly)
- The interviewers highly appreciate it when the candidate not only calculates the answer correctly, but also contextualizes it
 - See some advanced comments on the previous slide as example of the contextualization

Recommendation

**McKinsey
typically doesn't
require
recommendation
for their cases**



Appendix 1. Elements of current cost structure and cost implications of new technology

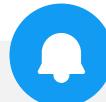
	Conventional production process	New cutting-edge technology
Variable costs		
Labor		
# Production-line employees	500	-
Average hourly salary incl. benefits	\$19	Ensures high automation level leading to 30% decrease in labor
Raw materials	\$6M	Same
% waste (e.g. due to human errors)	5%	N/A
Energy consumption	\$1M	Eliminates waste
Maintenance	\$1M	More energy efficient, saving 30% of energy bills
Rent	\$1M	Requires less maintenance, reducing costs by 30%
		Takes 20% less space
Annual fixed costs		

Case #20



Inspired by BCG Mickey Tires 2021

Case #20. Inspired by BCG. 2021. Mickey Tires



Prompt

- Mickey Tires is a U.S.-based tire manufacturer. In 2020 their sales shrank by 10% due to the pandemic-related drop in car mileage as states were locked down. With changing consumer habits, such as working from home and sky-rocketed appetite for e-commerce, the client expects downward pressure on demand for tires in 2021 and onwards as people will use vehicles less often. To ensure healthy margins the client is considering cost optimization strategies including moving their production to China or investing in more advanced production process at their current facility in Ohio. What option should they pursue?



Additional information

Please provide this information only upon request

- Mickey Tires offers tires for a wide variety of passenger vehicles
- Mickey Tires sells 80% of their tires in the U.S. and 20% in the international markets
- Mickey Tires sells tires for new cars and replacement tires
- In order to move the production to China, Mickey Tires would need to start a JV (joint venture) with a manufacturing company in China
- Mickey Tires has only one production facility (in Ohio)
- No specific goals provided



Case type

- Comparison
- Hard level
- Candidate-led case
- Expected time is 15-20 minutes

Opening. Make sure the candidate follows these steps



Step 1. Restate the prompt

Typically the candidates are expected to restate the prompt to make sure they are on the same page with the interviewer



Step 2. Add colors (optionally)

Candidates can react to the prompt by providing some quick thoughts which will demonstrate candidates' business acumen, e.g.:

- "Seems like a tough problem as tires are fairly commoditized and customers are likely price-sensitive. Given high price pressure, margins might be slim, so losing 10% of revenue might have pushed the client into the red zone"
- "The cost structure of tires is probably highly dependent on crude oil prices, and there might be not much the company can do about optimizing raw material costs"
- "Generally speaking, moving consumer product manufacturing to low-cost countries is a proven strategy to optimize costs. However, recent trade tensions between the U.S. and China might represent material risks for our client"



Step 3. Ask 2-3 questions

It is common that candidates ask 2-3 clarifying questions before designing their framework. Typical questions include:

- Geography of client's operations/sales
- Financial goal
- Business model of the client



Step 4. Ask for a moment to structure

- Typically candidates ask for a couple of minutes to structure their approach
- Sometimes during interviewer-driven cases, the interviewers ask the first question and then the candidate takes time to build their framework

Case questions (this is a candidate-led case)

01

What factors would you consider to help client assess these two options?

02

Before looking into the financials of two options, can you suggest what major expenses Mickey Tires has?

03

In order to assess the economics of two options can you calculate the incremental profits for each of them?

04

How can Mickey Tires maximize the production output in the most cost constrained manner for their current facility or potential factory in China?



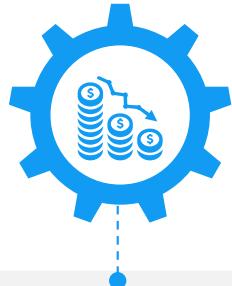
Appendix 1. Appendix 2. Appendix 3.

Tips for candidate-led cases

- Try to minimize hand-holding. Try to let the candidate ask questions
- If the candidate isn't on the right track and seems lost, try to give a hint or ask a question from the previous slide
- Feel free to manage the conversation to hit all the questions from the previous slide, e.g.:
 - "That's a great question! What do you think?"
 - "Sure. Before we dig into that, what are your thoughts on ... [the question from the list]?"
 - "Yeah, that makes sense. The manager just walked in and they would like us to look into... [the question from the list]"
 - "Sure, we'll explore it. Before that, let me share some data from our analyst/client that we've just received and... [ask a Math question]"
- When the case time is running out, prompt the candidate to provide recommendation (see question 5)



Q1. What factors would you consider to help client assess these two options?



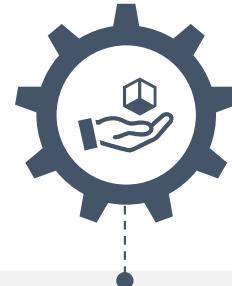
Cost reduction strategies

- Existing production process (e.g. flow, capabilities)
- More advanced tech option (e.g. timeline, process changes)
- JV in China (e.g. capacity, structure of ownership)



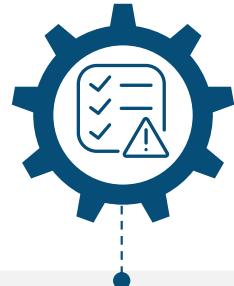
Financials of both options

- Expected investment
- Estimated costs
 - Fixed
 - Variable
- Forecasted impact on revenue



Strategic benefits of each option

- New opportunities
- Operational improvements
- Impact on customer experience
- Risks mitigation



Potential risks of each option

- Financial
- Operational

Note: This is just one of many potential ways to structure your approach. Please treat this example only as a reference point and develop your own style.

Q1. Make sure the candidate follows these steps



Step 1. Do horizontal presentation

The best practice is to start with a 15-second big-picture overview, e.g. "I'd like to assess this problem through the lens of four areas – first, ...; secondly, ...; thirdly, ...; and finally ..."



Step 2. Hit key points

Check if the candidate covers all key points typical for a comparison case structure:

Options to compare

- Option 1
- Option 2
- ...

Financial analysis

- Capex
- Opex
- Revenue

Strategic value

- New opportunities
- Advantages in ops
- Improvement in CX
- Risk mitigation

Risk assessment

- Operational
- Financial



Step 3. Add stories (optionally)

To avoid cookie-cutter/generic approach, the candidates can incorporate 2-3 stories into their structure presentation, e.g.:

- "China sounds like a promising option. However, the client will need to completely redesign their value chain - change their supply strategy and distribution"
- "Core of the answer will be the financial analysis as these two options are likely capex-intensive and might take long time to execute. With client trying to improve their profitability, we need to make sure that needed investment will yield higher return than stimulating sales for example through aggressive marketing"
- "Having international production assets might enable Mickey Tires to get better access to foreign markets and optimize tariff expenses"



Step 4. Finish with a question

At the end of the structure presentation, it is helpful for candidate to show that they can drive team forward and prioritize, e.g. "If this framework comes across as a fair plan of attack, I'd like to narrow on the financials first. Do we have any cost data?"

Q2. Key cost items

02

Before looking into the financials of two options, can you suggest what major expenses Mickey Tires has?

Fixed costs

- 1 Rent and utilities (energy, water, etc.)
- 2 Maintenance [this is a capex-heavy business with lots of equipment]
- 3 Marketing [given this is a consumer product Mickey Tires likely invests a lot in marketing to maintain strong brand awareness and drive sales]
- 4 Overhead [central services and management]
- 5 Transportation
- 6 R&D [tires are commoditized so the players might invest a lot in R&D to innovate and differentiate]

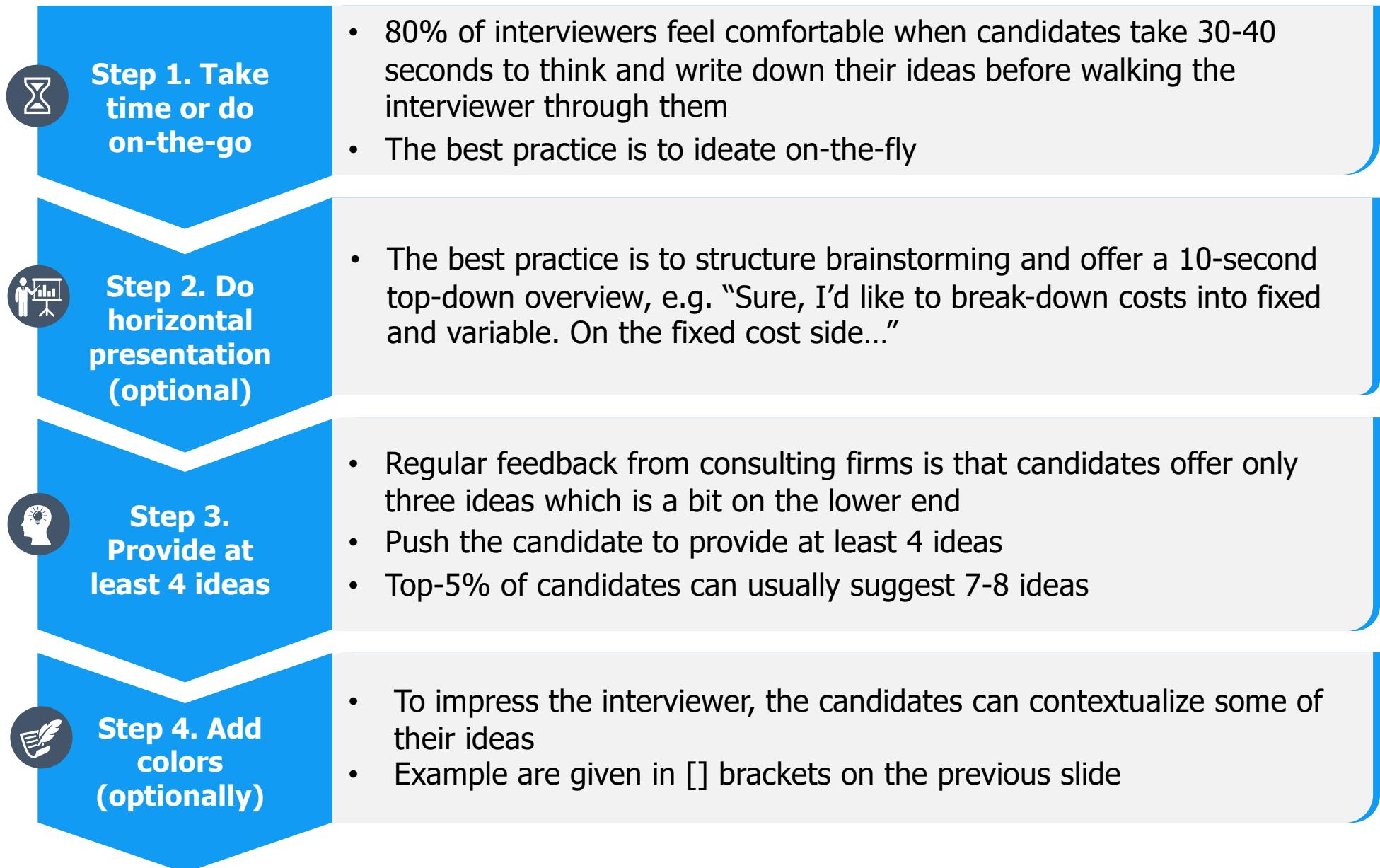


Variable costs

- 7 Labor [it might be labor-intensive business which will justify the move to China]
- 8 Raw materials
- 9 Distribution commissions [for the B2C segment - auto repair and maintenance chains might charge sales-based fee for distribution]
- 10 Discounts
- 11 Import/export duties

Note: This is just one of many potential ways to brainstorm. Please treat this example only as a reference point and develop your own style. [The candidate is usually expected to generate at least 4 ideas. The best practice is 7-8 ideas, structured approach, and on-the-fly delivery without taking notes]

Q2. Make sure the candidate follows these steps



Q3. Math exercise – prompt

03

In order to assess the economics of two options can you calculate the incremental profits for each of them?



**Please share with the candidate
the following information**

- Appendix 1
- Average revenue per tire is \$60

**Please provide this additional
information only upon request**

- Mickey Tires sells 3M tires annually
- We can ignore taxes
- Cost structure in Appendix 1 is exhaustive (no other cost items)
- We can neglect depreciation of the capital expenditure (investment of \$80M) and its impact on the profits

Q3. Math exercise – calculations

03

In order to assess the economics of two options can you calculate the incremental profits for each of them?



Current costs per tire

$$\$30 + \$15 + \$3 = \$48$$

Costs per tire for Chinese facility

$$\$30 * (1 - 10\%) + \$15 * (1 - 80\%) = \$3 * 2 = \$36$$

Costs per tire for advanced tech option

$$\$30 * (1 - 5\%) + \$15 * (1 - 50\%) = \$3 = \$39$$

Incremental profit from Chinese facility

$$\$48 - \$36 = 3M = \$36M$$

Incremental profit from tech option

$$\$48 - \$39 = 3M = \$27M$$

The incremental profits for the Chinese facility and investment in the advanced tech is expected to be \$36M and \$27M respectively

Note: Given fixed costs are expected to be the equal to current fixed costs for both options, these costs won't affect the incremental profits.

Q3. Math exercise – contextualization of the answer

03

In order to assess the economics of two options can you calculate the incremental profits for each of them?

Basic comments (expected from everyone)



The Chinese facility is estimated to generate \$36M in additional profits which is higher than \$27M in extra profits expected from the investment in the advanced technology



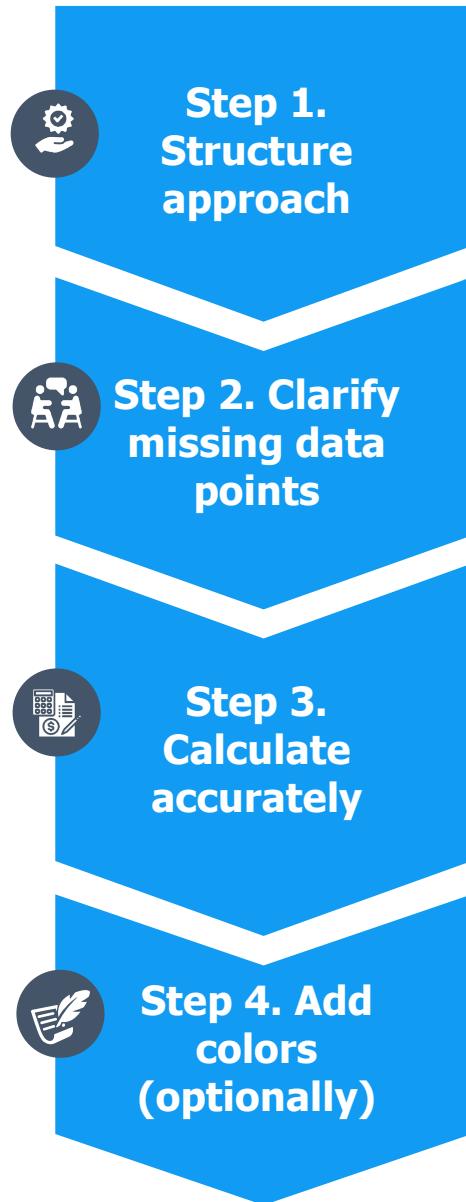
\$9M difference between two options is extra 5 percentage points in profitability [\$9M out of \$180M, which is 3M units * \$60] which is fantastic for such a commoditized product

- The client should consider various risks of moving production to China, like potential loss of control due to JV's ownership structure, increase in tariffs, quality issues, etc.
- The implementation cycle might be shorter for the introduction of new technology (vs building a new factory in China) and thus investment in more advanced production process might start generating profits earlier than JV in China
- Shutting down the production in Ohio might lead to substantial one-time costs (e.g. severance payments) that should be baked in the financial assessment of the Chinese factory option

Advanced comments (for outstanding candidates)

Note: The candidate is not expected to mention all the advanced comments, but adding some of them will demonstrate that the candidate can connect the dots, see the depth, add colors and bring some insights even if the candidate is not that familiar with the industry/topic

Q3. Make sure the candidate follows these steps



- Providing big-picture approach of how to calculate the answer might help the candidate gain more points and help the interviewer follow the candidate's thought process
- Often interviewers don't provide all the information
 - The candidate needs to proactively ask for missing pieces
- Ideally the candidate shouldn't make any mistakes
 - It is okay to ask for some time to run numbers and then walk the interviewer through the calculations (some interviewers though might push back and ask you to do your Math on the fly)
- The interviewers highly appreciate it when the candidate not only calculates the answer correctly, but also contextualizes it
 - See some advanced comments on the previous slide as example of the contextualization

Q4. Production maximization ideas

04

How can Mickey Tires maximize the production output in the most cost constrained manner for their current facility or potential factory in China?



