



The 2004 Kellogg Consulting Club Case Book

****** Get Off Of My Case, Version 2.0 ******

**Kellogg School of Management
Northwestern University**

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I. Introduction

Overview

Welcome to the 2004 Kellogg Consulting Club Case Book, otherwise known as “Get Off Of My Case, Version 2.0.” This book is intended to be a resource for members of the Kellogg School of Management Class of 2005 as they look for summer internships in the consulting industry (as well as for general management internships) for the summer of 2004. The book will also be useful to current first-year students during the fall of 2004 as they look for full-time post-Kellogg consulting jobs, as well as to the yet-to-be-admitted Kellogg Class of 2006 in their summer and full-time job searches.

While we hope this document results in more Kellogg students reaching their employment goals, we are also confident that using this resource to prepare for case interviews will reduce the stress associated with the interviewing process. Additionally, students will find this document to be a useful reference for Kellogg’s core strategy course, MGMT 431, regardless of whether or not they plan to interview for consulting jobs.

This introduction will provide an overview of the different sections of the book, recommend how it is to be used, and offer general thoughts of how this fits book in to the bigger picture. To this last point, the book is not intended to be the only resource that Kellogg students will need during the recruiting process for consulting. Rather, it is meant to be a central body of work that provides a complete and thorough introduction to the process, offers its reader a road map of the basic toolkit needed to succeed in these interviews, and also points him or her to other resources that may be helpful.

Background on this book and acknowledgements can be found in **Appendix A**.

Sections

This book is divided into six sections, plus five appendices. Section I is this introduction, whose goals are stated above. Section II provides an overview of the case interviewing process and offers general advice on how to perform magnificently during the interviews. (It is adapted primarily from the Fleischmann, Fong, and Marciano article that is alluded to in **Appendix A**, and has been reorganized into seven sub-sections.) Section III provides ten sample cases. The first seven of these are meant to be solved in a 30-to-45 minute interview; the first six contain slides. The last three cases are shorter and attempt to emulate the 10-to-15 minute case interviews that are used by some consulting firms.

After all of the practice cases, Section IV discusses fit interviewing, which is a typically smaller, but no less important, part of the overall process. Again, this section is adapted primarily from the earlier work of Fleischmann et. al. Section V provides one-page overviews of each of the eleven consulting firms that are currently planning to interview Kellogg first-years for jobs during the summer of 2004. Of special interest in this section are the interview formats used by various companies. Students who are interviewing should use this information to customize their case practice and preparation, based on the formats used by the companies that are most of interest to them. Finally, Section VI provides some concluding thoughts and attempts to synthesize the key “take-away” points of the book.

How To Use The Book

We would like to conclude this introduction by orienting the reader as to how we envision this book being used. We have mentioned previously that it is not designed to be the only available or necessary resource on the subject. Students who attempt to use it in this way are doing themselves a disservice. Instead, it should be used in tandem with the many other

resources that are available, such as case books from other business schools, Kellogg Career Management Center (CMC) counselors, students at Kellogg who have worked in consulting or are planning to, company representatives and literature, and the rest of the list of resources that is summarized in **Appendix B**.

As for this book, sections I, II, IV, and VI are written to be read straight through (not necessarily in only one sitting). Section III provides practice cases that should be used or studied one at a time. Section V provides thumbnail data on companies that are interviewing at Kellogg, and is meant to be a quick reference for students who are interviewing in those firms. Particular attention should be placed on the various interview formats used by each different company. To maximize results, candidates should study cases that most closely mimic the ones that are given by the firms that they are planning to interview with and/or most want to work for.

It is our hope that the combination of this book and of other available resources will maximize the effectiveness of Kellogg students during the winter quarter 2004 interviewing process. If anyone has any questions about the book or the process, they should feel free to directly contact me, either of the Associate Editors, Prof. Marciano, the Kellogg CMC, or any of the 2003-2004 Kellogg Consulting Club co-chairs¹. We are all here to help Kellogg first-years get as many summer consulting job offers as possible.

Best of luck in the process!

Edwin Van Dusen
Editor, 2004 Kellogg Consulting Club Case Book
Evanston, Illinois
December, 2003

¹ The co-chairs are Leo Castro, Ami Fadia, Hanna Norfleet, Jason Greenwald, Brian Oxley, and Ojas Wadikvar, all from the Kellogg Class of 2004.

II. How to Ace Case Interviews²

Overview of Section

This section provides a complete and comprehensive overview of the case interview process and is probably the single most important section in the book, along with Section III on practice cases. It offers advice on how to best navigate the process, and is divided into seven sub-sections to make the material easier to understand and digest:

1. Sub-section one provides an overview of the case interviewing process.
2. Sub-section two discusses the use of frameworks, and the need to strike a balance between a structured approach and the pitfalls of an overly regimented analysis.
3. Sub-section three walks through a step-by-step illustration of a case interview and is in turn sub-divided into five parts.
4. Sub-section four reviews several common case situations and how to handle them. These include public math, how to get unstuck, and the infamous estimate questions.
5. Sub-section five reviews seven common types of cases that are frequently found in case interviews.
6. Sub-section six goes through some overall tips on how to handle the process. Please do not be put off by the “laundry list” format of this section, for it contains some important nuggets of advice and wisdom.
7. Finally, sub-section seven provides some concluding thoughts about the process.

² As mentioned in the Introduction, the text in this section has been primarily adapted from the 2001 Fleischmann, Fong, and Marciano article, although some of the content and wording are new. They, and we, would like to give special thanks to Jason Moss and Chris Riley (both members of the Kellogg Class of 2001) for their invaluable contributions to the initial document, from which this section is primarily adapted.

We have endeavored to distill the most important aspects of the case interview process into this section while keeping it to a manageable length. Obviously, since entire books have been written on this subject, it was not possible for us to include every detail or every opinion on the matter. Students should probably begin by reading this section to get the major points, and then can consult some of the additional resources listed in **Appendix B** if they feel that they still need to get more depth and detail.

Sub-Section One of Seven - Overview of Case Interviews

This section will describe the format and structure of case interviews, discuss the various types of cases that one may encounter, and provide practical tips and advice on enhancing one's chances for success. Fit interviews will be discussed in Section IV later in this book.

The consulting interview process may be unlike any series of interviews that a person has been through before Kellogg. While each consulting firm has its own distinct style and method of interviewing, virtually all screen candidates using a combination of “fit” and “case” interviews. Understanding and being prepared for both of these types of interviews improves one's chances of obtaining a position in the field and also reduces the angst associated with the process.

Consulting firms use the case interview to gauge a candidate's:

Problem solving abilities/Analytical “fire power”:

- Natural thought process – does (s)he³ think in a clear, logical manner?
- Comfort with decision-making under uncertainty
- Ability to “think on one's feet”

³ In this case book, the word “(s)he” should be read as “he or she”.

- Ability to provide order to ambiguous situations
- Quantitative skill, speed, accuracy and comfort
- Ease of adjustment to unfamiliar industries and business challenges
- General business judgment
- Creativity and thoughtfulness

Client and team skills:

- Listening skills
- Effectiveness at identifying key issues, and quality of questions
- Communication skills and eloquence in conveying information
- Ability to “feel” and adjust to one’s audience
- Interpersonal influence
- Personality, presence, and self-confidence

By virtue of the fact that you are at Kellogg, you most likely excel in each of these areas. The challenge that you face in interviewing is to convey your excellence on all of these dimensions in a 10-45 minute time period. Your ability to achieve this goal is a function of two things: practice and self-awareness. With practice, you will find that many of these elements come across naturally. If you are a naturally quantitative and/or engaging person, you will come across as so in the interview without thinking about it (you still need to practice, however, since these natural predilections will easily be masked if you enter the interview unprepared or nervous).

Practice will also help you identify the areas that don’t naturally come across for you in a 10-45 minute time period. Identify these areas quickly, and work actively to improve your ability to convey them to an interviewer. In every interview, you must also maintain significant self-

awareness of how you are being (or might be) perceived. Actively manage the image you are conveying. That may seem like a lot to think about while you're also trying to solve a case problem (it is). Naturally, our answer is: it gets easier with practice.

The majority of consulting interviews are “case” interviews, especially in the first round. In a “case” interview, the interviewer presents a business situation and asks the interviewee to evaluate it. For example:

- “Firm X’s profits have declined for the past two years. Why has this happened, and what would you recommend to help Firm X improve its performance?”
- “Firm Y makes luxury watches and is considering expansion into the fashion retailing business. Would you recommend that it do so?”
- “Firm Z is planning to expand its manufacturing capacity and is debating whether to add to its existing plant or build a new plant. What would you recommend that it do?”

So that, in a nutshell, is what case interviews are. Now let’s talk about how to ace them.

Sub-Section Two of Seven - Using Frameworks

One of the keys to performing well in case interviews is to demonstrate a structured thought process in solving case problems. While different firms may use different terms to discuss how to excel in case interviews, they all invariably suggest taking a “structured analysis” approach. Structured analysis involves developing a logical framework to examine the business situation presented, and methodically progressing through that framework until a recommendation that addresses the case issue can be proffered (or until time runs out).