Increase availability of equipment

Routine maintenance of equipment

- Reduce number of stops for routine maintenance
- Accelerate speed of routine maintenance

Break-downs of equipment

- Analyze the root-causes of break-downs and eliminate them
- Accelerate the pace of addressing break-downs

Switching time of equipment

- Improve the speed of switching the equipment from producing one tire type to another



Improve productivity

Productivity of staff

- Strengthen training programs
- Introduce higher selection standards for hiring
- Launch and monitor production KPIs
- Increase incentives (if budget permits)

Other initiatives

- Ensure constant supply of materials for all the production stages to avoid idle time of equipment
- Introduce new shifts, hire more staff to increase utilization rate of equipment (if budget permits)



Ensure high quality of output

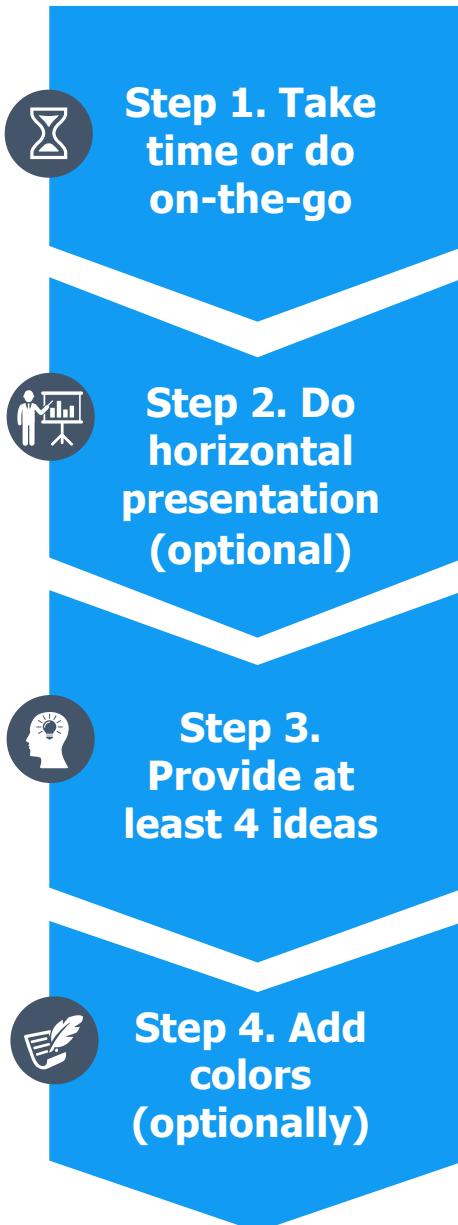
[I'd imagine tire manufacturing is a labor-intensive process and there might be a decent amount of human errors that lead to sub-optimal tires and waste, and thus it might affect the output.]

Potential process flaws

- Decrease % of defective tires
- Decrease % of tires mismatching the clients' technical specifications

Note: This is just one of many potential ways to brainstorm. Please treat this example only as a reference point and develop your own style. [The candidate is usually expected to generate at least 4 ideas. The best practice is 7-8 ideas, structured approach, and on-the-fly delivery without taking notes]

Q4. Make sure the candidate follows these steps



- 80% of interviewers feel comfortable when candidates take 30-40 seconds to think and write down their ideas before walking the interviewer through them
- The best practice is to ideate on-the-fly
- The best practice is to structure brainstorming and offer a 10-second top-down overview, e.g. "Sure, let me break-down ideas into three categories - equipment availability, overall productivity and output quality. On the availability side, I'm thinking about..."
- Regular feedback from consulting firms is that candidates offer only three ideas which is a bit on the lower end
- Push the candidate to provide at least 4 ideas
- Top-5% of candidates can usually suggest 7-8 ideas
- To impress the interviewer, the candidates can contextualize some of their ideas
- Examples are given in [] brackets on the previous slide

Q5. Recommendation

05

You are in a client interim meeting. What are your current recommendations?

Recommendation

"Thank you for having us on this project to determine which option makes more economic and strategic sense for Mickey Tires to pursue. Based on our initial analysis, moving production to China looks more attractive"



Reasoning

- "First, it'll enable Mickey Tires to improve their profitability by 5 percentage points, which might be material given likely low-margin nature of tire business"
- "Secondly, the Chinese factory might offer better access to large international markets that enjoy high number of passenger vehicles like India, China, and other SEA"
- "Thirdly, location in SEA might offer more diverse supply chain options"



Risks

"However, there are some substantial risks including increase in tariffs, potential loss in control due to the JV ownership structure, and drop in tire quality"



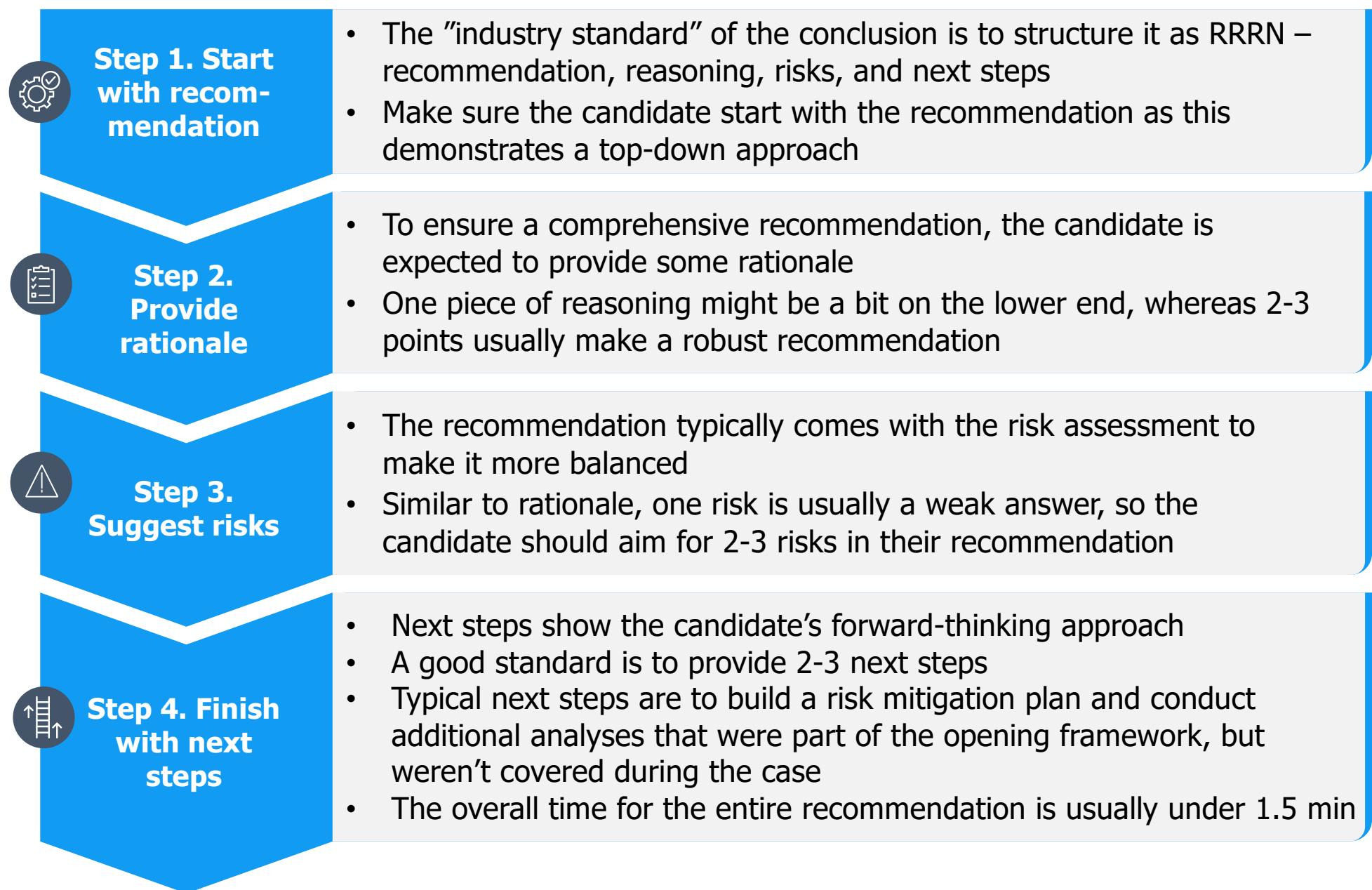
Next steps

"To move forward with the project, I'd like to create risk mitigation plan, run scenario and sensitivity analyses to strengthen results of financial modeling, and assess the strategic (non-quantifiable) benefits of both options"



Note: This is just one of many potential ways to make a recommendation. Please treat this example only as a reference point and develop your own style.

Q5. Make sure the candidate follows these steps



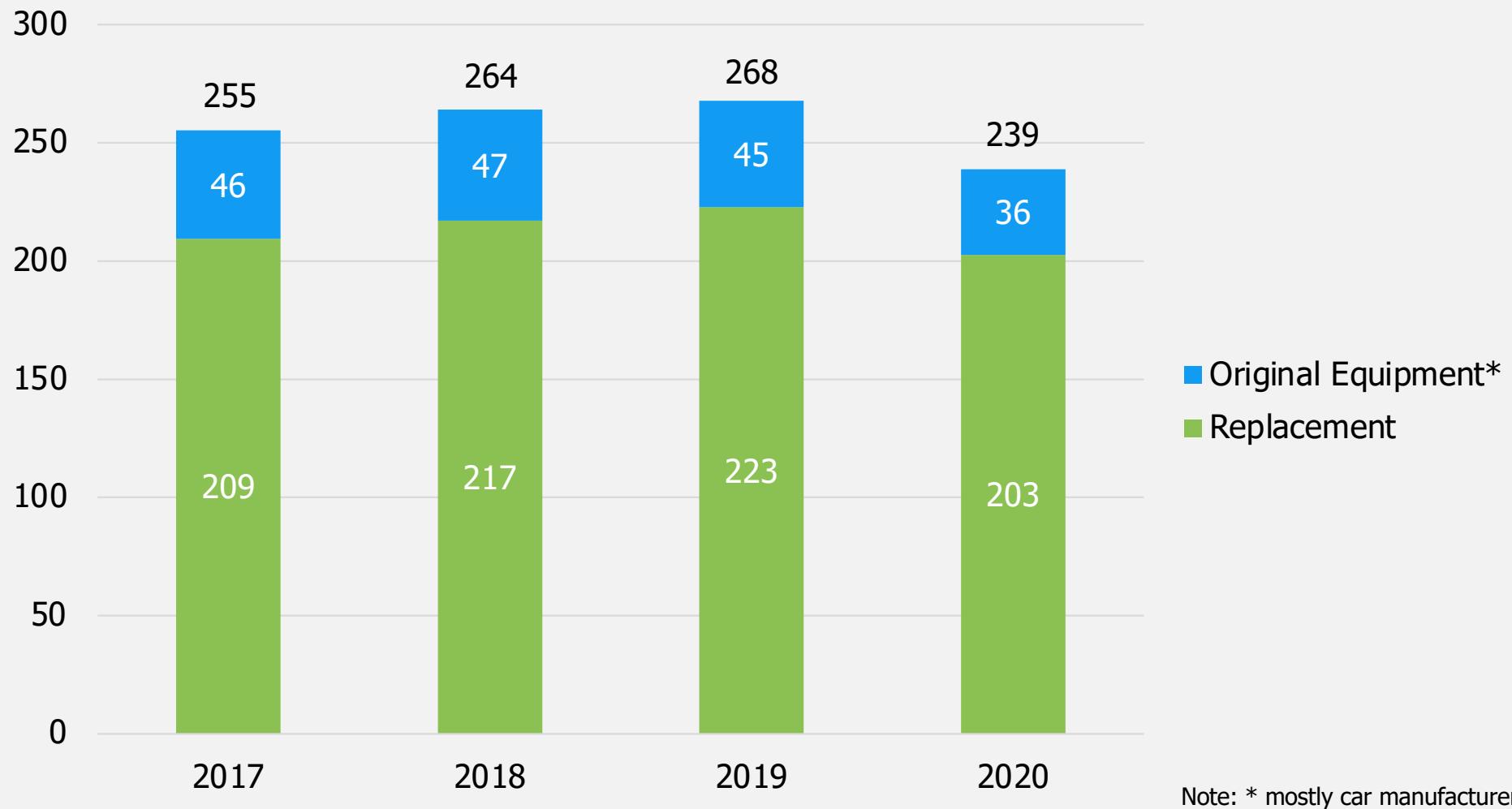
Appendix 1. Cost structure

		Potential investment options		
	Current facility in Ohio, US	JV with a manufacturing company in China	Investment in more advanced production tech	
Raw materials	➤ \$30	10% lower given proximity to suppliers	5% lower due to waste elimination	
Labor	➤ \$15	80% lower given abundance of low-wage workers	50% lower due to process automation	
Distribution	➤ \$3	Will double	Same	
Import/Export tariffs	➤ –	0% (for the sake of this case)*	–	
Investment	➤ –	\$80M	\$80M	
Fixed costs	➤ \$18M	Same	Same	

Note: * - in real life U.S. introduced prohibitive tariffs for Chinese tires in 2015, after which import of tires from China fell off the cliff - from 60M tires per year (2014) to 3M (2020)

Appendix 2. U.S. passenger tire shipments

U.S. passenger tire shipments, MM units (2017-20)

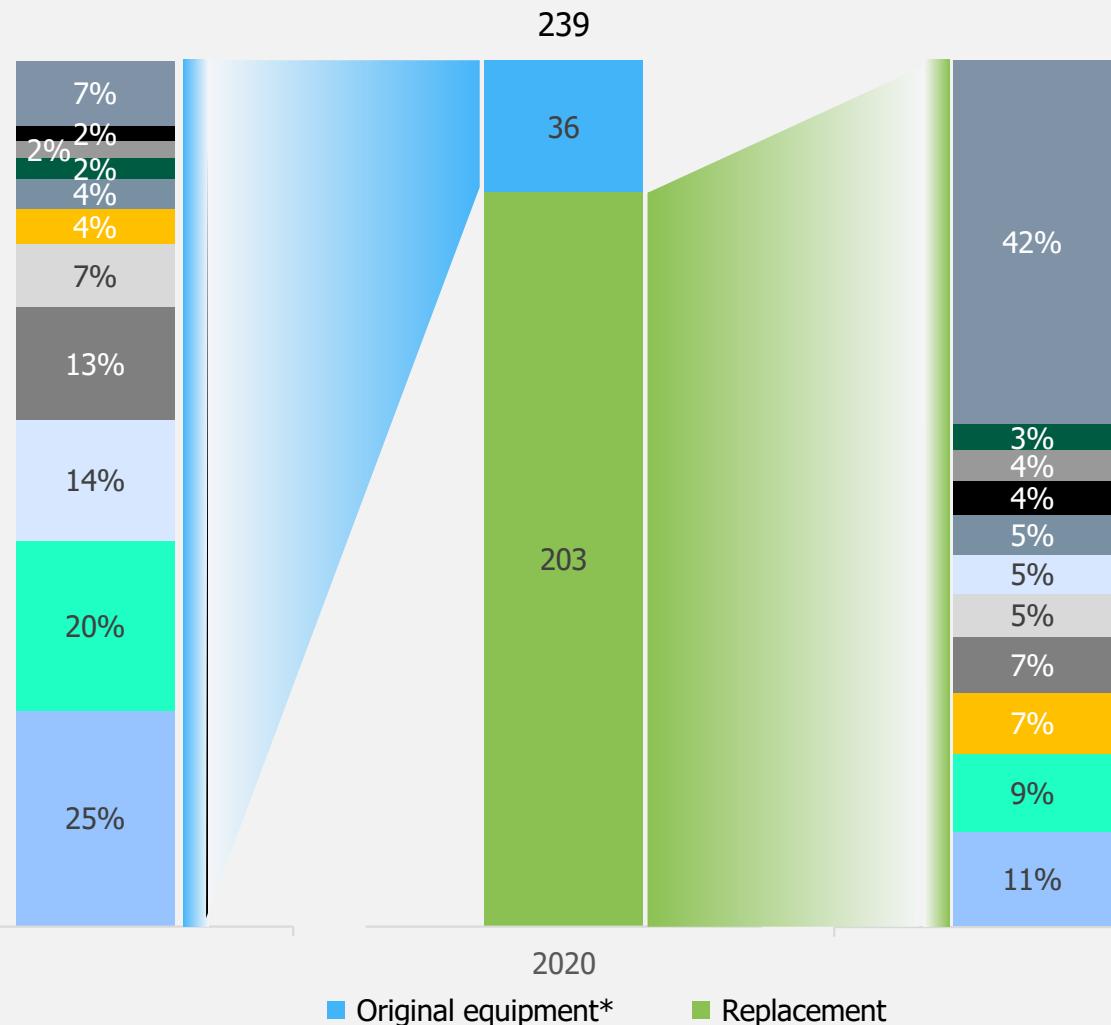


Appendix 3. U.S. passenger tire brand market shares

U.S. passenger tire brand market shares, % and MM units (2020)



- Other brands
- BFGoodrich
- Kumho
- General
- Pirelli
- Firestone
- Hankook
- Bridgestone
- Continental
- Michelin
- Goodyear



Note: * mostly car manufacturers

Case #21

**Inspired by BCG
POS Vend
2021**



Case #21. Inspired by BCG. 2021. POS Vend



Prompt

- Our client is a U.S.-based point-of-sale (POS) software provider POS Vend that offers inventory systems for retailers and restaurants to process customer sales and track product stock levels. They work primarily with new and small businesses. Given that continuous advancements in cloud computing fuel the growing use of SaaS (Software-as-a-Service) POS systems, POS Vend is considering changing their business model and switching to cloud as well. Thanks to cloud, end-users won't need on-site servers as all their data will be stored and processed in the datacenters of POS Vend. Should POS Vend switch to cloud?



Additional information

Please provide this data only upon request

- POS Vend is mostly focused on selling hardware (e.g. scanners, terminals, receipt printers, guest-facing display) and POS software that should be installed on-premise
- U.S. restaurant and retail POS market was valued at \$12B (2020) with the share of cloud-based POS rapidly growing (see Appendix 1)
- 30% of restaurants and 22% of retailers currently use cloud-based POS systems
- The POS software space is crowded with a lot of legacy and new players (see Appendix 2)
- No specific goals provided



Case type

- Comparison
- Hard level
- Candidate-led case
- Expected time is 15-20 minutes

Opening. Make sure the candidate follows these steps



Step 1. Restate the prompt

Typically the candidates are expected to restate the prompt to make sure they are on the same page with the interviewer



Step 2. Add colors (optionally)

Candidates can react to the prompt by providing some quick thoughts which will demonstrate candidates' business acumen, e.g.:

- "Great case! I'd think that POS software is a capex-intensive and thus volume-driven business, so if moving to cloud would streamline our operations and trim some costs, our software will become more affordable and volume will go up"
- "It might be a tough space to play in, as restaurants and retailers typically struggle with low margins and thus are price-sensitive, so POS Vend might be under constant price pressure. Also, this is a B2B business, so the sales cycle is likely long"
- "The pandemic might have led to a decline in the POS software market due to disruption in supply chain and drop in demand for restaurants and some retailers"



Step 3. Ask 2-3 questions

It is common that candidates ask 2-3 clarifying questions before designing their framework. Typical questions include:

- Geography of client's operations/sales
- Financial goal
- Business model of the client



Step 4. Ask for a moment to structure

- Typically candidates ask for a couple of minutes to structure their approach
- Sometimes during interviewer-driven cases, the interviewers ask the first question and then the candidate takes time to build their framework

Case questions (this is a candidate-led case)

01

How would you decide if POS Vend should switch from the legacy business model to a cloud-based system?

02

What are the advantages of cloud-based POS systems for end-users (restaurants and retailers)?

03

POS Vend is considering changing their pricing strategy if they switch to cloud. Currently they charge one-time fee and subscription fee and they would like to shift to subscription fee only. What are the pros & cons?

04

What annual subscription fee should the client charge in the new pricing model to reach a point of indifference in 3 years?



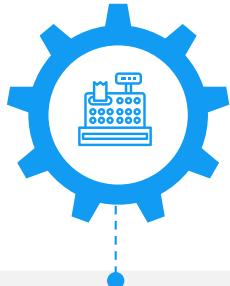
Appendix 1. Appendix 2.

Tips for candidate-led cases

- Try to minimize hand-holding. Try to let the candidate ask questions
- If the candidate isn't on the right track and seems lost, try to give a hint or ask a question from the previous slide
- Feel free to manage the conversation to hit all the questions from the previous slide, e.g.:
 - "That's a great question! What do you think?"
 - "Sure. Before we dig into that, what are your thoughts on ... [the question from the list]?"
 - "Yeah, that makes sense. The manager just walked in and they would like us to look into... [the question from the list]"
 - "Sure, we'll explore it. Before that, let me share some data from our analyst/client that we've just received and... [ask a Math question]"
- When the case time is running out, prompt the candidate to provide recommendation (see question 5)



Q1. How would you decide if POS Vend should switch from the legacy business model to a cloud-based system?



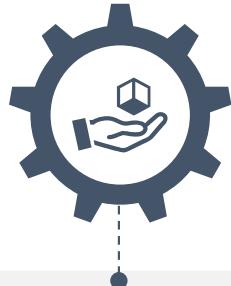
POS Vend

- Current business model
 - Offerings
 - End-users
- Specifics of cloud-based option
 - Expected model
 - Vs industry best-practices



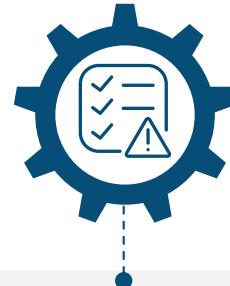
Financial assessment

- Expected investment
- Forecasted impact on revenue
- Estimated changes in costs
 - Fixed
 - Variable



Analysis of strategic benefits

- New opportunities
- Operational improvements
- Impact on customer experience
- Risks mitigation



Potential risks

- Market-specific
- Financial
- Operational

Note: This is just one of many potential ways to structure your approach. Please treat this example only as a reference point and develop your own style.

Q1. Make sure the candidate follows these steps



Step 1. Do horizontal presentation

The best practice is to start with a 15-second big-picture overview, e.g. "I'd like to assess this problem through the lens of four areas – first, ...; secondly, ...; thirdly, ...; and finally ..."



Step 2. Hit key points

Check if the candidate covers all key points typical for a comparison case structure:

Options to compare

- Option 1
- Option 2
- ...

Financial analysis

- Capex
- Opex
- Revenue

Strategic value

- New opportunities
- Advantages in ops
- Improvement in CX
- Risk mitigation

Risk assessment

- Operational
- Financial



Step 3. Add stories (optionally)

To avoid cookie-cutter/generic approach, the candidates can incorporate 2-3 stories into their structure presentation, e.g.:

- "Switching to cloud-based model might require long implementation cycle, be capex-intensive and cannibalize some IT resources"
- "Strengthening trend of digital transformation and higher awareness of cloud technologies likely propel the demand for cloud-based POS systems adding to the attractiveness of POS Vend's decision to switch to SaaS model"
- "Privacy issues are a hot topic nowadays especially given recent ransomware attacks. Some end-users would strongly prefer on-site data storage to moving their transaction and customer data to the cloud, so we might lose some clients"



Step 4. Finish with a question

At the end of the structure presentation, it is helpful for candidate to show that they can drive team forward and prioritize, e.g. "This is how I'd like to disaggregate this problem. If this approach sounds like a fair plan of attack, I'd start by looking into the financial analysis first..."

Q2. Advantages of cloud-based POS systems

02

What are the advantages of cloud-based POS systems for end-users (restaurants and retailers)?

Financial advantages



Capex

- Potentially no upfront payment for POS software [typically SaaS systems are subscription-based]
- Less assets [no need to have on-premise servers which reduces costs]

Opex

- Higher subscription fee [due to likely low or no fixed payment]

Strategic advantages



New opportunities

- Lower switching costs [no or low upfront costs makes it easier to switch to other POS software]

Operational improvements

- Higher speed and higher computing power [as it isn't limited by on-premise servers but by far larger cloud data-centers]
- Higher storage flexibility [instant access to higher bandwidth]
- Automatic and streamlined software upgrades
- Lower operational complexity [no need in server installation and maintenance]

Better team experience

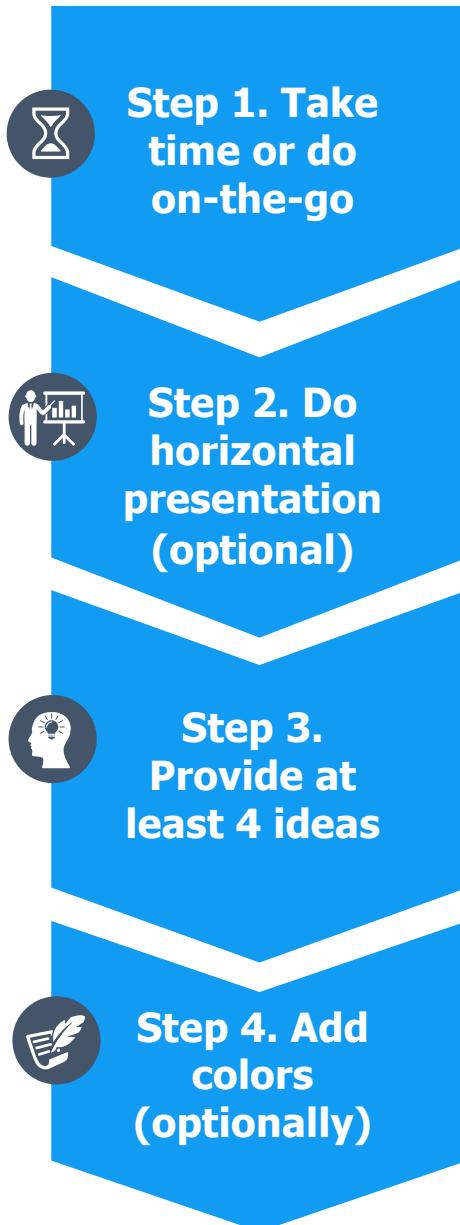
- Easy access from any location
- Access from smartphones
- More efficient team collaboration [as they can work on the same docs simultaneously]

Risk mitigation

- Disaster protection [datacenters are usually protected against fire, flood, etc. far better than servers in the offices/retail stores]

Note: This is just one of many potential ways to brainstorm. Please treat this example only as a reference point and develop your own style. [The candidate is usually expected to generate at least 4 ideas. The best practice is 7-8 ideas, structured approach, and on-the-fly delivery without taking notes]

Q2. Make sure the candidate follows these steps



- 80% of interviewers feel comfortable when candidates take 30-40 seconds to think and write down their ideas before walking the interviewer through them
- The best practice is to ideate on-the-fly
- The best practice is to structure brainstorming and offer a 10-second top-down overview, e.g. "Great question. To analyze advantages, I'd like to break them down into financial and strategic. On the financial side..."
- Regular feedback from consulting firms is that candidates offer only three ideas which is a bit on the lower end
- Push the candidate to provide at least 4 ideas
- Top-5% of candidates can usually suggest 7-8 ideas
- To impress the interviewer, the candidates can contextualize some of their ideas
- Examples are given in [] brackets on the previous slide

Q3. Pros and cons of change in pricing strategy

03

POS Vend is considering changing their pricing strategy if they switch to cloud. Currently they charge one-time fee and subscription fee and they would like to shift to subscription fee only. What are the pros & cons?

Financial criteria



Revenue

- Drop in revenue in short-term due to the elimination of one-time fee

Costs

- Potential increase in retention costs (e.g. more marketing and R&D for new/upgraded features) [switching costs for clients will decrease and it's less challenging for clients to switch to other POS software]
- Increase in efficiency of customer acquisition expenses [clients will be more attracted by lower price and lower switching costs]

Strategic criteria



New opportunities

- Larger SAM* [lower price will attract more price-sensitive businesses that didn't consider our software before]

Operational considerations

- Simplified pricing might streamline billing paperwork

Client experience

- Simplified pricing might improve customer experience

Risk mitigation

- More predictable and consistent cashflow

*SAM - sizeable addressable market

Risk assessment



Financial risks

- Exaggerated revenue assumptions
- Inadequately high subscription fee that materially exceeds clients' willingness-to-pay (WTP)

Market-specific risks

- Dissatisfaction of old clients who needed to pay upfront fee
- Potentially high churn rate given lower switching costs
- Potential brand devaluation if the subscription fee is too low

Note: This is just one of many potential ways to brainstorm. Please treat this example only as a reference point and develop your own style. [The candidate is usually expected to generate at least 4 ideas. The best practice is 7-8 ideas, structured approach, and on-the-fly delivery without taking notes]

Q3. Make sure the candidate follows these steps



- 80% of interviewers feel comfortable when candidates take 30-40 seconds to think and write down their ideas before walking the interviewer through them
- The best practice is to ideate on-the-fly
- The best practice is to structure brainstorming and offer a 10-second top-down overview, e.g. "Sure. I'd think about pros and cons through the lens of three dimensions - financial criteria, strategic value, and potential risks"
- Regular feedback from consulting firms is that candidates offer only three ideas which is a bit on the lower end
- Push the candidate to provide at least 4 ideas
- Top-5% of candidates can usually suggest 7-8 ideas
- To impress the interviewer, the candidates can contextualize some of their ideas
- Examples are given in [] brackets on the previous slide

Q4. Math exercise – prompt

04

What annual subscription fee should the client charge in the new pricing model to reach a point of indifference in 3 years?



**Please share with the candidate
the following information**

- Currently POS Vend charges one-time fee and subscription fee and they would like to shift to subscription fee only
- Average price for hardware (e.g. tablet, card reader, receipt printer) is \$3k for a 2-register store/restaurant (typical client of POS Vend)

**Please provide this additional
information only upon request**

- Current one-time fee includes hardware and installation costs
- Current one-time installation fee is \$500
- Current monthly fee for POS software is \$70
- Discount rate is 0% (for the sake of this case)
- According to the new pricing, hardware will be rent out and included into a single subscription fee
- We can assume 0% churn rate

Q4. Math exercise – calculations

04

What annual subscription fee should the client charge in the new pricing model to reach a point of indifference in 3 years?



Average 3-year revenue per client

Point of indifference

$$\$3k + \$0.5k + \$70 * 12 * 3 \text{ years} = \$6k$$

$$\$6k \div 3 \text{ years} = \$2k$$

The point of indifference is \$2k
in annual subscription fee

Q4. Math exercise – contextualization of the answer

04

What annual subscription fee should the client charge in the new pricing model to reach a point of indifference in 3 years?



**Basic comments
(expected from everyone)**

- The client should consider charging an annual fee of \$2k that would ensure the same 3-year revenue as the current pricing

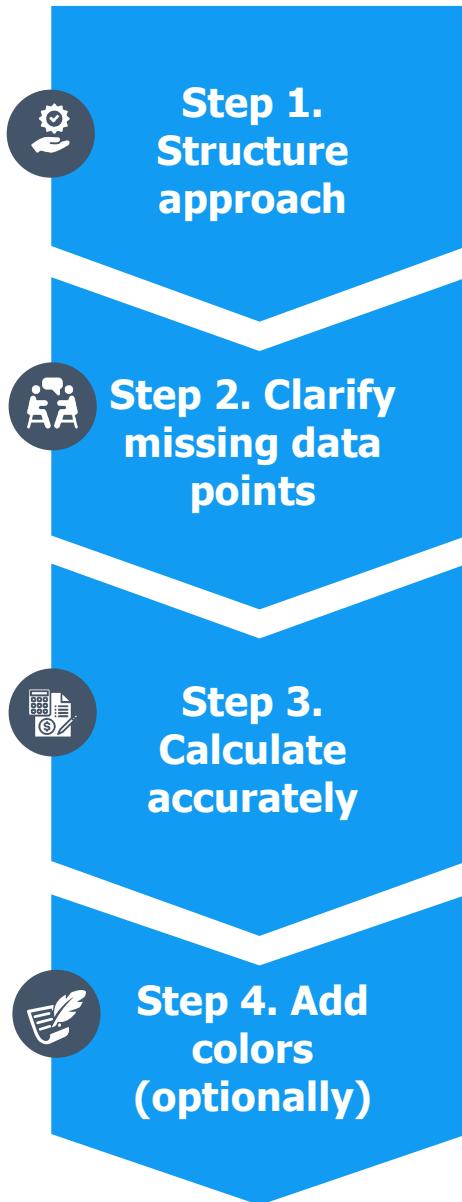


Advanced comments (for outstanding candidates)

- As the discount rate in the real life is likely not zero, the point of indifference will be higher
- Given fairly low switching costs, POS Vend might face material churn rate which should be baked in the calculations
- POS Vend's clients might expand their business over the course of three years and might need more POS equipment which put upward pressure on the point of indifference
- If POS Vend offers payment processing services as well, they will generate revenue and thus decrease the point of indifference

Note: The candidate is not expected to mention all the advanced comments, but adding some of them will demonstrate that the candidate can connect the dots, see the depth, add colors and bring some insights even if the candidate is not that familiar with the industry/topic

Q4. Make sure the candidate follows these steps



- Providing big-picture approach of how to calculate the answer might help the candidate gain more points and help the interviewer follow the candidate's thought process
- Often interviewers don't provide all the information
- The candidate needs to proactively ask for missing pieces
- Ideally the candidate shouldn't make any mistakes
- It is okay to ask for some time to run numbers and then walk the interviewer through the calculations (some interviewers though might push back and ask you to do your Math on the fly)
- The interviewers highly appreciate it when the candidate not only calculates the answer correctly, but also contextualizes it
- See some advanced comments on the previous slide as example of the contextualization

Q5. Recommendation

05

POS Vend management team would like to hear your current recommendations. What would you suggest?