Although there are several different types of cases, every case should be tackled using an analytical framework. A framework is nothing more than a mental outline of how you intend to go about evaluating the case problem. Using a framework is important because it helps ensure that your response will be structured, logical, and thorough. A framework should be applied every time that a new strategic question is posed by the interviewer. Some firms will ask broad strategic questions at both the opening of the case and two-thirds to three-quarters of the way through the case. When this happens, the candidate should always stop and prepare a structured methodology to work through the business question. Often, demonstrating the ability to bring structure to ambiguity is just as important to the interviewer as the answer that is given.

Several analytical frameworks exist that can be useful for approaching case problems. For instance, many cases can be evaluated using one or a combination of the following frameworks:

- 1) Porter's 5 Forces;
- 2) Consonance Analysis (B (benefit) drivers and C (cost) drivers);
- 3) 4 Cs (company, competitors, customers, collaborators);
- 4) Profitability (Revenues – Costs = Profits);
- 5) Value chain analysis;
- 6) Kotler's 4 Ps (product, placement, promotion, price);
- 7) Prof. Nordhielm's "The Big Picture" (Corporate Objective, Marketing Objective, Source of Volume, Segmentation Targeting and Positioning, 4Ps, Evaluate);
- 8) Market segmentation and SPSG (size, profitability, share, growth);
- 9) Internal/External (internal factors that affect the firm vs. environmental/external factors that affect the firm);

- 10) Microeconomics: market structures, supply-demand, long-run/short run, price elasticity, marginal cost and revenue, variable and fixed costs (please see **Appendix C** for a list of microeconomic concepts that interviewees should be familiar with);
- 11) Financial statement analysis (income statement classification, revenue and cost analysis);
- 12) Cost-Benefit Analysis; and,
- 13) Net Present Value (NPV) and the cost of capital.

It is best to familiarize yourself with as many of these frameworks as possible, though memorizing them is not necessary (and may be undesirable). Please understand that simply memorizing frameworks and then blindly applying them is unlikely to be a successful approach. While almost all cases can be loosely categorized as a certain type, each case invariably contains details that make it unique. Consequently, in some instances, it might make sense to draw on parts of, or a combination of, established frameworks. Remember that the most important thing is to have a framework when tackling a case (albeit taking care to avoid applying an altogether inappropriate framework). The exact framework that one uses is of secondary importance.

One of the most often-asked questions about the process is the pros and cons of using frameworks. This may be because prospective consultants hear conflicting advice about the process – some people tell them to employ more structure, while others implore them to use less. Think of finding a middle ground. The frameworks are like tools - they help do the job, but are not a substitute for the handyman's own judgment and common sense. Furthermore, the experienced handyman knows which tools to use in which situations. It has been said that “(s)he who is good with a hammer tends to see everything as a nail”. Don't see every case as a “nail” that you need to hammer.

Permit us an analogy that will hopefully provide additional clarification. In reviewing the classic movie The Godfather, legendary film critic Roger Ebert said this about actor Marlon Brando, who played the title character: “The Brando performance is justly famous and often imitated. We know all about his puffy cheeks, and his use of props like the kitten (who sits on the Godfather’s lap in the opening scene). Those are (an) actor's devices. Brando uses them but does not depend on them...”⁴ Frameworks are an interviewee’s devices the same way that these props are an actor’s device. The successful case interviewee must find a way to use frameworks without depending on them.

So, in sum, the candidate wants to communicate to the interviewer that (s)he has a framework guiding his or her thought process, but in a discreet way. For instance, it is a very bad idea to say, “I’m going to use the 4 Cs framework for this case.” Instead, the candidate should say something to the effect of:

“In order to understand whether or not the acquisition of Firm B by Firm A is a good idea, I’m going to examine Firms A and B in terms of their competencies and cost structures (Company), get a sense of the existing players in the market (Competitors and Collaborators), and understand who they sell to (Customers). Uncovering this information will help me to determine whether or not enough strategic synergies exist between Firm A and B to justify an acquisition.”

The great benefit of using a framework is that it helps the candidate use time both efficiently and effectively. One must make sure that (s)he is uncovering all the important details of the case situation, while not straying into fruitless digressions. A framework keeps the candidate on track. The framework can serve as a crutch if the candidate gets nervous, or can’t decide on the next direction of inquiry. What the framework should not do, however, is distract the candidate from sound business thinking. The less the interviewee thinks of the case as a

⁴ The review can be found on the WWW at http://www.suntimes.com/ebert/ebert_reviews/1999/10/god1028.html.

game or a puzzle, and the more the interviewee imagines the case as a real business challenge that (s)he might face as a manager (or consultant), the better off (s)he will be. Cases often do not have simple answers, so be sure to convey the richness of your business intuition, your Kellogg-honed thought process, and your practical experience when providing your final recommendation.

We suggest that you become very comfortable with 2-3 general frameworks, and then adapt them “on the fly,” in the interview to suit the needs of the situation. One helpful way to strengthen your framework facility is to run through the same case a few times following different frameworks. See how the use of different thought schemas affects your analysis path.

Sub-Section Three of Seven - Step-By-Step Illustration of a Case Interview

A successful case interview consists of five basic steps:

- 1) Case presentation and clarifying questions;
- 2) Framework development, issue prioritization, and hypothesis formation;
- 3) Articulation;
- 4) Analysis: ask questions, gather information, and test hypotheses; and,
- 5) Summary and recommendation.

Note: depending on the length of your case, this process may be repeated, in an accelerated form.

This sub-section is divided into five parts – each addressing one of the five steps.

Step One of Five - Case Presentation and Clarifying Questions

The interviewer will set up the case by describing the business situation and will then provide the candidate with some initial information. The amount of initial information given

varies. Some interviewers may offer very little “up front” in the way of facts and details, leaving the question vague to see where the interviewee will take it. Other interviewers may inundate the candidate with information, some of which is important and some of which may prove to be irrelevant. Still other firms provide candidates with data to review pre-interview, and then ask interviewees to present initial findings at the outset of the interview rather than ask questions. Whatever the situation, always make sure to listen very carefully to what the interviewer is saying. If it helps you to absorb the information, take notes (paper is almost always provided). You may also find it useful to verbally repeat the situation and information given to the interviewer before beginning your analysis, to make sure you are both “on the same page.”

If you are hit with tons of obscure details, identify and keep focused on the main issue of the case. Ask clarifying questions as needed. For example, if you are given a case on after-market sales in the auto industry and you do not know what the term “after-market” means, ask about it. This is not a sign of weakness. It is a sign that you are serious about understanding the client’s problem so that you can solve it. Clarifying questions should be a pre-cursor to your analysis, though, not part of the analysis itself. Generally, you should not need to ask more than one or two clarifying questions, and it is fine if you do not have any.

The objective of listening carefully and asking clarifying questions is to make sure that you fully understand the situation presented and what the interviewer is asking you to evaluate. If you do not clearly and completely understand the case question and the issue you are being expected to analyze, you will not perform well in the interview.

After you have finished asking your clarifying questions, take some time to evaluate the information you have been given. For the sake of courtesy, you may want to ask the interviewer for permission to take a brief pause (e.g., “Would it be all right with you if I took a few seconds

to collect my thoughts?”). There is no right or wrong amount of time for this initial analysis period; as a general rule, however, it should not take longer than a minute, and the shorter the better. Don’t take any time if you don’t need it, but when in doubt, take the time. Thirty seconds of dead air at the outset of the interview may save ten or more minutes of wasted time later in the interview – it is always better to begin with a well thought through approach than it is to begin with a belief that you can somehow “zen it out.”

Step Two of Five - Framework Development, Issue Prioritization, and Hypothesis Formation

Once you have absorbed the case problem, your next step is to develop a framework that you will use to guide your analysis. For example, if it is a case where profits are declining, you may choose to use the profitability equation, whereas if you are evaluating a firm’s entrance into a new market, you may decide that “Porter’s Five Forces,” in combination with an “Internal/External” analysis, will be most relevant. Remember, the point of the exercise is not to pick a framework. The framework is simply a tool to help you structure your response, so do not get too hung up here and waste valuable time that you could be using to advance the discussion. Your initial framework should be a broad sketch, not a detailed blueprint, of how you intend to go about solving the case problem. The details of your analysis should evolve interactively with the interviewer as you progress through the interview.

Based on the framework you have developed, you should be able to identify several possible paths towards addressing the case issue. For example, consider a case about Firm X whose profits declined last year. Firm X’s reduced profits could be due to sagging revenues, rising costs, or both. Given that your interview time is limited, it is important to *prioritize* the issues you will investigate in the case. Investigate the most likely solution to the problem first, followed by the second most likely, and so on. The initial information that you have been given

may steer you towards a particular path. Take cues (subtle or overt) from your interviewer about which paths hold the most merit. For example, if you were told that Firm X recently altered its product mix, you might want to start by examining the prices of its various products.

Based on the information you have received, and the framework you have developed, you should formulate an initial hypothesis about the case problem you are evaluating. In the parlance of case interviews, a hypothesis is what you believe to be the central issue of the case, or the solution to it. With regard to Firm X, your initial hypothesis could be that the root cause of its declining profits is that it is selling relatively more low price/low margin products than it had in the past. You may not be given enough information at the onset of a case to develop a reasonable hypothesis from the start. If that happens, progress through your framework, elicit information from the interviewer, and develop a hypothesis as soon as you can. If your initial hypothesis turns out to be wrong, which is often the case, try another one. It is not an automatic “ding” to not guess the answer correctly on the first try. But it is a likely “ding” to give up or to lose sight of the main issue, which is to eventually solve the client’s problem.

Some firms are more or less receptive to hearing an interviewee, very early on, state a hypothesis for analysis. The key lesson here is to know the firms that you are interviewing with. If you are interviewing with a firm that conducts its cases/engagements with an “Answer First” approach, then you should probably state a hypothesis early and then relate findings to it as the case progresses: “this supports my initial hypothesis...” or “that seems to refute my initial belief, my revised working hypothesis is now...”. Other firms may conduct their work by doing much more detailed data collection before forming a hypothesis. In this case, strive to form a hypothesis, but hold back on stating it until you have collected more data: “OK, I think I now have enough information to form a hypothesis – based on facts A, B and C, it looks like X might

be happening. Here's how I would evaluate whether X is truly going on..." With these firms, you may look like you're jumping to conclusions if your hypothesis isn't fact-based. Ask members of the firm about their firm's preference prior to your interview (that's what all those cocktail receptions are for).

Step Three of Five - Articulation

After you have developed your analytical framework, prioritized potential solution paths, and formulated your initial hypothesis, the next step is to articulate them to the interviewer. In the case of Firm X, it might go something like this:

"Given that Firm X has experienced a decline in profitability, I am going to begin my evaluation by investigating the various elements that make up profit, namely revenues and costs (framework). Since you mentioned that Firm X has seen its product mix change over the past year, I will begin by analyzing the firm's revenues, focusing first on pricing (prioritization). It could be that a decline in Firm X's average price is causing its profits to suffer (hypothesis). If that turns out not to be the case, then I will look at changes in the company's cost structure."

It is critical in case interviews to demonstrate a structured, logical, and thorough thought process. If you do not verbalize your thought process to the interviewer, (s)he will not be able to evaluate your performance. In addition to talking through your thought process, you may find it beneficial to sketch out your analysis framework on your note pad. Writing down your framework will help you to organize your thoughts, and to regain focus if you get stuck or your analysis becomes very complicated. Just as importantly, an illustrated framework shows the interviewer that you are thinking in a structured manner, and makes it easier for him or her to guide you.

Many successful consulting interviewees extol the importance of "paper management" in case interviews. Interviewers often encourage candidates to take notes, and some even keep

those notes to help remember the path that the interviewee took during his or her case. Whether or not this happens to you, your notepad is an excellent communications medium during your interview. Consultants are generally graphical thinkers – even if they didn’t start this way, they now communicate in slides, charts, and graphs. Speak their language – sketch out your thoughts on your paper, write large, and show the interviewer what you are doing. It is not uncommon for an interviewer to look under an interviewee’s shoulder onto his or her notepad, and comment on it and/or ask questions about its contents. For example, “I see from your notes that you have come up with five reasons why Firm A should acquire Firm B, and the first one is distribution synergies. What do you mean by that?” Draw out your framework so that the interviewer can see where you’re going, and steer you accordingly.

Many interviewees divide their paper into three sections. In the first section, they note facts about the situation (both those given in the initial situation explanation as well as facts uncovered through questions). In section two, analysis is performed, and in section three key findings/conclusions are noted (this section is especially helpful when the candidate is asked to “sum up” at the close of the case). Note: this does not have to all occur on the same page – feel free to use multiple sheets of paper; the clearer your actions are to the interviewer, the better.

Be as graphical and as structured as possible whenever you seek to convey concepts like organizational structure or whenever you do quantitative analysis. Quantitative analysis, in particular, should be laid out in rows and columns “Excel-style” (ideally with the equation noted above the columns) so that interviewers can follow your calculations. Doing fancy math in your head is great, but it’s more important to illustrate to the interviewer how you are coming to your numbers than to wow them with calculation speed. Your arithmetic may be correct, but your equation may be missing a critical variable. Drawing out your thoughts helps the interviewer

identify this and correct your course. This is far preferable to leaving the interviewer wondering why your number does not match the number that is given in the case solutions. To err is human, but to do so in a way that leaves the interviewer wondering about whether the problem was with your arithmetic or your thought process is likely to prove fatal.

Step Four of Five - Analysis: Ask Questions, Gather Information, and Test Hypotheses

Having articulated your framework and initial hypothesis, you are ready to move into the analysis phase, which should be the bulk of the interview. In the analysis phase, you should ask questions, synthesize the information provided, and draw conclusions based on the facts. By asking questions and bringing to light new information, you will be able to determine whether your initial hypothesis was valid or invalid. If the data proves your hypothesis to be invalid, systematically follow your framework and progress to the issue with the next highest priority. In addition, based on new information you receive, develop a new hypothesis as soon as possible.

For example:

“Based on what I’ve learned so far, it appears as though Firm X’s product mix and revenues are not the most important cause of its declining profitability. So now I’ll move on to investigate the firm’s costs (transition to next branch of the framework). You mentioned that Firm X recently signed a new agreement with its unions, so I’ll start by examining its labor costs. It could be that an unfavorable union contract has inflated the firm’s labor expenses and negatively impacted its profits (new hypothesis).”

Asking questions, collecting information, and developing and testing hypotheses is an iterative process, and constitutes a good case interview. As you receive answers to your inquiries, you should be able to hone in on the solution to the problem, and the interviewer may point you in the right direction. Even if all of your hypotheses are ultimately proved invalid, if

you have solicited relevant facts and drawn conclusions in a structured, logical manner, you will have done well.

Do not forget that it is important to verbalize your thought process throughout the entire interview. Avoid long periods of silence -- the interviewer is attempting to evaluate how you think, and mute introspection precludes this. When doing calculations, tell the interviewer everything that you're doing. This maximizes the interviewer's ability to coach you and illustrates your thought process. It takes practice to be able to do this with aplomb, but it is a skill well worth developing. Asking questions is a fundamental part of the process, but remember to do so within the context of your framework, as opposed to firing off questions in no particular order. As you work through the case, it is a good idea to verbally summarize where you are, what you have learned, what the information means in diagnosing the problem, and where you are headed next. Summarizing can also be a useful technique to buy yourself time to think if you become stuck. Take caution not to summarize too frequently, however, because it takes away from the time that you should be using to analyze the case issue.

Step Five of Five - Summary and Recommendation

When you feel you have covered all the bases in your analysis, or when you have run out of time, end by summarizing the situation and providing a recommendation. If at all possible, always end your interviews with a succinct recommendation. Try not to recap the path of analysis that you have just performed. Instead, draw on key facts to give a clear answer to the central question of the case. For example, "I do not recommend that the firm enter the market, given that the industry in question is characterized by low barriers to entry, intense rivalry, and significant supplier power" (all of which you discovered through your analysis).

You might also add next steps or additional considerations, as appropriate, to make your analysis more balanced and thorough. For example, “Based on the discussion that we had today, I would not recommend at this point that the firm enter the market. However, I would also want to know more about the regulatory trends in the market, and about the industry’s distribution channel mix, before making a final decision in a real situation.”

Remember, cases are usually complex. If you imply to the interviewer that you have completely addressed the issue in 30 to 45 minutes, you may be perceived as short-sighted or arrogant. It’s much better to state what you’ve found and can reasonably infer, and then identify the areas that you’d like to further penetrate (if given more time) and the assumptions that you’ve made that you think your conclusions are most sensitive to. An important point to keep in mind is that even if you are dead wrong, if you have approached the problem in a logical, structured, and thorough manner, you have done well.

You will likely encounter the “elevator test” at the end of some of your interviews. It typically goes something like this, “We’re out of time. Sum this up in 30 seconds so I can tell the client our major findings.” The purpose of this exercise is to see whether you can identify the most important elements of the case, distill complex issues into concise, easily understandable terms, and maintain your poise when thrust into a stressful situation. If you are hit with the elevator test, do not panic and quickly rattle off an unorganized litany of facts, hypotheses, and suggestions. Instead, take a brief pause to collect your thoughts, re-state the central question of the case, and then present the most important findings and recommendations in a logical, succinct, and confident manner.

Thought Process

Before we move on to the next sub-section, it is important to note that one of the most important aspects of the interviewing process is to show insight into the thought process. It is what you're thinking that matters...not just what you're saying! For instance, let's consider a situation where you're wondering what products the company sells because you know that product mix affects profitability. Rather than saying, "Could you tell me about the company's products?", a better approach is to say:

"I know that product mix can often affect profitability. I'd like to explore this issue with respect to Company A. I'd like to know, for instance, what products the company offers and if this has changed over the last few years..."

Be sure to communicate to the interviewer what your thought process is, so that (s)he will see first-hand how well you approach and solve problems.

Sub-Section Four of Seven – Common Case Situations

Getting Stuck and Unstuck

A lot of interviewees report that, at one time or another, they have gotten "stuck" in a case interview. Rest assured, this is not the end of the interview if it happens. A lot of people have come back from getting stuck to crack the case and to advance to the next round of interviews or to get the job. Honestly, the biggest problem with getting stuck is not the deviation from the correct path, but the loss in candidate morale, which may cause him or her to consciously or sub-consciously "give up" on finding the correct answer.