Recommendation

"It has been my pleasure working on this exciting project. Based on my initial assessment, POS Vend should develop a cloud-based POS platform"



Reasoning

- "Cloud-based POS software offers a lot of advantages for end-users from financial and operational stand-points"
- "A lot of competitors have already developed cloud-based versions of their platforms which might indicate healthy appetite from clients to this format"
- "POS Vend will likely expand its SAM as cloud-based software might be less pricey"



Risks

"There are some risks, however, that the client should consider. First, switching costs for clients of SaaS-based plans might be far lower and POS Vend's churn rate might jump. Secondly, pricing design might be complicated given a lot of variables. And thirdly, if we're a large player, we should expect a competitive response"



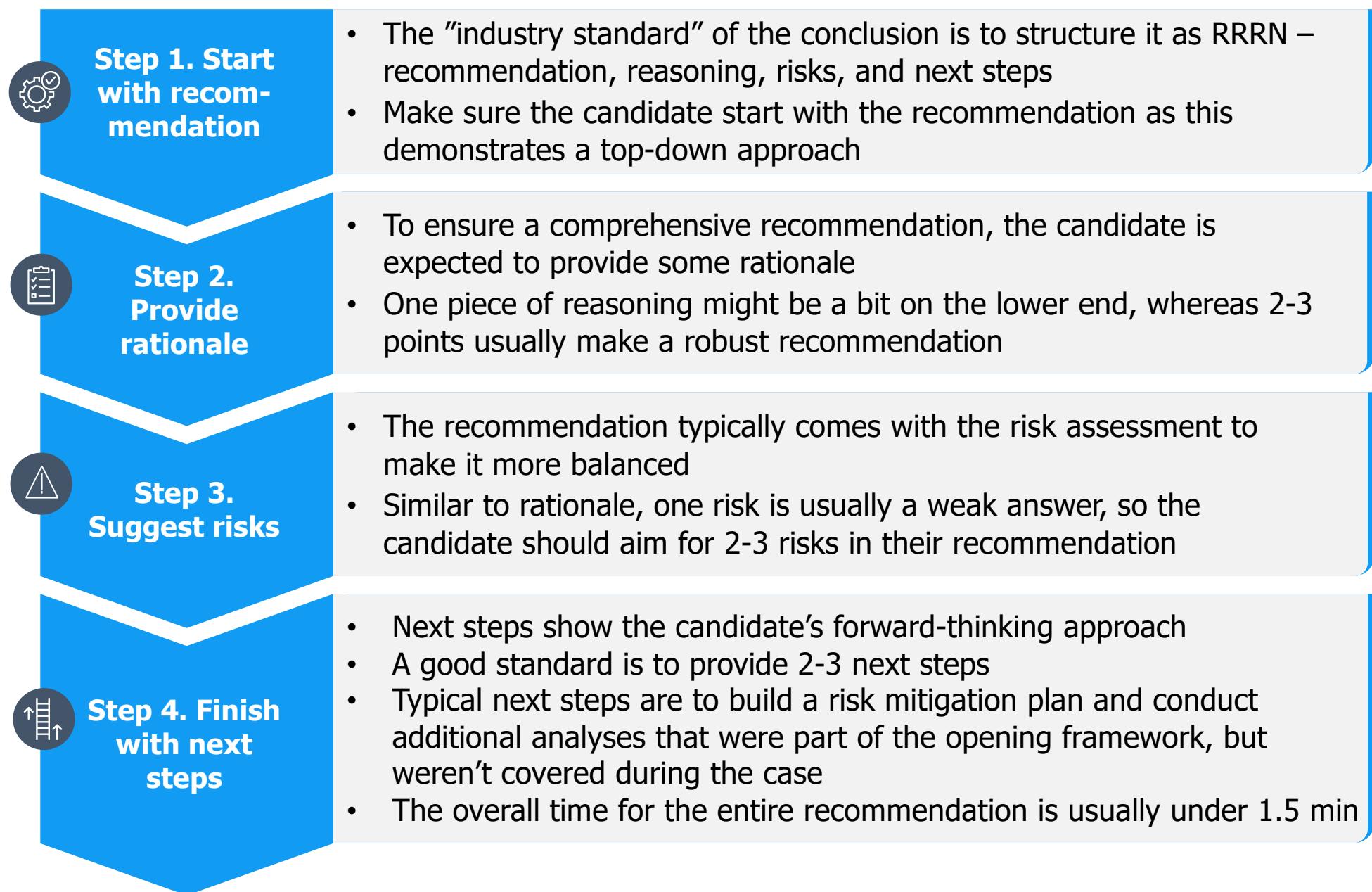
Next steps

"As for the next steps, I'd want to develop a plan to address identified risks, conduct in-depth financial modeling of potential cloud-based business, and design execution roadmap"



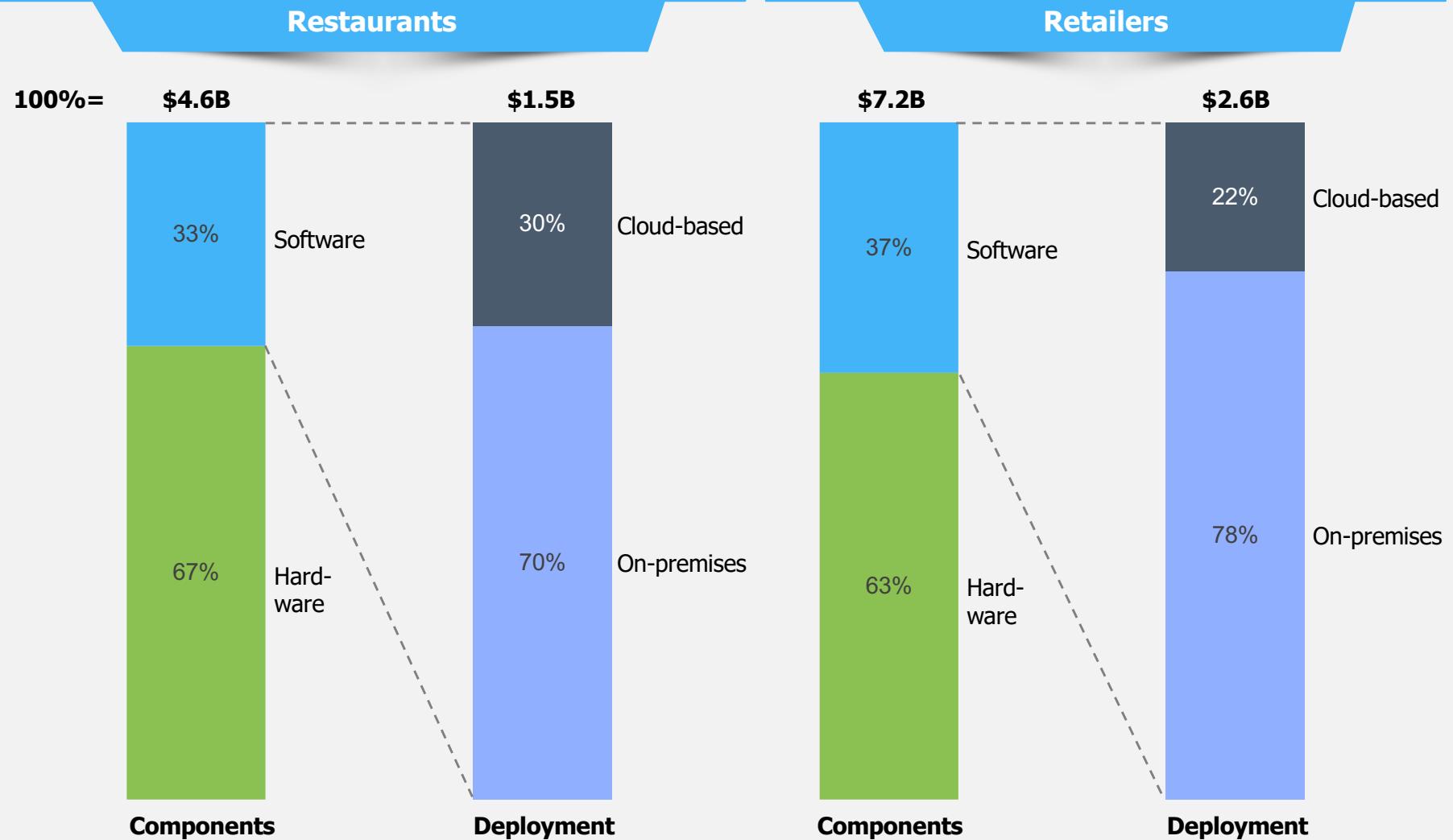
Note: This is just one of many potential ways to make a recommendation. Please treat this example only as a reference point and develop your own style.

Q5. Make sure the candidate follows these steps



Appendix 1. U.S. POS market by segment

U.S. POS market by segment, B USD and % (2020)



Appendix 2. U.S. cloud-based POS software landscape

Notable players	Sectors served		Pricing	
	Retail	Restaurants	Free trial	Starting monthly fee
Both sectors	Revel Systems	✓	✓	✗
	Lightspeed	✓	✓	✓
	Clover	✓	✓	✓
	Square	✓	✓	✓
Only retail	Shopify	✓	✗	✓
	Hike	✓	✗	✗
	Epos Now	✓	✗	✓
Only restaurants	Lavu	✗	✓	✗
	TouchBistro	✗	✓	✗
	Toast	✗	✓	✗
	Upserve	✗	✓	✗



Case #22

McKinsey
& Company

Inspired by McKinsey Fertilizer Company

2020

Case #22. Inspired by McKinsey. 2020. Fertilizer Company



Prompt

- Fertilizer Company is a U.S.-based fertilizer manufacturer that produces 1.5M tons of nitrogen, phosphatic and potash fertilizer annually. They have five factories across the country that work at capacity right now. Given bullish market forecast, Fertilizer Company would like to expand their production. They are considering two options - build a new factory or expand the existing one. The CEO has reached out to you to get your advice on which option to pursue. We're in early 2020 (before the pandemic).



Additional information

Please provide this information only upon request

- The client plans to invest \$0.5B in capacity expansion
- The project will take 2 years to design and 2 years to build (either a new factory or an upgrade of the existing facility)
- The state governments will offer tax incentives to offset some costs as your project will create a lot of jobs
- The U.S. demand for fertilizer has been mostly stagnant as the annual growth rate has been 1% (2016-19) (see Appendix 1)
- Currently there are 81 operational U.S. fertilizer production sites and this number keeps increasing (see Appendix 2)
- No specific goals provided



Case type

- Comparison
- Hard level
- Interviewer-driven case
- Expected time is 15-20 minutes

Opening. Make sure the candidate follows these steps



Step 1. Restate the prompt

Typically the candidates are expected to restate the prompt to make sure they are on the same page with the interviewer



Step 2. Add colors (optionally)

Candidates can react to the prompt by providing some quick thoughts which will demonstrate candidates' business acumen, e.g.:

- "Thank you for having me. Seems like an interesting market as given the constant population growth and constrained land resources the demand for fertilizer should be increasing year over year"
- "Great to see that our client is a large established player that likely enjoys deep industry expertise and healthy economies of scale which might help the economics of this expansion work better"
- "The fertilizer market is likely commoditized and global, so its price might be subject to high volatility and thus the financials of this project might be unpredictable"



Step 3. Ask 2-3 questions

It is common that candidates ask 2-3 clarifying questions before designing their framework. Typical questions include:

- Geography of client's operations/sales
- Financial goal
- Business model of the client



Step 4. Ask for a moment to structure

- Typically candidates ask for a couple of minutes to structure their approach
- Sometimes during interviewer-driven cases, the interviewers ask the first question and then the candidate takes time to build their framework

Case questions (this is an interviewer-driven case)

01

What factors would you consider to determine which option the client should choose?

02

Apart from financials, what advantages and disadvantages does each of these two options offer?

03

Digging into financials, what are the client's major expenses in general?

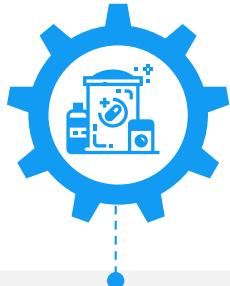
04

The production design of each option is different. What set of production lines would you choose for each project and based on that what project would you recommend?



Appendix 1. Appendix 2. Appendix 3.

Q1. What factors would you consider to determine which option the client should choose?



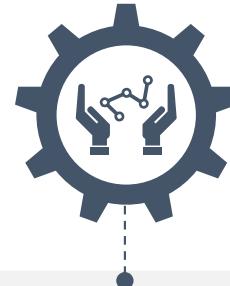
Capacity expansion options

- New factory (e.g. capacity, location, timeline, capabilities)
- Current facility upgrade (e.g. capacity increase, timeline, capabilities)



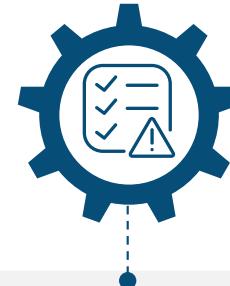
Economics of each option

- Planned capex
- Investment criteria
- Expected profitability:
 - Ongoing expenses
 - Revenue



Strategic benefits of each option

- New opportunities
- Operational improvements
- Impact on customer experience
- Risks mitigation



Risk assessment of each option

- Market-specific
- Financial
- Operational

Note: This is just one of many potential ways to structure your approach. Please treat this example only as a reference point and develop your own style.

Q1. Make sure the candidate follows these steps



Step 1. Do horizontal presentation

The best practice is to start with a 15-second big-picture overview, e.g. "I'd like to assess this problem through the lens of four areas – first, ...; secondly, ...; thirdly, ...; and finally ..."



Step 2. Hit key points

Check if the candidate covers all key points typical for a comparison case structure:

Options to compare

- Option 1
- Option 2
- ...

Financial analysis

- Capex
- Opex
- Revenue

Strategic value

- New opportunities
- Advantages in ops
- Improvement in CX
- Risk mitigation

Risk assessment

- Operational
- Financial



Step 3. Add stories (optionally)

To avoid cookie-cutter/generic approach, the candidates can incorporate 2-3 stories into their structure presentation, e.g.:

- "Installation of cutting-edge manufacturing technology might allow Fertilizer Company to gain new capabilities like production of higher quality or new types of fertilizer which might open up new markets for the client"
- "Given potentially highly volatile nature of the fertilizer market, we'll need to run robust scenario analysis and financial modeling to estimate the range of profitability of both options"
- "Production in the U.S. might be more expensive than in low-cost countries, so we need to ensure the cost structure of this capacity expansion will be competitive"



Step 4. Finish with a question

At the end of the structure presentation, it is helpful for candidate to show that they can drive team forward and prioritize, e.g. "These are four dimensions I would like to explore. If it sounds like a reasonable framework, I'd start by digging into the financials first. Do we have more data on the expected capex?..."

Q2. Advantages and disadvantages

02

Apart from financials, what advantages and disadvantages does each of these two options offer?