Some consulting firms have expressions such as "driving to the answer" and "(s)he has a 'nose for value'." People like this tend to do well in consulting interviews, not necessarily

because they are brighter than any of the other candidates, but because they keep re-positioning themselves towards the goal. So should you. Have a nose for what the client in the case seeks to accomplish, and keep driving toward that goal, no matter how lost you think you are.

So how do you get unstuck? The first thing to do is make sure that you understand the client problem and ultimate desired outcome (this could be something generic like, “The client wants to increase profitability back to last year’s levels” or “The client wants to know which, if any, smaller companies in its field that it should plan to acquire”). Make sure that you can state the problem and desired solution to the interviewer’s satisfaction. If you cannot do so, ask him or her about specifically what is wrong with your problem and/or solution statement. It is impossible to get back on track if you do not know where you are going in the first place.

Once you have agreed again on what the desired outcome is, then see if you can see a new path to the outcome. If you can do so, then take the most direct path and make a “beeline” for the answer. If you cannot do so, then re-trace the steps of your analysis one by one until you figure out where you got lost. In doing so, re-state what you know about the case to the interviewer. Subtly give him or her the opportunity to help you out. If (s)he refuses, keep going back step by step until you figure out what you did wrong. Re-check your math calculations (yet another reason to write the math down on paper even if you think that you can do the problem in your head). If need be, go all the way back to the initial statement if you think that you got off of the right path at the very beginning. In any case, keep yourself focused on the solution and on driving toward the answer at all times. Do not give up!

Another key to getting “unstuck” is to return to your framework. Have you sufficiently penetrated all of the areas of inquiry that you identified as important at the outset of the interview? In your previous analysis, where did the interviewer seem most interested? Where

did (s)he seem to have the most information pre-prepared, and where was it clear that (s)he was “making it up on the fly?” Did you forget about an important area when you were initially defining your framework? Is there another framework that you could quickly apply to uncover more details (for example, one successful candidate said, “when in doubt, I pull out the 4 C’s”).

If these case technique approaches are not fruitful, it’s time to change the game. You’re a seasoned businessperson by now and you’ve also done a bunch of cases at Kellogg. Think about how this current situation is similar to something that you’ve encountered before. Think about how you’d go about solving this problem if you were actually running this business rather than trying to get a job. Verbalizing this thought process is very important. At the very least, you can impress the interviewer with some of your relevant experience. More importantly, you will be giving the interviewer something to work with – you’re looking for them to say something like “you’re right, that situation sounds fairly similar, but in this case I think that the industry climate might be a little less attractive...” Now, you’re off to the races again, you’ve been given a clue as to one of the key areas to probe in greater detail.

The critical message on getting stuck and unstuck should be why it happens and what to do about it. Having a “nose for the answer” is really just the secondary message. The primary message is that anyone can learn to get back on track by refining and practicing these important techniques. We’d also like to re-emphasize the importance of not being silent. The old quote that it is “better to be silent and be thought a fool than to open your mouth and remove all doubt” does not apply in consulting case interviews.

Public Math

Most (though not all) cases will require the interviewee to do some mathematical calculations in front of the interviewer. This is commonly known as “public math.” The

interviewer will say something to the effect of “If the total market size for this product is \$100 million per year, and our client’s market share is 20%, then what are our annual sales?”. In this example, the correct answer of \$20 million is found by multiplying the two numbers together, preferably on your piece of paper. Even though you may know how to do the problem in your head, writing down the equation will remove any doubt about whether you knew that correct formula rather than “lucked out.” It will also help you to make sure that you have neither one too many zeros in your answer, nor one too few.

Public math problems seem to always be asked in the context of the case rather than as a stand-alone entity. You need to practice them beforehand, and make sure that you take your time with them once in the interview, but other than that there is no magic formula. Most of the problems are ones that the average Kellogg student learned in the sixth through eighth grades, so successful interviewees are expected to get them right. It is generally better to set up the problem in the right way (e.g., know what needs to be added to what) and then to make a mistake on the math itself than the other way around. But math mistakes at this level are almost always due to carelessness or nervousness under pressure, and people susceptible to either characteristic tend not to make great consultants. So if you are prone to making simple math errors, drill yourself on simple math to ensure that you don’t do so in your interviews.

Estimate Questions

This sub-section will conclude with a brief discussion of “estimate” questions. These questions are usually not given to MBA candidates. It is more typical for consulting companies to give such cases to Bachelor’s degree candidates who are interviewing for an entry-level job within the firm. Sometimes these questions will be built in to MBA interviews, though it is rare for one to be asked as a stand-alone case.

Anyway, an estimate question is usually in the form of something such as, “How many golf balls would fit in the Hancock Tower?”⁵ If you run into one of these questions, break the question down into pieces. It may be useful to know some volume formulas to get you through these types of questions -- for volume of a sphere (like a golf ball)-- if its radius is r , then the volume is $\frac{4}{3} * \pi * r^3$. A building is a rectangular cube and the volume formula is height times length times width. If you show that you are using the relative volumes to determine how many balls would fit in the building, you will likely satisfy the interviewer on this basis alone. It is legitimate to use any information that the interviewer might have given you and to estimate other facts you need based on your own best judgment—just state your assumptions out loud. While you do have some liberty to make “guesstimates,” your guesstimate is an indication of your common sense – guesstimating the population of the U.S. at 1.5 billion people is likely to make a very poor impression. If you have no idea about the magnitude of what you are guessing at, state that and see if the interviewer offers up some information. That said, do not panic, and do not spend an undue amount of time trying to get the answer to be perfect.

Given the rarity of these questions in actual interviews, we do not recommend that you spend a lot of time practicing them (knowing volume and area formulas for common shapes is likely the ideal preparation). Your case prep time will be much better spent practicing things that you are more likely to see in a case interview. If you get an estimate question in an interview, use your best judgment, be sure to reference any data that you already have, and try to tie the estimated answer in to the rest of the case.

⁵ This particular question was used in the 2003 Special K! movie. We would like to thank Sam Shank (Kellogg Class of 2004) for its use.

Sub-Section Five of Seven - Types of Cases

In general, there are seven main types of cases:

- 1) Industry analysis;
- 2) Profit improvement;
- 3) Capacity expansion;
- 4) Market entry;
- 5) Acquisition;
- 6) Investment; and,
- 7) Market sizing.

These classifications are neither mutually exclusive nor collectively exhaustive. For example, a market entry case might require industry analysis, and an acquisition case may involve evaluating return on investment. Some cases may not fit neatly into any of the seven major case types, but may incorporate certain elements from one or more of them.

Each of the seven case types is discussed in this sub-section.

Type #1 of 7 - Industry Analysis

Industry analysis cases tend to focus on evaluating the structure and/or desirability of a particular industry. For example: “Your client manufactures jet engines. Is the jet engine industry desirable to be in? Why or why not?”

Issues to consider in industry analysis cases are as follows:

- What is the industry’s structure (competitive, oligopoly, monopoly)?
- What are the relevant market conditions (e.g. size, growth, profitability, segmentation, technological change, regulatory issues)?

- How concentrated is the industry in terms of competitors? What are the strategic positions of the key competitors in the market? How is market share divided?
- What is the industry's vertical chain of production? Who are the industry's buyers and suppliers, and how powerful are they?
- How significant are barriers to entry and exit (e.g. economies of scale, learning curve, high fixed costs, and access to distribution channels)?
- What factors drive success in the industry (e.g. technological leadership, consumer insight, brand equity)? — that is, what are the benefit and cost drivers?
- Are there any trends which affect the benefit of cost drivers?
- What current and potential substitutes exist for the industry's product/service?

Type #2 of 7 - Profit Improvement

Profit improvement cases are probably the most common cases that you will encounter. They typically require that you analyze why a firm's profits have decreased and/or what a firm could do to increase its profits. For example: "Company X saw its profits decline by 50% last year. Why did this occur and what would you recommend that it do?"

A change in firm profitability can be analyzed by systematically examining each of the components of the profitability relationship. Profits are given by the equation:

$$\pi = \text{Revenues} - \text{Costs} = [(Price - Variable\ costs) \times Quantity] - Fixed\ costs$$

We recommend that you use the expanded form of the equation (in italics) so that you don't forget the difference between fixed and variable costs in the heat of the interview. Other valuable profitability formulas include:

- Revenues = (Price * Quantity)
- Costs = Fixed costs + Variable costs

- Breakeven quantity = $FC / (\text{Price} - \text{Variable cost})$

It is useful to familiar enough with each of these formulae to be able to reproduce them in a case interview situation. Furthermore, specific revenue-related issues to consider are as follows:

a) Factors that impact price

- Market power
- Price elasticity
- Product differentiation
- Product Mix (segmentation)

b) Factors that impact volume

- External factors affecting volume
 - Competition
 - Substitutes/Complements
 - Market forces – declining market size, technology, regulation
- Internal factors affecting volume
 - Distribution channels
 - Logistics/supply chain/inventory management
- Growth strategies
 - Sell current products to current customers or new customers
 - Sell new products to current customers or new customers

On the cost side, some major specific issues to consider related to costs are as follows:

- Fixed versus variable costs
- Short-run versus long-run costs
- Capacity utilization and its impact on total average cost per unit

- Benchmarking costs against industry competitors
- Relative percentage weighting of cost components:
 - Cost of Goods
 - Labor
 - Raw materials
 - Overhead
 - Operating Costs
 - Selling and distribution
 - Marketing: advertising, promotions
 - General and administrative
 - Research and development

An analysis of costs will vary with the type of industry being considered. For example, if you are examining a pharmaceutical firm, you may want start by looking at its research and development expenses. In the case of a firm with multiple products or divisions, cost allocation between the products may be an important issue. For example, a firm's overall profitability will suffer if it begins to sell relatively more of a low margin product.

Appendix D extends the discussion on profitability analysis and profit improvement.

Type #3 of 7 - Capacity Expansion

Capacity expansion cases usually revolve around how a firm can optimally increase its output potential. For example: "Company X has decided that it needs to expand its manufacturing capacity and is considering either building a new plant in Lima, Peru, or increasing the scale of its current plant in Buenos Aires. Which would you recommend that it do?" A general approach to capacity expansion cases is as follows:

1. Estimate the potential benefit of capacity expansion
 - Quantify market demand and potential revenue gains
2. Evaluate the means of capacity expansion (existing plant or new plant?). Issues to consider here include:
 - Availability of desirable location for a new plant
 - Proximity to customers
 - Proximity to suppliers
 - Transportation costs
 - Labor cost & availability
 - Technology
 - Time required to complete capacity expansion
 - Capital cost of building new plant versus expanding existing plant
3. Market considerations
 - Impact on industry demand & pricing: will expansion create excess capacity in the market?
 - Likely competitive response
4. Cost/Benefit analysis
5. What alternatives exist?
 - Outsource
 - Lease
 - Acquisition

Type #4 of 7 - Market Entry

Market entry cases deal with a firm looking to expand into a new geographic region, a new/related business, or a new customer segment. For example: “Company X manufactures and sells high-end audio speakers in Indonesia. The firm is considering expanding its operations into China. Would you recommend that it do so?” A general approach to market entry cases is to:

1. Size the market:
 - a. Define the market: product, geography, etc.;
 - b. Evaluate industry structure;
 - c. Assess market size, profitability, and growth by asking how much capacity is in the market; and,
 - d. Identify relevant trends (regulatory, technological, demographic, etc.).
2. Understand the competition:
 - a. Concentration;
 - b. Share and positioning;
 - c. Core competencies and resources; and,
 - d. Likely reaction to entry.
3. Analyze customer needs:
 - a. Segmentation (size, profitability, share, growth) and,
 - b. Drivers of purchase behavior (4Ps).
4. Identify Gaps in Customer Needs
5. Assess the company and analyze how well the company’s strengths match the new market:
 - a. Core competencies and resources (can the firm establish a competitive advantage?);

- b. Potential positioning;
 - c. Source of volume (steal share (from whom?) or expand category?);
 - d. Niche or mass strategy?; and,
 - e. Cost structure (scale vs. scope economies).
6. Evaluate Barriers to Entry
- a. Customer-related:
 - i. Product differentiation;
 - ii. Brand loyalty;
 - iii. Switching costs; and,
 - iv. Access to distribution channels.
 - b. Non-Customer-related:
 - i. Proprietary technology;
 - ii. Economies of scale;
 - iii. Capital requirements;
 - iv. Experience curve; and,
 - v. Regulation.
7. Evaluate Methods of Entry
- a. Build, acquire, partner?
 - b. Quantify investment cost and risk
8. Analyze how firm has entered markets in the past, whether it has it been successful or unsuccessful, and why?

Type #5 of 7 - Acquisition

In acquisition cases, you will typically be asked to evaluate whether a company should purchase another firm. For example: “Company X, a manufacturer of athletic shoes, is considering an acquisition of Company Y, which makes sports watches. Would you recommend that it do so?” The easiest thing to remember, when approaching these cases, is “will $1+1=3$?”.

A general approach to acquisition cases is as follows:

1. Ensure that you understand the acquiring company’s line of business, its core competencies, its cost structure, and the underlying structure of the industry in which it competes;
2. Assess the rationale for acquisition (e.g., Why is the company considering the acquisition? What potential synergies exist?);
 - a) Acquire resources:
 - Increase capacity;
 - Increase distribution;
 - Broaden product line;
 - Technology;
 - Human capital;
 - Brand name; and/or,
 - Customers (network effect)
 - b) Decrease Costs
 - Economies of scale;
 - Economies of scope (brand, distribution, advertising, sales force, management talent, etc.);

- Climb the learning curve more quickly;
- c) Other strategic rationales
3. Assess the likely response of competitors if the acquisition occurs
 4. Consider organizational issues
 - Will potential synergies be realized?
 - Might the firm make any changes in advance of the acquisition to be better positioned post-acquisition?
 - Is the firm in a position to perform the integration?
 5. Determine whether the potential revenue increase/cost decrease exceeds the price of acquisition (NPV analysis)
 6. Consider alternatives to the acquisition
 - Other target
 - Organic growth

If the acquisition is vertical (as opposed to lateral (new business) or horizontal (increasing the firm's current scale) consider the following:

1. What are the benefits of “using the market”—that is, keeping the entities separate?
2. What are the coordination costs associated with using the market?
3. How might the firm enhance the benefits of using the market or reduce the coordination costs associated with using the market? That is, how might the firm improve its situation without integration?
4. What would be the source of gain from ownership?

5. What organizational issues might be introduced (agency costs) as a result of ownership?

While you may not have enough information to answer many of the questions above, indicating that you understand the importance of these questions is useful. So do bring up a few they are all questions that you would find critical to answer in coaching a firm through an acquisition to demonstrate that you understand what this type of analysis is likely to focus on.

Type #6 of 7 - Investment

Investment cases usually take the form of examining the potential purchase of a new business or installation of new infrastructure. For example: “Company X is considering whether or not to purchase and install a new inventory management system. Would you recommend that it do so?” A general approach to investment cases is as follows.

1. Ensure that you understand the firm and its line of business, and the fundamentals of the industry it competes in;
2. Determine why the firm is considering the investment;
3. Do financial analysis (NPV analysis);
 - What are the up-front costs of the investment?
 - What are the projected cash inflows and outflows of the investment and how will they occur over time?
 - What are the opportunity costs of the investment – upfront and ongoing?
 - What is the firm’s cost of capital?
 - What is the investment’s upside/downside potential (sensitivity analysis)?
4. Other Considerations

- Effect on competition -- if the investment is made or not made, what will the competition do?
- Does the investment have option value (e.g. follow-on opportunities)?
- Timing: should the investment be made now?
- Other strategic considerations

5. Alternatives to making the investment.

Type #7 of 7 - Market Sizing

As was discussed in sub-section #4 of this section, at some point in your consulting interview journey, you may be asked to estimate the size of a market. Occasionally a “market sizing” question can be a case in and of itself, for example, “What is the market for personal computers likely to be in 15 years?” However, this is somewhat rare. Market sizing more often surfaces as part of addressing a broader case issue. If, for instance, you are evaluating whether a company should enter a new market, you may want to begin your analysis by figuring out the size of the market to determine if it is worthwhile to enter.

As part of a larger case, an interviewer may ask you to estimate something that she is certain you do not know (for example, “How many chopsticks are sold in Japan each year?” or “Estimate the number of gas stations in the U.S.”). As mentioned above, these “oddball” cases as a stand-alone entity are rare in MBA interviews, but it is not out of the realm of possibility that you may encounter such a question as part of a more in-depth case.

The critical thing to bear in mind with regard to market sizing cases is that the end number that you come up with is not what is most important. Recruiters want to see your thought process when they give these types of cases. Consequently, develop a logical, sequential framework to arrive at an estimate, and make sure to verbalize your methodology. Even if you

are performing calculations on a piece of paper, tell the interviewer what you are calculating, and why, as you work through the math. In the aforementioned chopsticks example, you could articulate to the interviewer that you will estimate the number of chopsticks sold every year in Japan as follows: The # of chopsticks sold annually in Japan = # of pairs sold to individuals + # of pairs sold to restaurants. In turn, the # of pairs sold to individuals = $[\text{Population of Japan} * \% \text{ who use chop sticks}] / \text{\# of years a pair lasts}] * \text{\# of pairs each user owns}]$. And the # of pairs sold to restaurants = $[\text{\# of Restaurant Meals Consumed Per Year} * \% \text{ of Restaurant Meals That Require Chopsticks}]$.

These types of questions almost always involve performing mathematical calculations, so do yourself a favor and use round numbers to make it easier. For example, even if you know that the U.S. population is approximately 290M, tell the interviewer you are going to round to 300M if it is okay. That should be fine with the interviewer because (s)he really does not care what numbers you use so long as you use a reasonable and logical process to arrive at an estimate.

It helps to know some basic demographic and statistical facts (e.g. the size of the U.S. population), especially about the regions in which you are interested in working. However, even if you do not know a statistic that you wish to use in your analysis (say, the number of U.S. households), that is okay. Come up with something reasonable and move on from there. For example, if you know the U.S. population is somewhere between 250 and 300 million people, and that it seems realistic that there are 2.5 to 3 persons per household, an estimate of 100 million households is sound.