Strategic considerations

New opportunities

- New factory will provide access to new regions...
- ...and new talent pools
- Options might offer different capabilities (e.g. to produce various types and quality of fertilizer)

Operational considerations

- Options might differ based on their capacity
- New factory might make quality control more challenging [it's likely more feasible to ensure quality at the same facility]
- New factory will increase operational complexity:
 - Additional management team
 - More challenging best practice exchange (cross-trainings)
 - Additional supply and distribution chains

Customer experience

- New factory might ensure higher delivery speed to some accounts

Risk mitigation

- New factory (if located in a new region) might mitigate region-specific natural disaster risks of existing facilities



Risk considerations

General

- Longer design and construction cycles
- Low transportation accessibility

Current facility upgrade

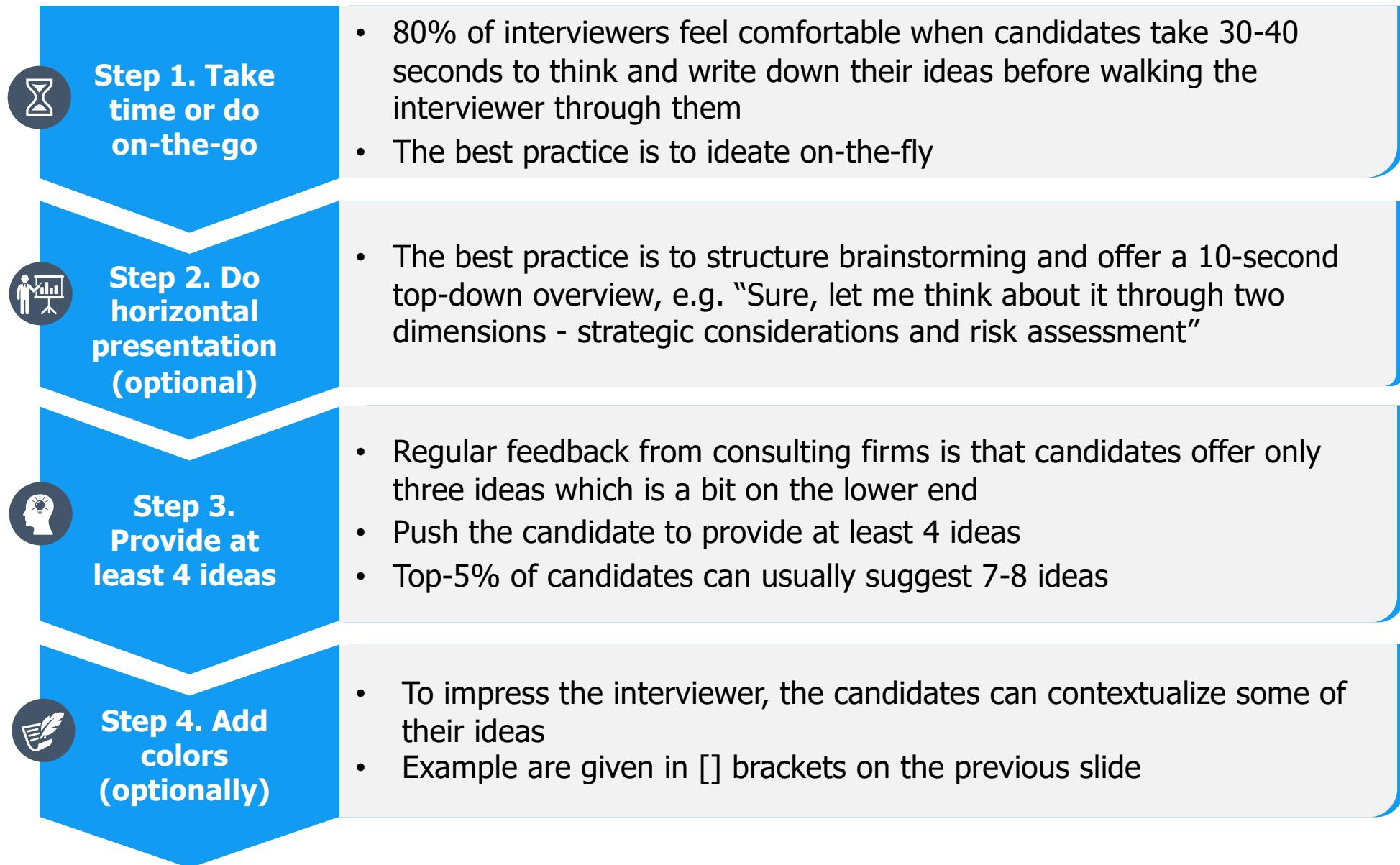
- Potential disruption of production processes during the upgrade

New factory

- Potential lack of talent in a new location

Note: This is just one of many potential ways to brainstorm. Please treat this example only as a reference point and develop your own style. [The candidate is usually expected to generate at least 4 ideas. The best practice is 7-8 ideas, structured approach, and on-the-fly delivery without taking notes]

Q2. Make sure the candidate follows these steps



Q3. Key cost items

03 Digging into financials, what are the client's major expenses in general?

Fixed costs

- 1 Rent and utilities (energy, water, etc.)
- 2 Maintenance [this is a capex-heavy business with lots of equipment]
- 3 Marketing [might be minor costs as this is a B2B business which typically relies on direct salesforce]
- 4 Overhead [central services and management]
- 5 Transportation
- 6 R&D [might be minor, as fertilizer is likely subject to established industry standards and thus there might be little room for innovation]



Variable costs

- 7 Labor [depends on the level of production automation]
- 8 Raw materials (e.g. nitrogen, potash)
- 9 Distribution commissions
- 10 Discounts
- 11 Import/export duties

Note: This is just one of many potential ways to brainstorm. Please treat this example only as a reference point and develop your own style. [The candidate is usually expected to generate at least 4 ideas. The best practice is 7-8 ideas, structured approach, and on-the-fly delivery without taking notes]

Q3. Make sure the candidate follows these steps



- 80% of interviewers feel comfortable when candidates take 30-40 seconds to think and write down their ideas before walking the interviewer through them
- The best practice is to ideate on-the-fly
- The best practice is to structure brainstorming and offer a 10-second top-down overview, e.g. "Sure, I'd like to break-down costs into fixed and variable. On the fixed cost side..."
- Regular feedback from consulting firms is that candidates offer only three ideas which is a bit on the lower end
- Push the candidate to provide at least 4 ideas
- Top-5% of candidates can usually suggest 7-8 ideas
- To impress the interviewer, the candidates can contextualize some of their ideas
- Examples are given in [] brackets on the previous slide

Q4. Math exercise – prompt

04

The production design of each option is different. What set of production lines would you choose for each project and based on that what project would you recommend?



Please share with the candidate
the following information

- Appendix 3

Please provide this additional
information only upon request

- It is possible to mix production lines of different types
- The client would like to ensure the annual capacity of 240k metric tons
- The client is looking for the most cost-efficient option

Q4. Math exercise – calculations

04

The production design of each option is different. What set of production lines would you choose for each project and based on that what project would you recommend?

Annual production capacity, K metric tons

Type 1 $8.3k * 12 \text{ months} \approx 100k$

Type 2 $5k * 12 \text{ months} = 60k$

Type 3 $40k$

Sets for new factory

	Type 1	Type 2	Capex	Annual capacity
Set 1	3 units	0	$3 * \$40M = \$120M$	$3 * 100k = 300k$
Set 2	2 units	1 unit	$2 * \$40M + 1 * \$30M = \$110M$	$2 * 100k + 1 * 60k = 260k$ 
Set 3	1 unit	2 units	$1 * \$40M + 2 * \$30M = \$100M$	$1 * 100k + 2 * 60k = 220k$
Set 4	0	3 units	$3 * \$30M = \$90M$	$3 * 60k = 180k$

Sets for expansion of the current facility

- Type 3 is far less efficient than Type 2 as Type 2 offers 50% more capacity [60k/40k] but costs just 20% more [\$30M/\$25M]
- We'll need four production lines of Type 2 to hit the goal of 240k metric tons and it'll cost the client \$120M ($= \$30M * 4$)

New factory with two production lines of Type 1 and one production line of Type 2 seems the most cost efficient

Q4. Math exercise – contextualization of the answer

04

The production design of each option is different. What set of production lines would you choose for each project and based on that what project would you recommend?



**Basic comments
(expected from everyone)**

- The client should choose to build a new factory with two production lines of Type 1 and one production line of Type 2

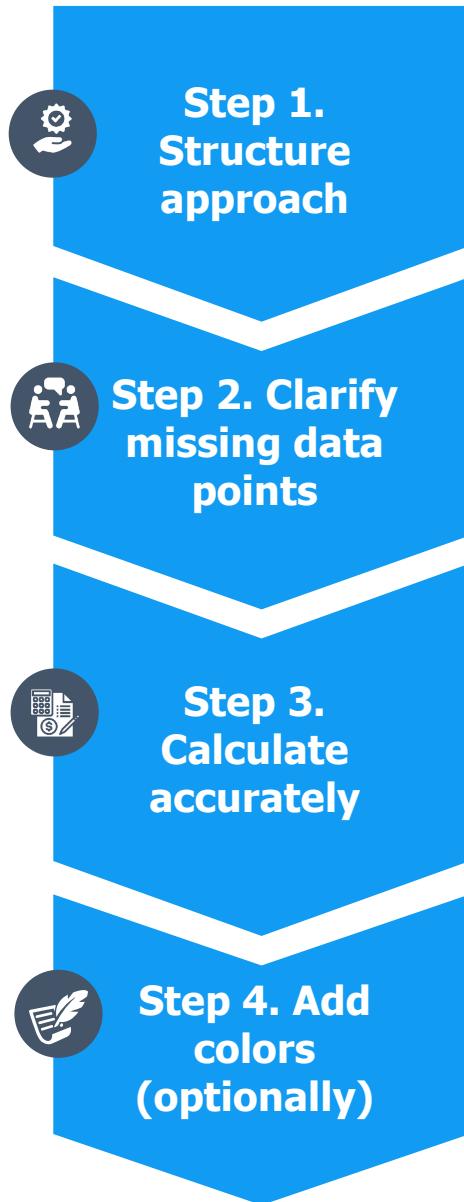


Advanced comments (for outstanding candidates)

- Selected option also offers additional capacity of 20k metric tons to provide the company with extra room for potential growth in long-term
- The final decision should consider non-financial advantages and disadvantages covered earlier in this case (see question 2)
- Having two types of equipment increases operational complexity as the client will need to have two sets of spare parts and technicians, train operators to work on both production lines, etc.
- Different production lines might require different maintenance costs that might affect the economics and thus the final decision

Note: The candidate is not expected to mention all the advanced comments, but adding some of them will demonstrate that the candidate can connect the dots, see the depth, add colors and bring some insights even if the candidate is not that familiar with the industry/topic

Q4. Make sure the candidate follows these steps



- Providing big-picture approach of how to calculate the answer might help the candidate gain more points and help the interviewer follow the candidate's thought process
- Often interviewers don't provide all the information
 - The candidate needs to proactively ask for missing pieces
- Ideally the candidate shouldn't make any mistakes
 - It is okay to ask for some time to run numbers and then walk the interviewer through the calculations (some interviewers though might push back and ask you to do your Math on the fly)
- The interviewers highly appreciate it when the candidate not only calculates the answer correctly, but also contextualizes it
 - See some advanced comments on the previous slide as example of the contextualization

Recommendation

**McKinsey
typically doesn't
require
recommendation
for their cases**

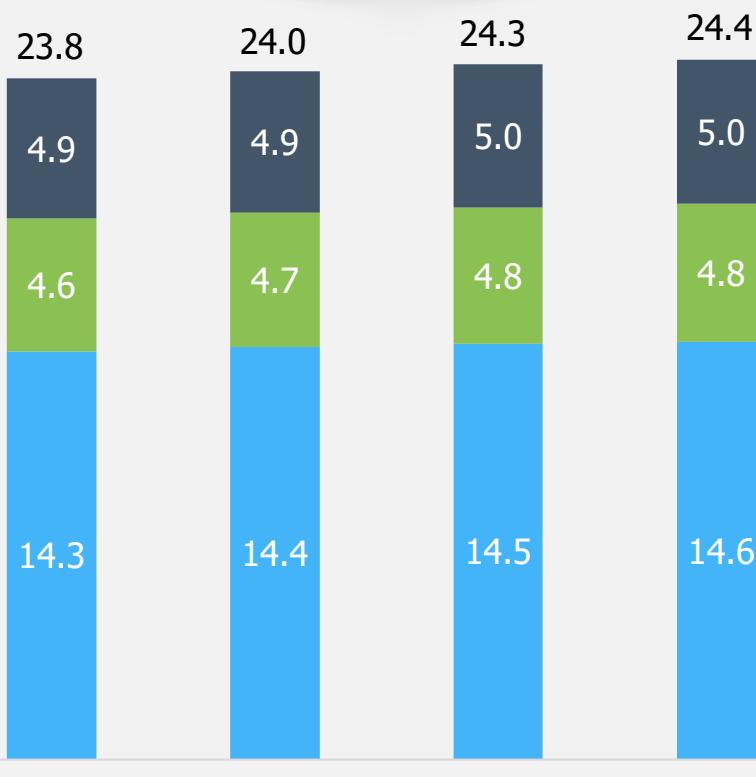


Appendix 1. U.S. demand for fertilizer

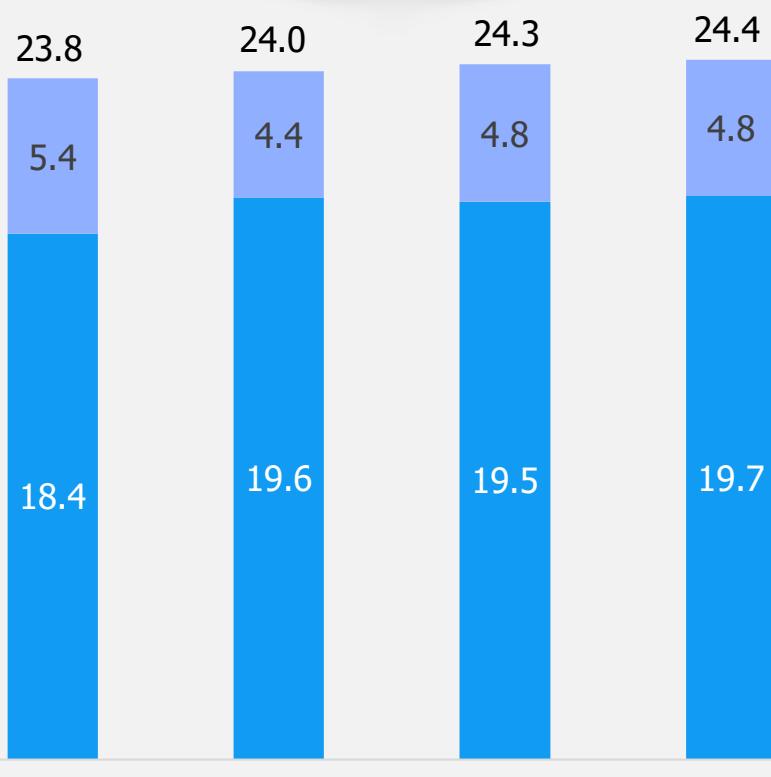
U.S. demand for fertilizer, MM metric tons



By type of fertilizer



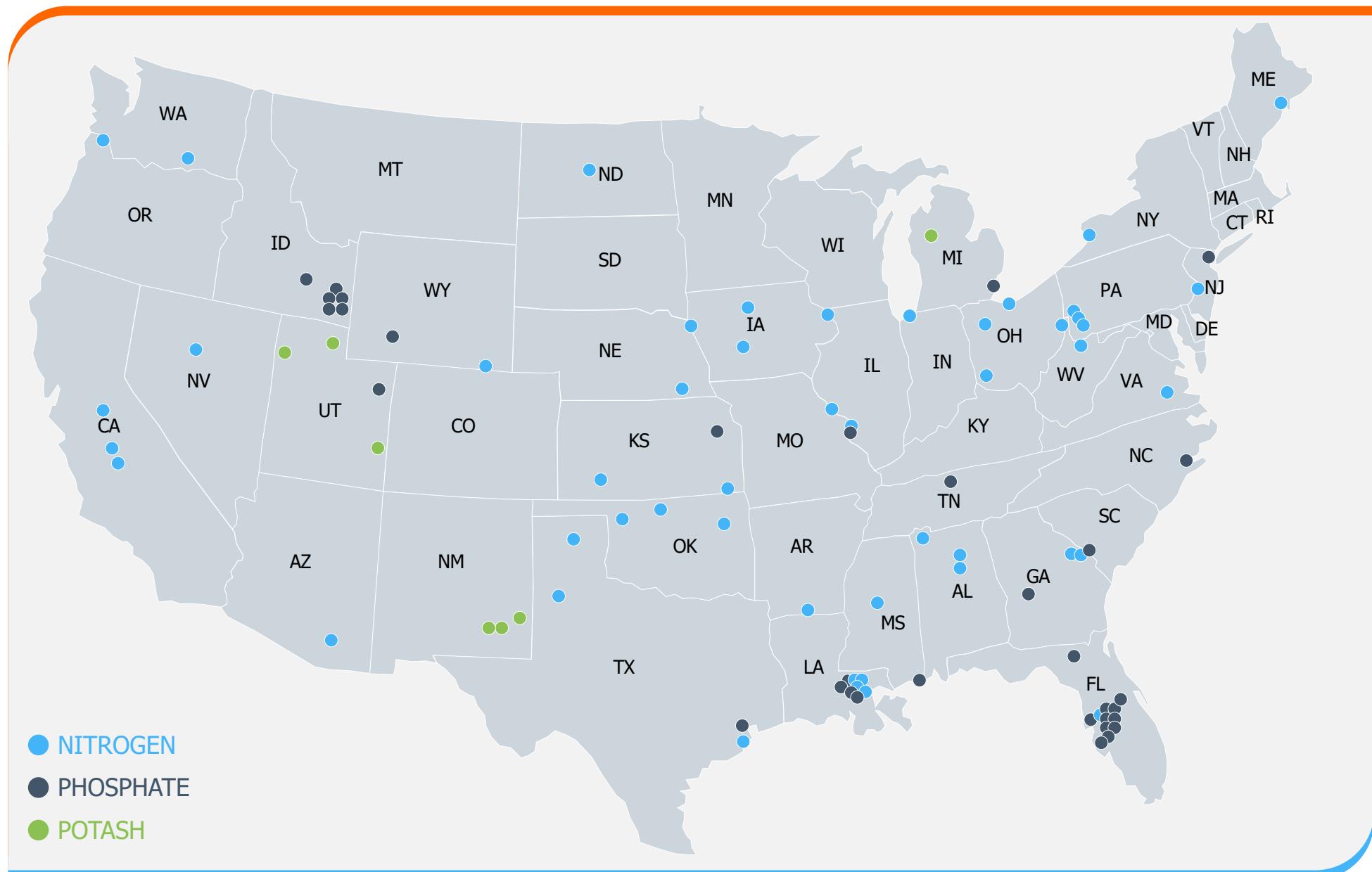
By country of origin



■ Nitrogen ■ Potash ■ Phosphate

■ Produced domestically ■ Imported

Appendix 2. Operational U.S. fertilizer production facilities



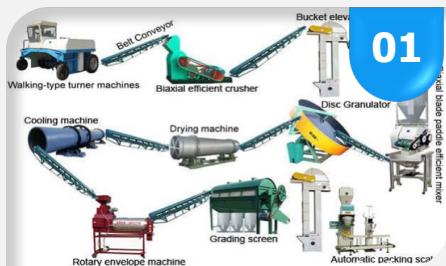
Appendix 3. Data on production lines and project designs