Sub-Section Six of Seven - Other Important Points to Remember About Case Interviews

Here a few other additional important points to remember about case interviews as you head into the process. These are not arranged in any particular order:

- Attitude is important. If you let yourself be intimidated by cases, chances are you will perform poorly. As best you can, treat the case as an intellectual challenge that you find interesting and fun. A case is nothing more than an engaging discussion about a business situation. In fact, if you do not at some level feel a positive sense of challenge from tackling cases, you may want to reconsider pursuing a position in consulting because solving ambiguous, complex business problems is what consultants do.
- Cases will not be as painful as you think. If you are stuck, many interviewers will ask questions, provide information, or make suggestions, to help get you back on course.
- If you need some time to collect your thoughts as you progress through the case, do not hesitate to ask for it. Interviewers understand that cases require absorbing and processing lots of information, and they will almost always respond positively to you taking a pause and then moving forward in a logical manner.
- Be sure to listen to everything the interviewer says throughout the case, because interviewers will often give you cues that point you in the right direction. As a general rule, follow interviewer's cues, even if they divert you from the direction you were headed. For example, if you are investigating revenues and the interviewer says something like, "The firm's revenues have been pretty steady; why don't you take a look at the costs," even if you really think that revenues are the issue, you should truncate that branch of analysis and move on to examine costs. Interviewers are not out to trick or

mislead you. Instead, it's more important to them to get a "true read" on your potential as a consultant; this includes giving you the information you need to make recommendations.

- Embrace the numbers. Consulting firms are looking for candidates who are "numerically agile," and many cases have a quantitative component, as mentioned above. Shying away from quantitative analysis sends a bad signal to the interviewer in consulting interviews.
- Do not jump to conclusions, make conclusions that are unsupported by or in opposition to the facts, or be satisfied with surface-level insights. You should not expect to fully crack a case in the time allotted. Do as much as you can, then go with the direction in which the data lead you.
- Do not be wishy-washy. It is fine, and usually necessary, to evaluate several strategic options as you work through a case; however, when giving your recommendations, state them confidently and back them up with specific evidence from your analysis. Saying something to the effect of, "On the one hand this, but on the other hand that" as your recommendation is quite likely to result in a "ding."
- To that end, if time runs out before you can finish your analysis and can make a recommendation, summarize where you are, what you have learned, where you would go next, and make a preliminary recommendation. For example, "Given that I know X, Y, and Z, I would recommend the firm do [action] at this point. However, I would still want to investigate A, B and C to complete my analysis." A preliminary recommendation beats no recommendation, and the interviewer may very well ask for one.
- As noted earlier, one tactic that you may find helpful with regard to ending case interviews effectively is reserving a corner of your notepad for writing down key findings,

conclusions arrived at as a result of the discussion, and additional data you would need in order to have greater confidence in your recommendations. Having this information documented and readily accessible can help you to avoid any potential scrambling as you try to sum up the key findings of the case under a time constraint.

- Be mindful of your tone, especially when criticizing or evaluating a suggestion made by the interviewer. Often the cases that interviewers give are current or past projects they worked on. Condemning a suggestion or solution that the interviewer himself or herself may have devised is not likely to paint you in a favorable light. If, for example, the interviewer inquires, “Well, what do you think about divesting that business unit?” You will want to avoid saying something like, “That doesn’t make any sense at all,” and instead try something like, “That is definitely an option the company could consider; my predilection is to try Solution A, however, because of our discussion of Facts X, Y & Z.”
- No matter what happens, keep your cool. Even if your analysis is going horribly and the interviewer is content to let you struggle, do not let him or her see you get flustered. Some interviewers will purposely try to rattle you, just to see how you react. Even if you are totally floundering, remain calm, take a moment to collect yourself, and attempt to get back on track. If they see you can handle pressure, you might still have a chance.
- Certain consulting firms tend to focus on certain types of consulting cases. For example, much of Marakon’s client work has a financial component, so if you are interviewing with Marakon make sure to include brushing up on your financial analysis skills as part of your preparation. If you are interviewing with a marketing consulting firm, expect the case to deal at least partly with customer analysis and marketing-related issues. If you are interviewing with ZS Associates, you should probably at least skim Prof. Zoltner’s book,

as well as have a good knowledge of the pharmaceutical/medical device sales process. The bottom line is that you should be familiar with the firms you are interviewing with because they are likely to ask questions related to the type of work they do, and the industries they serve. Section V of this book provides details on each consulting firm that is planning to interview at Kellogg in the winter of 2004 for summer positions.

- Some of your interviewers will be “nice” (i.e. patient, forthcoming with information, willing to steer you in the right direction if you get stuck), while others will be “not nice” (i.e. impatient, challenging, vague, reluctant to provide information, willing to let you “hang out to dry” if you get stuck). When you practice cases, prepare for both kinds of interviewers. Also, do not allow yourself to become preoccupied during the interview with the interviewer’s body language or level of engagement. Different people have different interviewing personalities, and some poker-faced interviewers will not communicate that you are doing well even when you are. Trust yourself, if you’re doing your best, you’re probably making a good impression.
- In your practice sessions, be strict with time limits. Time management is a fundamental part of case interviews, and you do not want to become accustomed to solving in 40 minutes cases that are designed to be solved in 30 minutes, or to solving in 20 minutes cases that are designed to be solved in 15 minutes.
- The interview is not over when the case is finished. Your questions, and the way that you comport yourself during the question and answer period may be a very important determinant in whether you get “passed on” to the next round or offered a job. If you have absolutely flailed at the case, the question and answer period will probably not provide salvation. If, however, you have aced the case, be sure not to become decidedly

unimpressive (or arrogant) two minutes later when it comes to expressing interest in, and gathering information about, the firm.

- Cocktail parties and dinners prior to the interview are often an important part of the interviewing process. You may meet one or more of your interviewers on an informal basis weeks before your interview. Any good impression you make over cocktails will get you off on a good foot when you enter the interviewing room. Be sure to act in a way that you're happy being remembered for.
- Be courteous, at all times, to your fellow interviewees. If they are not current classmates of yours, they're likely to be in the future. If they don't go to school with you now, they may share a small office with you in a few months. Furthermore, the full-time consulting staff is likely to notice more than you think about how you interact with others. Make sure to let other people shine, and invest time in getting to know others – they're probably fairly interesting people!

Sub-Section Seven of Seven – Concluding Thoughts on Case Interviews

This seventh and final sub-section of Section II concludes our look at case interviews by putting the interviews in the context of the Kellogg Honor Code and then by offering some concluding remarks before we proceed on to sample practice cases in Section III.

Kellogg Honor Code Issues

The Kellogg Honor Code applies to all types of interviews, including (but certainly not limited to) consulting case interviews. The most important specific issue in case interviews concerns the discussion of case interview specifics with a classmate who is interviewing with the same firm. This is a highly unethical action. Many consulting company interviewers will give

the same case to most or all of their interviewees. If you are given the case in a morning interview and then discuss it over lunch with a classmate who is interviewing with the same company in the afternoon, you may think that you are helping a friend in the spirit of Kellogg. In fact, you are harming all of the other interviewees, both within Kellogg and at other business schools. This is clearly giving one student an unfair advantage over all of the others, and will not be tolerated. Taking this one step further, conversations in the Jacobs Center's Levy Atrium and elsewhere are easily overheard. Don't discuss interview content with anyone regardless of their interviewing status – the person sitting behind you may be walking into the interview room as soon as (s)he finishes a sandwich and extracts every last tidbit of information from your conversation.

Anyone who is caught sharing or receiving information will be reported to the Kellogg Honor Code Committee and will face a hearing on the matter. Moreover, since Kellogg is self-policing, anyone who witnesses this type of event is honor-bound to report it. Please do everyone at Kellogg a favor and avoid putting a lot of people in what is sure to be a very uncomfortable and divisive situation. Do not discuss the specifics of cases that you encounter with anyone at Kellogg or at another business school under any circumstances during the interview process. Thanks.

A second, more subtle, and less common Honor Code issue concerns the issue of bringing notes into a case interview. This also is not permitted either by Kellogg or by the consulting companies. Though most companies provide scratch paper for use during case interviews, some candidates are more comfortable bringing in their own folio or legal pad. That is fine, but all the paper you use must be blank. Referring to pre-prepared notes during a case interview is a form of cheating (and may further disadvantage the candidate by making his or her approach more

regimented). If you must, it is OK to prepare notes and review them in the waiting room, but once you step into the interview room, you will need to rely on your brains, instinct, and judgment, not on any “cheat sheets.”

Conclusion

While everyone needs to develop his or her own individual approach to case interviews, performing well in cases generally requires the candidate to demonstrate a structured, thorough thought process, verbalize that thought process, think creatively, and deliver his or her analysis in a confident, composed manner. We hope that the information in this guide will help prepare you to excel in the consulting recruiting process.

In addition, we encourage you to solicit opinions and advice from as many people familiar with the consulting interview process as you can. These sources are detailed in **Appendix B**, and include your fellow students, Kellogg alumnae/i⁶ at consulting firms, credible third party sources, the Consulting Club here and at other business schools, and consultants themselves. These sources can not only provide valuable advice, but also an abundance of practice cases similar to those that are included in the next section.

A parting word of advice on practice: there is such a thing as practicing too few cases to be effective in the interviews themselves. Knowing how to perform well in case and fit interviews is one thing, being able to do it is another. There is also such a thing as too much practice, however, which can make people seem over-rehearsed, unspontaneous, and defensive. Strike a balance in how much you prepare, but when in doubt err on the side of more rather than less.

⁶ Throughout this case book, the word “alumnae/i” is used to collectively mean women graduates of Kellogg (alumnae) and male graduates (alumni).

There is no single best answer to the question, “How much should I practice?” because that determination needs to be made individually. Your optimal amount of practice time is a function of your interest in consulting, your natural aptitude for tackling cases, the quality of your preparation time, and what else you are doing. If you practice until you notice that your feeling of dread regarding the interview is greatly diminished, it is likely that you are at the point where you will exhibit the necessary confidence, mental focus, and alertness that a tough case requires.

Anyway, good luck in the case interview process! We hope that this section has been useful in your preparation, and that you will feel free to consult additional resources if you require more information or different perspectives. Now it is time to move on to some practice cases.

III. Practice Cases

Section III contains ten sample practice cases and is the longest section in the book. As was mentioned earlier, it is not necessarily meant to be read straight through. People who are studying for case interviews can read through these cases one at a time on their own if they want. A better way, though, is for students to give these cases to one another during their case practice time. We leave it up to each person to decide how best to use these cases for himself or herself, but we hope that they will turn out to be beneficial regardless.

All of these cases have been submitted and/or adapted from various sources. Each case contains a de-brief of the case, which includes its origins, solutions to the case, and general comments about the key points of the case and its various take-aways. For cases #1-6, all of which have slides, this information is at the end of the case. For cases #7-10, this information is interspersed with the rest of the case. In either event, be sure that you thoroughly read and understand these comments for each of the cases that you attempt. The first six cases all contain slides – there are no comments on the slides, in order to make it as easy as possible for students to present these cases to one another in case practice without giving away the answers. All of those comments are in the pages of de-brief, so a student who is “giving” the case as the mock interviewer should read this section before doing so. The last four cases do not have slides and contain both the case and the de-brief information.

The cases in this book are meant to get people started and help them to develop a foundation of practice. For space reasons, there are not enough cases in this book to constitute the entirety of one’s case practice. We urge people to supplement these cases with other cases from the case books of other business schools and/or various commercial publications.

As you prepare for consulting interviews, you may be tempted to read and rehearse all of these cases individually before you begin practicing. We strongly urge you to resist this temptation, as the benefit you will derive will be substantially impaired. Rather, we suggest that (as you have likely already done) you partner with some similarly motivated students (4-8 is often a good size) and “divide-and-conquer” the following cases. Prepare some cases as if you were the interviewer and reserve others so you may be challenged during practice interviews.

When preparing a case (to be given to your classmates), you should make sure you understand all aspects of the analysis presented. Further, you should be prepared for any number of contingent questions that a “interviewee” might raise. Finally, as an interviewer, you should be prepared for a wide range of issues that might be raised during the interview but were not addressed in the “write-ups.” This is a natural consequence of the case format—each case likely represents the distillation of many months of analysis, and it is impossible to include every relevant detail in the pages below. It is your responsibility to assess the validity of these issues as they are raised by your interviewee. If you believe these issues are reasonable, by all means allow the discussion to flow naturally. However, if the interviewee wanders too far off topic, it is your responsibility to regain control of the analysis.

Finally, we have said it before, but let us again remind you to practice cases that are in the format(s) used by the companies that you are interested in. This information is in Section V.

Food Wholesaling Case – Case #1 of 10



Food Wholesaling Case

2004 Kellogg Consulting Club Case Book - Case #1 of 10

Our client is an established food wholesaler that is trying to increase profitability

- The situation is that our client is a wholesaler of a variety of different food items.
- The client has a steady stream of business and is already profitable, but is looking to unlock more profitability from its existing lines of business.
- The question is: how can they can best increase profitability from their existing businesses?

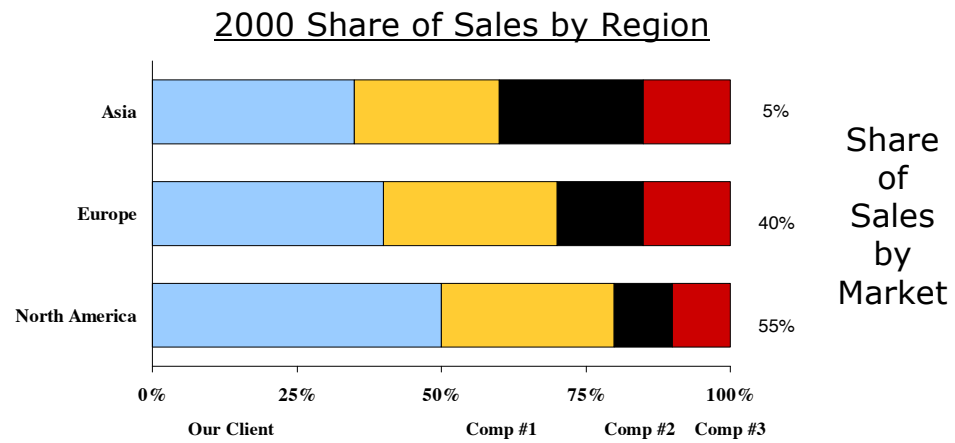
49

The client is a leader in an established, mature industry

- Industry Characteristics/Market Economics
 - Growing at the rate of GDP
 - Significant barriers to entry
 - no new competitors have entered the market in the last several years
- Client Characteristics
 - Client is currently the industry market share leader
 - Margins are good, but depend on product line
 - Offers a range of high-end and low-end food products
 - Consumers are high and low-end hotels and restaurants
- Competitive Dynamics
 - The dynamics (duopoly vs. fragmented industry) depend on the region, but there are key competitors in each region

50

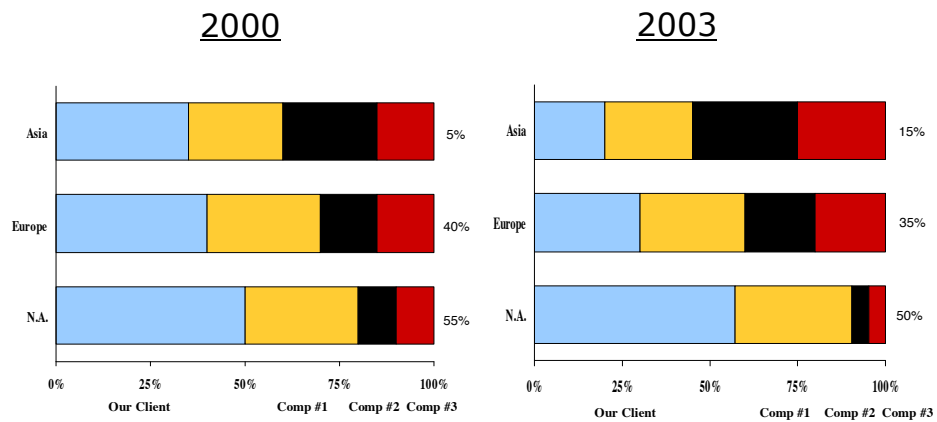
The client's position in the year 2000 was that its sales came from Asia, Europe, and North America



1. What observations can be made from this graph?
2. What would you expect to happen in three years?

51

The client's position in the year 2000 is now shown side-by-side with its 2003 position

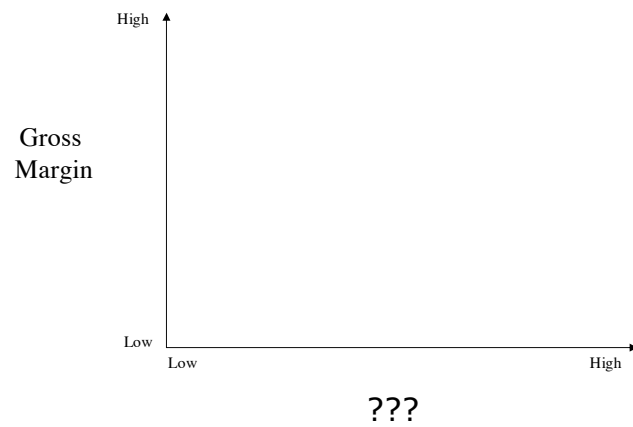


1. What has happened in the past three years? Why?
2. What are the implications for price-cost margins?

52

The client is trying to figure out which exogenous factor is driving the gross margins of its individual products

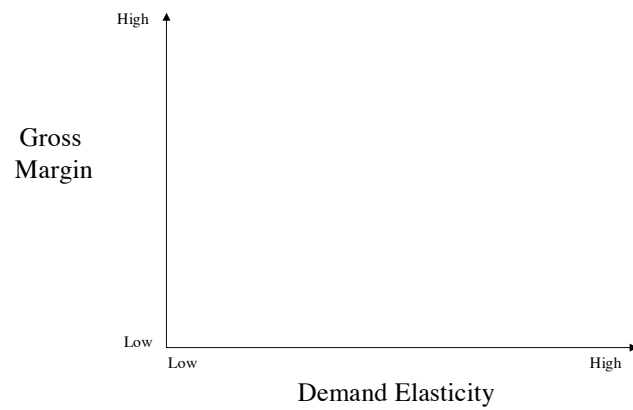
If we have a graph with gross margin on the y-axis, what would go on the x-axis?