Fertilizer production lines available for purchase

Type of production line

Production capacity, K metric tons

Investment required, USD



8.3/month

\$40M



5.0/month

\$30M



40.0/year

\$25M

Project designs

Project

Compatible production lines

Project limitations

New factory

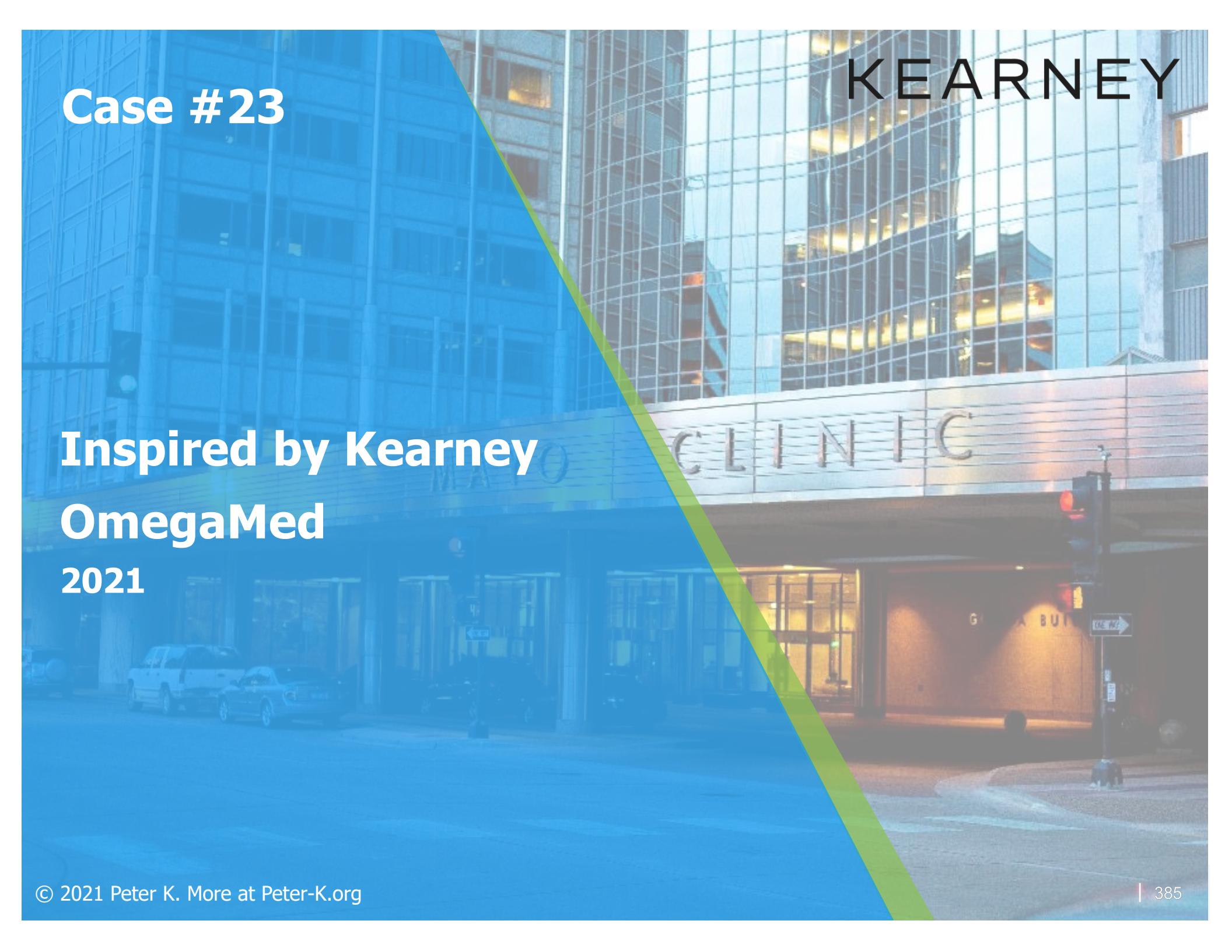
- Type 1
- Type 2

- Maximum 3 production lines of any type

Expansion of the existing facility

- Type 2
- Type 3

- No limitation

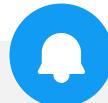
The background image shows a large, modern glass building at night. The word "CLINIC" is visible on the facade. A blue and green diagonal graphic element is overlaid on the left side of the image.

Case #23

KEARNEY

Inspired by Kearney
OmegaMed
2021

Case #23. Inspired by Kearney. 2021. OmegaMed



Prompt

- Our client is a clinic chain OmegaMed that offers primary care services at their 500 clinics. The company has been expanding rapidly in an inorganic way and today their clinics use a vast variety of similar-purpose software solutions. In order to streamline its operations, OmegaMed is considering purchasing a single patient scheduling platform and transitioning all their clinics on it. The CEO has brought your team in to get your advice on whether it is a reasonable strategy.



Additional information

Please provide this information only upon request

- OmegaMed isn't specialized and offers all kind of primary care services
- OmegaMed has a national footprint in the U.S.
- Currently clinics of OmegaMed use various scheduling software incl. basic ones like Excel
- OmegaMed would like to pay back their investment in this scheduling software within a year
- It's best practice to operate a single scheduling platform across the entire clinic chain



Case type

- Comparison
- Hard level
- Candidate-led case
- Expected time is 15-20 minutes

Opening. Make sure the candidate follows these steps



Step 1. Restate the prompt

Typically the candidates are expected to restate the prompt to make sure they are on the same page with the interviewer



Step 2. Add colors (optionally)

Candidates can react to the prompt by providing some quick thoughts which will demonstrate candidates' business acumen, e.g.:

- "Interesting case. For such a large-scale company as OmegaMed, it makes perfect sense to streamline their operations as it might increase the efficiency of their medical personnel, improve patient experience, and potentially save some costs"
- "Typically software products are quite differentiated as they offer a wide variety of features and vary based on user friendliness, speed, level of customization, etc. Thus, choosing the right vendor might be time-consuming"
- "The deal might be complicated as scheduling software might come as part of a package of other admin systems, as it feeds data to billing, accounting, HR, etc."



Step 3. Ask 2-3 questions

It is common that candidates ask 2-3 clarifying questions before designing their framework. Typical questions include:

- Geography of client's operations/sales
- Financial goal
- Business model of the client



Step 4. Ask for a moment to structure

- Typically candidates ask for a couple of minutes to structure their approach
- Sometimes during interviewer-driven cases, the interviewers ask the first question and then the candidate takes time to build their framework

Case questions (this is a candidate-led case)

01

How would you help OmegaMed decide if they should invest in patient scheduling software?

02

How can this patient scheduling software affect the financials of OmegaMed?

03

What is the payback period of the patient scheduling software?

04

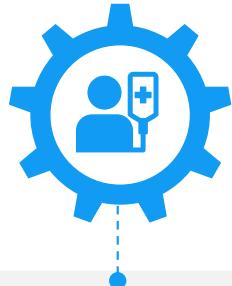
What risks should OmegaMed anticipate if they decide to purchase this patient scheduling software?

Tips for candidate-led cases

- Try to minimize hand-holding. Try to let the candidate ask questions
- If the candidate isn't on the right track and seems lost, try to give a hint or ask a question from the previous slide
- Feel free to manage the conversation to hit all the questions from the previous slide, e.g.:
 - "That's a great question! What do you think?"
 - "Sure. Before we dig into that, what are your thoughts on ... [the question from the list]?"
 - "Yeah, that makes sense. The manager just walked in and they would like us to look into... [the question from the list]"
 - "Sure, we'll explore it. Before that, let me share some data from our analyst/client that we've just received and... [ask a Math question]"
- When the case time is running out, prompt the candidate to provide recommendation (see question 5)



Q1. How would you help OmegaMed decide if they should invest in patient scheduling software?



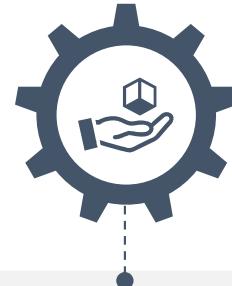
Patient scheduling platform

- Available features
- Implementation timeline
- Reviews of other healthcare providers on this software



Financial implications

- Software price (incl. customization and implementation)
- Expected opex
- Potential impact on revenue



Strategic value

- New opportunities
- Operational improvements
- Impact on customer experience
- Risks mitigation



Potential risks

- Market-specific
- Financial
- Operational

Note: This is just one of many potential ways to structure your approach. Please treat this example only as a reference point and develop your own style.

Q1. Make sure the candidate follows these steps



Step 1. Do horizontal presentation

The best practice is to start with a 15-second big-picture overview, e.g. "I'd like to assess this problem through the lens of four areas – first, ...; secondly, ...; thirdly, ...; and finally ..."



Step 2. Hit key points

Check if the candidate covers all key points typical for a comparison case structure:

Options to compare

- Option 1
- Option 2
- ...

Financial analysis

- Capex
- Opex
- Revenue

Strategic value

- New opportunities
- Advantages in ops
- Improvement in CX
- Risk mitigation

Risk assessment

- Operational
- Financial



Step 3. Add stories (optionally)

To avoid cookie-cutter/generic approach, the candidates can incorporate 2-3 stories into their structure presentation, e.g.:

- "Depending on the pricing structure, it can be a capex-intensive project with large upfront investment or the software might be subscription-based which will increase our opex, or it might be a hybrid pricing option"
- "High-quality scheduling software might be an efficient revenue driver if it provides great interface, smartphone functionality, various reminders and notifications, etc."
- "Single platform will enable cross-clinic scheduling which will increase utilization rate of our physicians and provide additional benefit to our patients"



Step 4. Finish with a question

At the end of the structure presentation, it is helpful for candidate to show that they can drive team forward and prioritize, e.g. "This is how I would structure my approach. Does it make sense? If so, I'd like to zoom in financials first. Do we have data on the software pricing?..."

Q2. Financial implications

02

How can this patient scheduling software affect the financials of OmegaMed?



Affect revenue

Cross-clinic scheduling

- It'll enable cross-clinic scheduling which will allow more patients to get their appointments as they will gain more flexibility in terms of timing, location, and specialty and get access to physicians best to match their needs

Streamlined operations

- Reminders and alert functionality will decrease no shows
- Elimination of human scheduling will minimize scheduling errors and overbooking
- It'll provide OmegaMed with transparency and enable to timely reallocate medical personnel between clinics to address spikes in patient appointments

Superior patient experience

- Easy and intuitive software interface will increase the chance that patients will schedule appointments
- Universal access to the software (e.g. desktop PC, smartphone, tablet) will increase the chance that patients will schedule appointments
- More efficient scheduling will reduce wait time for patients, improve their experience and thus encourage them to book an appointment when needed



Affect costs

Cost savings

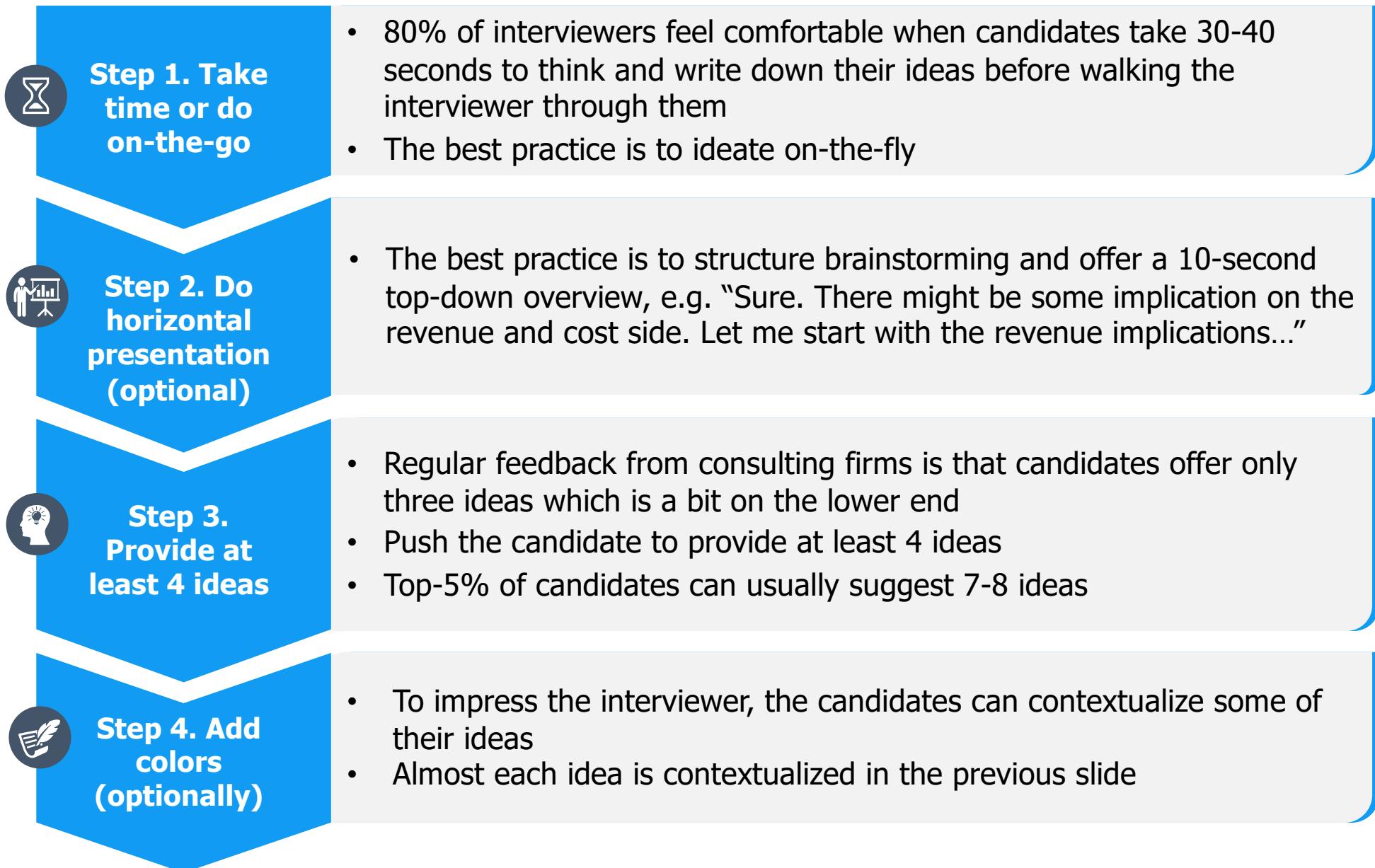
- It'll reduce time spent on the admin work of assistants/ nurses/ physicians (e.g. manual/over email/over phone scheduling)
- Better analytics on utilization rates of physicians and clinics will enable OmegaMed to reduce headcount if needed
- With more appointments, patients will address more healthcare needs and thus might have fewer severe and costly healthcare issues in future

Increase in costs

- It'll require initial investment to purchase the scheduling software, customize it to the specifics of OmegaMed and integrate it into OmegaMed's IT systems
- It'll lead to increase in opex - regular system upgrades, subscription fee (if any), bug fixing/helpdesk

Note: This is just one of many potential ways to brainstorm. Please treat this example only as a reference point and develop your own style. [The candidate is usually expected to generate at least 4 ideas. The best practice is 7-8 ideas, structured approach, and on-the-fly delivery without taking notes]

Q2. Make sure the candidate follows these steps



Q3. Math exercise – prompt

03 What is the payback period of the patient scheduling software?



Please share with the candidate
the following information

- Initial investment (upfront payment) for the software is \$5M
- Currently each clinic serves 75 patients per day on average

Please provide this additional
information only upon request

- Annual subscription fee for the software is 50% of the upfront payment
- We don't expect any significant increase in opex to maintain the scheduling software
- Based on our estimates, the software will lead to higher # of appointments and each clinic will serve 77 patients per day on average
- The clinics work 50 weeks a year and 5 days a week
- Average revenue per visit is \$200
- Each visit requires 1.5h of medical personnel's time (incl. admin)
- Average labor cost is \$100 per hour

Q3. Math exercise – calculations

03 What is the payback period of the patient scheduling software?

Contribution margin per visit

$$\$200 - \$100/h * 1.5 \text{ hours} = \$50$$

Annual incremental profit

$$2 \text{ visits} \times 5d \times 50w \times \$50 \times 500 \text{ clinics} - \$5M \times 50\% = \$10M$$

Payback period

$$\$5M \div \$10M = 0.5 \text{ years}$$

OmegaMed will be able to payback the investment
in this software within 6 months

Q3. Math exercise – contextualization of the answer

03 What is the payback period of the patient scheduling software?

Basic comments (expected from everyone)



- OmegaMed will cover the \$5M investment within 6 months

Advanced comments (for outstanding candidates)



- It seems like an attractive investment project and OmegaMed should consider doing it
- We assume that there is no implementation period; however, such a large-scale IT integration might be time-consuming and increase the payback period materially
- The payback period is highly dependent on the estimated increase in average number of patients served per day. If this assumption is exaggerated, the economics of this project might change substantially
- Such a great payback period might attract other clinic chains to adopt this scheduling software, and it might become industry standard (if not already), so patients will expect this level of experience and OmegaMed will need to implement this or similar scheduling platform anyway

Note: The candidate is not expected to mention all the advanced comments, but adding some of them will demonstrate that the candidate can connect the dots, see the depth, add colors and bring some insights even if the candidate is not that familiar with the industry/topic

Q3. Make sure the candidate follows these steps



- Providing big-picture approach of how to calculate the answer might help the candidate gain more points and help the interviewer follow the candidate's thought process
- Often interviewers don't provide all the information
 - The candidate needs to proactively ask for missing pieces
- Ideally the candidate shouldn't make any mistakes
 - It is okay to ask for some time to run numbers and then walk the interviewer through the calculations (some interviewers though might push back and ask you to do your Math on the fly)
- The interviewers highly appreciate it when the candidate not only calculates the answer correctly, but also contextualizes it
 - See some advanced comments on the previous slide as example of the contextualization

Q4. Risks

04

What risks should OmegaMed anticipate if they decide to purchase this patient scheduling software?

Market specific risks



- Low adoption rate among patients [as they might have strong habit to keep scheduling appointment in "old way" (e.g. over email and phone)]
- Potential negative brand implications [e.g. in case of suboptimal patient experience, buggy software]

Financial risks



- #### Costs
- Lack of funding
 - Underestimated costs
 - Higher subscription fee down the road [OmegaMed will be locked in the contract with vendor which gives negotiation power to vendor]
- #### Revenue
- Exaggerated revenue assumptions [e.g. patients will stick with their local clinics rather than schedule cross-clinic appointments thus number of appointments won't increase]
 - Lower reimbursement rates [higher volume might force insurance companies to reduce rates]

Operational risks



Implementation

- Long implementation period (software customization, employee training, etc.)
- Potential disruption of processes during the implementation

Software quality

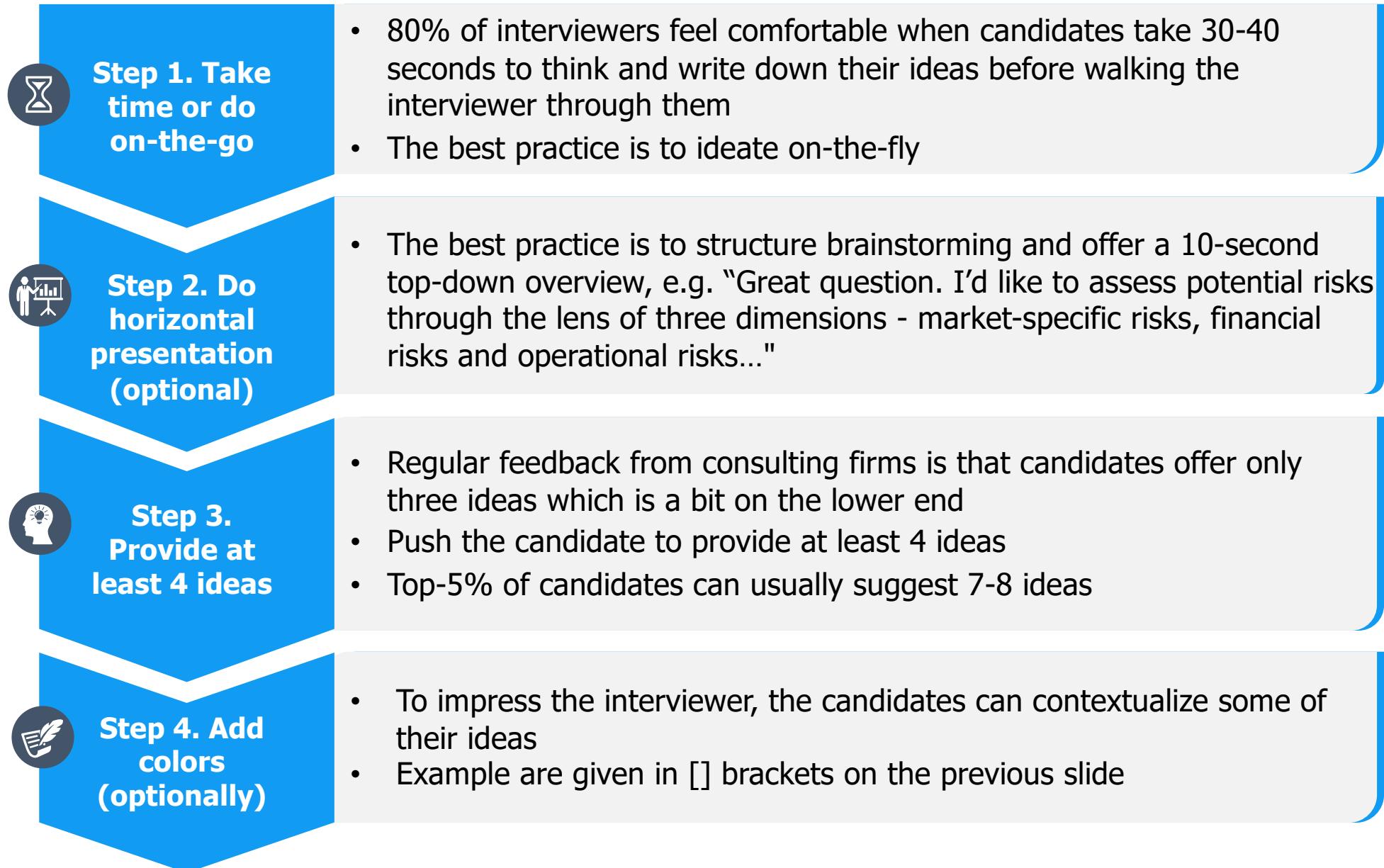
- Risk of inferior or unreliable software
- Potentially not patient friendly interface

Support

- Slow or suboptimal software upgrades
- Risk of software vendor going out of business

Note: This is just one of many potential ways to brainstorm. Please treat this example only as a reference point and develop your own style. [The candidate is usually expected to generate at least 4 ideas. The best practice is 7-8 ideas, structured approach, and on-the-fly delivery without taking notes]

Q4. Make sure the candidate follows these steps



Q5. Recommendation

05

Partner gives you a call to get a better idea of your current recommendations. What would you suggest?

Recommendation

"It was my pleasure working on this great project. Based on my initial analysis, OmegaMed should consider investing in and adopting this single scheduling platform across their chain of 500 clinics"



Reasoning

- "The investment will be paid back within six months after the implementation"
- "The scheduling software will likely offer a wide variety of benefits that will lead to revenue gains and cost savings"
- "It might also improve experience of patients and medical personnel which will strengthen our brand and employees' morale"



Risks

"There are, however, some risks OmegaMed will need to address, including inaccurate financial assumptions, exaggerated expectations about the features of scheduling software, and potentially long implementation cycle given a large scale of OmegaMed's business"



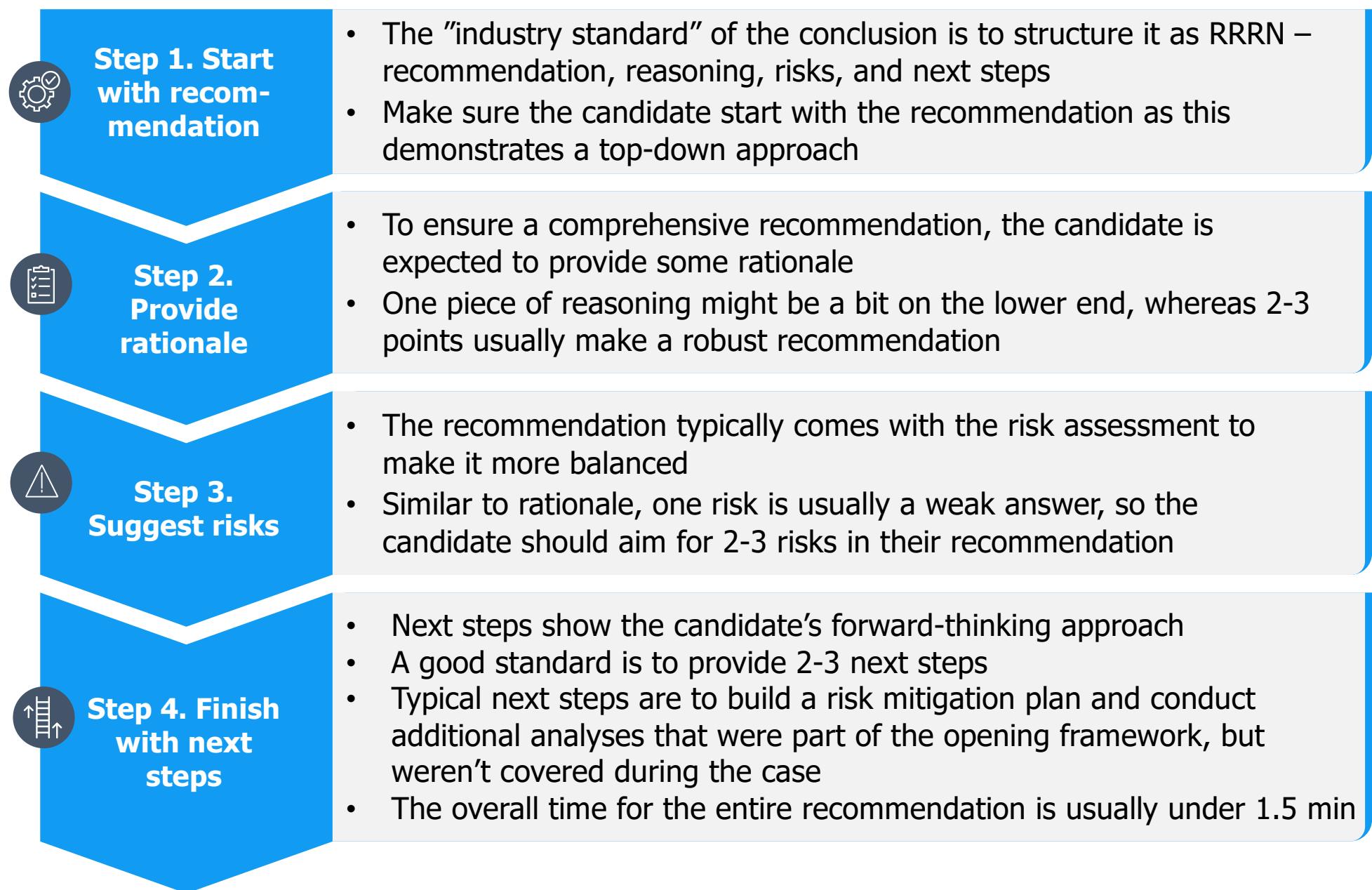
Next steps

"As for the next steps, I'd recommend to develop a risk mitigation plan, conduct a proper due diligence of the scheduling software capabilities, and design an implementation roadmap"



Note: This is just one of many potential ways to make a recommendation. Please treat this example only as a reference point and develop your own style.

Q5. Make sure the candidate follows these steps

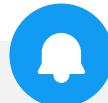


Case #24

KEARNEY

**Inspired by Kearney
DrugGen
2020**

Case #24. Inspired by Kearney. 2020. DrugGen



Prompt

- DrugGen is a U.S.-based drug company. Given trends toward patient compliance and eco-friendliness, they are considering changing the packaging of an oncology drug. After assessing a lot of options (plastic bottles, parenteral containers, blister packaging, pens, etc.) through a set of strict requirements (like cold storage, enhanced protection against moisture, oxygen and other gases, unit-dose control, counterfeit protection, child-resistant properties, and cost efficiency) DrugGen identified a potential new cold chain tech packaging. The CEO has hired you to suggest if they should go for it.



Additional information

Please provide this information only upon request

- New packaging comprises a low temperature container
- Patients take 4 pills of this drug and then 2 additional generic steroids per day
- Five other pharma companies offer similar oncology drugs
- DrugGen distributes this drug globally
- DrugGen captures 1-2% of the global market, or 20k units of drug per year
- The drug's price is \$4k for monthly supply (120 pills)
- The patient population for this cancer type isn't expanding
- No specific goals provided



Case type

- Comparison
- Hard level
- Candidate-led case
- Expected time is 15-20 minutes

Opening. Make sure the candidate follows these steps



Step 1. Restate the prompt

Typically the candidates are expected to restate the prompt to make sure they are on the same page with the interviewer



Step 2. Add colors (optionally)

Candidates can react to the prompt by providing some quick thoughts which will demonstrate candidates' business acumen, e.g.:

- "Interesting case. It sounds like an expensive packaging option, so I'd expect high price point for the drug itself"
- "It seems like the client would like to increase the patient compliance which has economic sense as it'll increase drug consumption"
- "Change in packaging might be an operationally complex project that likely requires substantial investment in new equipment and might lead to an increase in the drug's price"



Step 3. Ask 2-3 questions

It is common that candidates ask 2-3 clarifying questions before designing their framework. Typical questions include:

- Geography of client's operations/sales
- Financial goal
- Business model of the client



Step 4. Ask for a moment to structure

- Typically candidates ask for a couple of minutes to structure their approach
- Sometimes during interviewer-driven cases, the interviewers ask the first question and then the candidate takes time to build their framework

Case questions (this is a candidate-led case)

01

What factors do you need to consider to help DrugGen determine if they should switch to the new packaging?

02

What are potential non-financial benefits and disadvantages of the new packaging?

03

How do you think the patients would react to the new packaging?

04

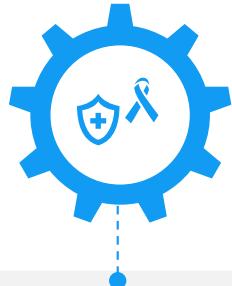
What incremental annual profit should DrugGen expect after introduction of the new packaging?

Tips for candidate-led cases

- Try to minimize hand-holding. Try to let the candidate ask questions
- If the candidate isn't on the right track and seems lost, try to give a hint or ask a question from the previous slide
- Feel free to manage the conversation to hit all the questions from the previous slide, e.g.:
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 - "Sure. Before we dig into that, what are your thoughts on ... [the question from the list]?"
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 - "Sure, we'll explore it. Before that, let me share some data from our analyst/client that we've just received and... [ask a Math question]"
- When the case time is running out, prompt the candidate to provide recommendation (see question 5)



Q1. What factors do you need to consider to help DrugGen determine if they should switch to the new packaging?



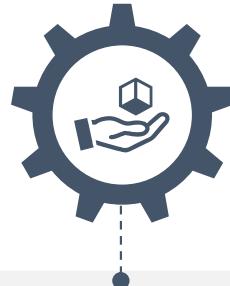
DrugGen's oncology drug

- Patient population
- Dosage, frequency
- Properties of the current and potential new packaging



Financial assessment

- Planned investment (e.g. new packaging equipment, marketing)
- Impact on revenue
- Expected change in opex



Strategic benefits

- New opportunities
- Operational improvements
- Impact on patient experience
- Risks mitigation



Risk analysis

- Market-specific
- Financial
- Operational

Note: This is just one of many potential ways to structure your approach. Please treat this example only as a reference point and develop your own style.

Q1. Make sure the candidate follows these steps



Step 1. Do horizontal presentation

The best practice is to start with a 15-second big-picture overview, e.g. "I'd like to assess this problem through the lens of four areas – first, ...; secondly, ...; thirdly, ...; and finally ..."



Step 2. Hit key points

Check if the candidate covers all key points typical for a comparison case structure:

Options to compare

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- Option 2
- ...

Financial analysis

- Capex
- Opex
- Revenue

Strategic value

- New opportunities
- Advantages in ops
- Improvement in CX
- Risk mitigation

Risk assessment

- Operational
- Financial



Step 3. Add stories (optionally)

To avoid cookie-cutter/generic approach, the candidates can incorporate 2-3 stories into their structure presentation, e.g.:

- "I'd imagine that drug packaging is fairly commoditized with well-known properties and implications for patient experience incl. patient adherence. So, unless DrugGen found innovative packaging, I'd not expect material changes in drug consumption"
- "Packaging might be a truly strategic decision as it affects the whole value chain - production, storage, transportation, distribution and patient experience. So, I'm not surprised to see our client hiring an expensive consulting team to look into this"
- "Given likely small patient population for this drug and potentially some competition, suboptimal packaging might seriously hurt DrugGen's brand and sales"



Step 4. Finish with a question

At the end of the structure presentation, it is helpful for candidate to show that they can drive team forward and prioritize, e.g. "If this sounds like a fair plan of attack, I'd like to dig deeper into the financials first. Do we have any estimates of how the new packaging will affect our revenue?.."

Q2. Non-financial benefits and disadvantages

02

What are potential non-financial benefits and disadvantages of the new packaging?

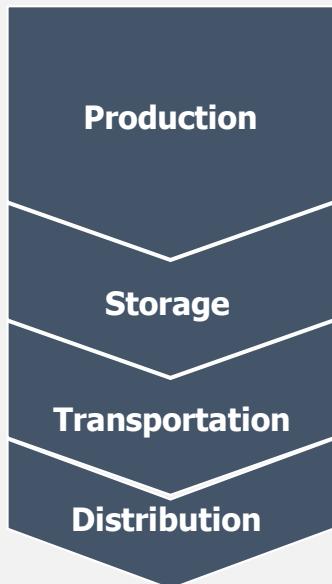


New opportunities

- Larger geo footprint if it allows longer distance transportation
- Brand implications depending on patient experience and level of eco-friendliness



Operational considerations



- Shorter/longer production cycle
- Change in waste/spoilage
- Higher supply chain security if more suppliers can offer this new packaging
- Change to operational complexity
- Change to minimal production batch and thus planning flexibility
- Limited storage facilities due to potential need for special fridges
- Less/more storage space needed
- Easier or not to move and manipulate
- Less energy to ship if lightweight vs heavy
- Less flexibility if requires specialized freezer trucks
- Less/more volume per truck depending on space packaged drug takes
- Enhanced/ shortened shelf life
- Potentially limited distribution partners if requires special freezers to store



Patient experience

- Higher/lower patient adherence
- Easier or not to administer, track and dose



Risk mitigation

- Lower/higher level of counterfeit protection
- Lower/higher level of child resistant properties
- Lower/higher risk of spoilage or packaging/product damage

Note: This is just one of many potential ways to brainstorm. Please treat this example only as a reference point and develop your own style. [The candidate is usually expected to generate at least 4 ideas. The best practice is 7-8 ideas, structured approach, and on-the-fly delivery without taking notes]

Q2. Make sure the candidate follows these steps



- 80% of interviewers feel comfortable when candidates take 30-40 seconds to think and write down their ideas before walking the interviewer through them
- The best practice is to ideate on-the-fly
- The best practice is to structure brainstorming and offer a 10-second top-down overview, e.g. "Sure. When I assess non-financials pros and cons, I'm thinking of four categories - new opportunities, operational implications, change in patient experience, and risk mitigation..."
- Regular feedback from consulting firms is that candidates offer only three ideas which is a bit on the lower end
- Push the candidate to provide at least 4 ideas
- Top-5% of candidates can usually suggest 7-8 ideas
- To impress the interviewer, the candidates can contextualize some of their ideas
- Almost each idea is contextualized in the previous slide

Q3. Patients' reaction

03 How do you think the patients would react to the new packaging?

Immediate/short-term reaction

- Get confused or curious [if it is complicated and implies a learning curve]
- Do research on whether this packaging is efficient for the drug or they should switch to other drugs with previous packaging type [e.g. pills vs capsules for injections]



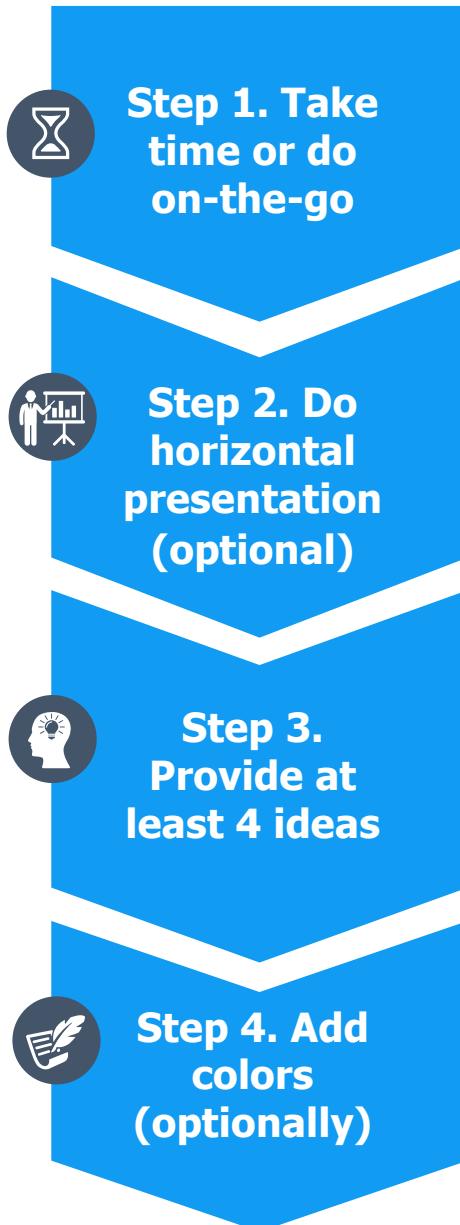
Long-term reaction

- Appreciate better experience [in case it allows to easier administer, track, and control unit dose]
- Spread the word [share their experience with their physician and similar patients]



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Q3. Make sure the candidate follows these steps



- 80% of interviewers feel comfortable when candidates take 30-40 seconds to think and write down their ideas before walking the interviewer through them
- The best practice is to ideate on-the-fly
- The best practice is to structure brainstorming and offer a 10-second top-down overview, e.g. "Interesting question. I'd think about short-term and long-term reactions"
- Regular feedback from consulting firms is that candidates offer only three ideas which is a bit on the lower end
- Push the candidate to provide at least 4 ideas
- Top-5% of candidates can usually suggest 7-8 ideas
- To impress the interviewer, the candidates can contextualize some of their ideas
- Examples are given in [] brackets on the previous slide

Q4. Math exercise – prompt

04

What incremental annual profit should DrugGen expect after introduction of the new packaging?



**Please share with the candidate
the following information**

- Patients take 4 pills of this drug per day and then 2 additional generic steroids
- Current packaging has monthly supply of the drug only
- The new packaging will have monthly supply of the drug and generic steroids
- DrugGen sells 20k units of monthly supply per year
- The drug's price is \$4k for monthly supply

**Please provide this additional
information only upon request**

- Current packaging costs \$160
- The production cost of the drug is \$7 per pill
- The cost of a generic steroid is \$1 per pill
- New packaging will cost \$200
- Due to higher patient adherence we expect increase in drug consumption and growth in demand for DrugGen's drug by 5%
- We assume there are no other variable costs except mentioned above
- Fixed costs aren't going to change after 5% increase in demand

Q4. Math exercise – calculations

04

What incremental annual profit should DrugGen expect after introduction of the new packaging?



Current contribution margin

$$\$4k - \$160 - \$7 * 4 \text{ pills} * 30 \text{ days} = \$3k$$

Current annual gross profit

$$\$3k \times 20k = \$60M$$

New contribution margin

$$\$4k - \$200 - (\$7*4 \text{ pills} + \$1*2 \text{ pills}) * 30 \text{ days} = \$2.9k$$

New annual gross profit

$$\$2.9k \times 20k * (1 + 5\%) = \$61M$$

Incremental annual profit

$$\$61M - \$60M = \$1M$$

The annual profit will increase by \$1M

Q4. Math exercise – contextualization of the answer

04

What incremental annual profit should DrugGen expect after introduction of the new packaging?

Basic comments (expected from everyone)



- The new packaging will lead to additional profit of \$1M which sounds promising and DrugGen should consider adopting it

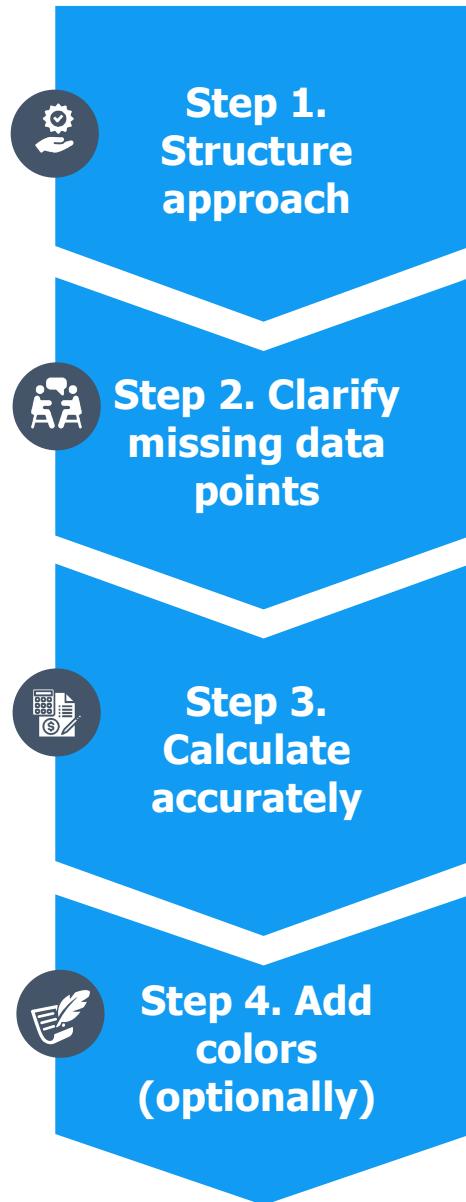
Advanced comments (for outstanding candidates)



- Such material improvement in patients' compliance might get attention of oncologists and they might start recommending DrugGen's drug expanding the client's patient base and increasing their sales even more
- Other oncology drug manufacturers might appreciate the efficiency of this packaging as well and adopt it soon which will take away the competitive advantage from DrugGen
- Oncology drug packaging is likely subject to strict regulation, so DrugGen should make sure that this packaging meets all the legal requirements in all the markets of DrugGen's presence
- Healthy economics of this packaging is highly dependent on the assumption of 5% increase in the patient adherence which might not hold true, and this is the risk the client needs to mitigate

Note: The candidate is not expected to mention all the advanced comments, but adding some of them will demonstrate that the candidate can connect the dots, see the depth, add colors and bring some insights even if the candidate is not that familiar with the industry/topic

Q4. Make sure the candidate follows these steps



- Providing big-picture approach of how to calculate the answer might help the candidate gain more points and help the interviewer follow the candidate's thought process
- Often interviewers don't provide all the information
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- The interviewers highly appreciate it when the candidate not only calculates the answer correctly, but also contextualizes it
 - See some advanced comments on the previous slide as example of the contextualization

Q5. Recommendation

05

You are at the client's meeting and your manager asks you to summarize your recommendations.

Recommendation

"Thank you for offering us this opportunity to help you determine if this new packaging is worth adopting. Based on our preliminary research and analysis, we believe that DrugGen should strongly consider the launch of the new packaging"



Reasoning

- "It is expected to strengthen the patient adherence and thus improve the treatment efficiency and contribute to the growth of sales"
- "Cutting edge technology like this one will reinforce the positive outlook for DrugGen's brand as a R&D heavy drug manufacturer that actively invests in the latest tech"
- "It might also offer additional benefits like counterfeit protection and longer shelf life"



Risks

"Like with any new technologies there are some risks to consider. First, financial assumptions might be off. Secondly, new packaging might cause disruptions across the entire value chain in production, storage, transportation and distribution. And thirdly, given potential success, we should expect strong competitive response"



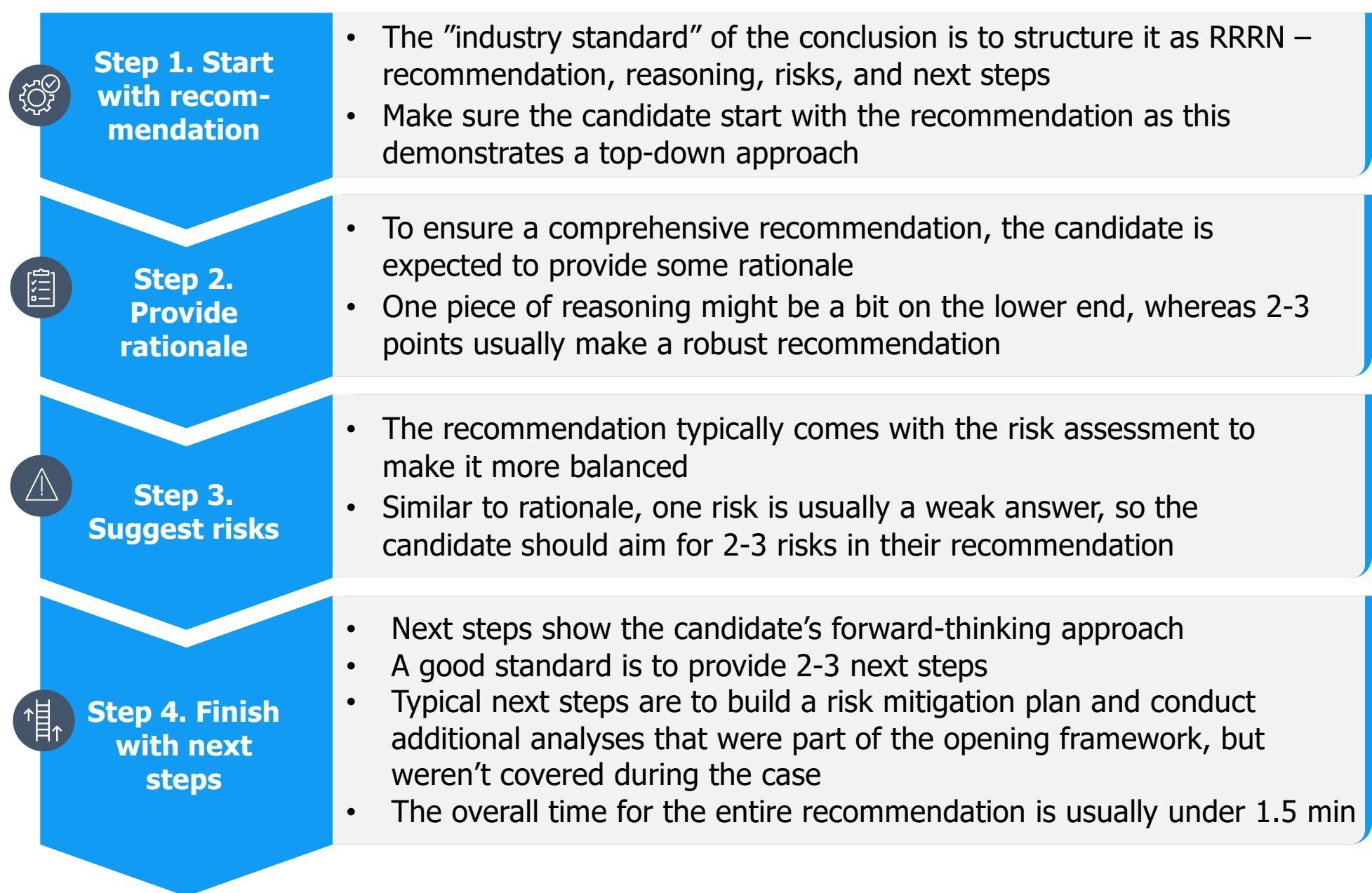
Next steps

"As for our next steps, we would suggest to run a pilot with a new packaging and validate some of the hypotheses, design a detailed implementation plan and create a risk mitigation strategy"



Note: This is just one of many potential ways to make a recommendation. Please treat this example only as a reference point and develop your own style.

Q5. Make sure the candidate follows these steps





More at
Peter-K.org