53

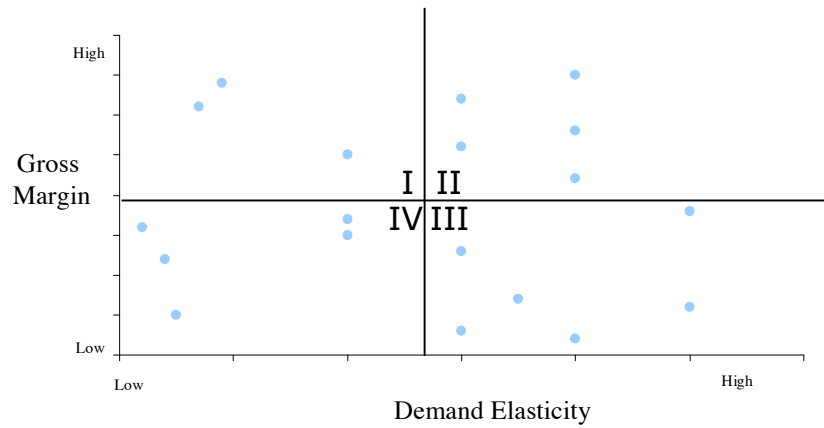
The client now wants to know how demand elasticity will affect the gross margins of its individual products

What should the graph look like?



54

It turns out that demand elasticity and gross margin do not have the inverse linear relationship that we would expect



1. What observations can you make from this graph?
2. What should the client's new strategy be in each of the four graph quadrants?

55

Food Wholesaling Case - Solutions and De-Brief

Origins

This case was initially given to Colby Maher (Kellogg Class of 2003) in an interview that she had with consulting firm Booz Allen Hamilton. It was later adopted by Kellogg Prof. David Besanko for his use in his Microeconomics primer for the Consulting Club in both the fall of 2002 and in the fall of 2003. It was then slightly further adapted and modified by the team that wrote this case book. We'd like to thank Booz Allen Hamilton, Colby Maher, and Prof. Besanko for allowing us to modify and to use this case.

General Comments

The case primarily tests an understanding of microeconomic concepts. As such, it is a little bit more qualitative and less quantitative than the average case. However, it is entirely possible that you will see a case such as this one at some point during your interviews.

Solutions/How to Give the Case

The person giving this case needs to give the interviewee the first two slides (pages 49 and 50) as background before asking him or her any questions. At slide #3 (page 51), the prospect is presented with a chart and asked to interpret it by answering two questions. The key insights on question #1 are that the client is the leader in a two-company oligopoly in North America, its biggest market. It is in a highly competitive situation in Europe, and an even more competitive position in Asia where it has two competitors that are only slightly smaller, and a third competitor with a decent market share as well. For question #2, the prospect should ideally identify three major points: 1) given the economies of scale and distribution that are likely prevalent in this business, we expect them to use these advantages and the "experience curve" to

increase their market share lead in North America; 2) conversely, we would expect them to lose market share in Asia and Europe during this time, for the same reasons; and 3) given the high growth rate in Asia relative to the other two continents, we would expect the Asian share of our client's overall business mix to increase. (Note: The candidate can infer from the information presented that the market in Asia is growing, since our client's market share in Asia is declining, but at the same time Asian sales are accounting for more and more of its total. This means either that the Asian market is growing or that our client's sales are drastically declining. The former explanation seems to be the more logical of the two.)

If the candidate produces these insights, slide #4 (page 52) should confirm their hypotheses. If not, it will be necessary to tease these insights from him or her, or just say why if (s)he is really stuck. As for question #2 on page 52, price competition should be softer in the U.S. than in Asia due to our client's commanding market share and the fact that there are fewer competitors. For bonus points, the candidate could also mention that the U.S. market may be more fertile ground for price leadership and that it may be easier to track competitor moves.

Slide #5 (page 53) presents the candidate with a graph and asks him or her to label the x-axis. The correct answer here is demand elasticity. That answer is revealed on slide #6 (page 54), which in turn asks the candidate to draw the most logical line on the graph, which is a downward-sloping straight line from the upper left-hand corner to the lower right-hand corner. Finally, at slide #7 (page 55), the actual graph appears and is different than what we expected.

The observation from the graph is that there is no apparent effect at all from demand elasticity on gross margins. This leads us to the conclusion that profits will increase if we change our pricing strategies in Quadrants II and IV. We should leave pricing alone in Quadrants I and III, since points in those areas are behaving in the way that we would expect them to. In

Quadrant II, demand elasticity is high, yet we are still earning a high margin, indicating that there is room to cut prices here and still increase profits. In Quadrant IV, demand elasticity is low, yet margins are also low, meaning that we can raise prices to capture additional consumer surplus. These insights regarding elasticity and profit-improving price changes will occur to the candidate easily if (s)he invests some effort in understanding price elasticity of demand and its relationship to changes in revenues as price is reduced 1%. These are the main concluding insights of this case.

GOTONet Case – Case #2 of 10

GOTONet Case

2004 Kellogg Consulting Club Case Book - Case #2 of 10

59

GOTONet currently is a leading ISP in the USA

- **GOTONet, an ISP (Internet Service Provider) offering services in the United States, is thinking about entering the European market for ISPs. Thus far, they have successfully captured the dominant position and sustained profitability domestically while receiving revenues in two separate ways:**
 1. **charging a subscription access fee; and,**
 2. **receiving a percentage of all e-commerce transactions that their subscribers undertake.**
- **GOTONet has already performed some due diligence on the ISP market in Europe and has learned that the market is very fragmented and may be ripe for entry**
- **You are in a meeting with the CEO of GOTONet and have been asked to perform some quick “back of the envelope calculations” on what the potential profitability of expanding into Europe would be**

60

GOTONet: Key question

Can GOTONet achieve
profitability in Europe with its
current pricing model?

61

GOTONet has already made some assumptions about the European Market

- **GOTONet has done some research on the European market and has made the following assumptions about its proposed entry there:**
 - **GOTONet plans to capture a customer base of 10 million subscribers**
 - **GOTONet subscribers will pay €20 per month for access**
 - **The average GOTONet subscriber purchases €1,800 annually on the Internet**
 - **Of these purchases, GOTONet receives a 3% commission**
 - **Fixed costs are €1 billion annually**
 - **Variable costs are €110 per subscriber annually**

62

The GOTONet CEO has some questions that she wants you to answer

1. Please determine our annual net income (before taxes) in Europe, given the current revenue model and set of assumptions.

ANSWER: € _____

2. Given the above, what is our annual gross mark-up, in percentage?

• ANSWER: _____ %

63

There is now a new wrinkle in the GOTONet situation

GOTONet has now learned that recently a new entrant has captured a high degree of market share by offering consumers Internet access for only €10/month

3. The CEO now wants to know: can we lower our monthly subscription fee in Europe to €10 and still make money?

YES

NO

64

The GOTO Net CEO now has some more questions that she wants you to answer

- 4. Given an assumption of high demand elasticity, we cannot charge more than €10/month for access. How much would each subscriber have to buy on the Internet each year to keep profits the same?**

ANSWER: € _____

- 5. How much would each subscriber have to buy on the Internet each year to enable us to break even?**

- ANSWER: € _____

65

The GOTONet CEO now has one more question that she wants you to answer before you leave

6. Given that we cannot charge more than €10/month for access, or get each subscriber to buy significantly more products on the Internet each year, how many subscribers would we need to sign up in order to break even?

ANSWER: _____

GOTONet: Final questions

1. How could we reduce the fixed costs of investment?
2. Would there be any reason to continue with the investment even if it looks like it'll lose money?
3. How would you sum up the situation, and what do you recommend?

67

GOTONet Case - Solutions and De-Brief

Origins

This case initially appeared as a text case, without slides, in the 1999-2000 Case Book at Tuck School of Business at Dartmouth College. It has been adapted, turned into slides, and further modified by the team that wrote this case book. We'd like to thank the Tuck School and their 2003-2004 Consulting Club co-chairs, Adam Borchert and Joep Knijn (both from the Tuck Class of 2004), for allowing us to modify and to use this case.

General Comments

This case has a lot of number crunching!! As such, it is a little bit more quantitative and less qualitative than the average case. However, it is entirely possible that you will see a case such as this one at some point during your interviews. Also, it is not entirely quantitative, as there are some non-numerical insights that the candidate needs to come up with as well.

Solutions/How to Give the Case

The person giving this case needs to give the interviewee the first slide (page 60) as background before asking him or her to state the central question of the case. Based on the first slide, the candidate should be able to come up with the question in slide #2 (page 61). Slide #3 (page 62) presents the prospect with more background information that (s)he will need to do the calculations in slides #4-7 (pages 63 through 66).

On slide #4 (page 63), for question #1, annual subscription revenues are €2.4 billion (10 million subscribers x €20/month x 12 months/year). Annual commissions are €540 million (10 million subscribers x €1,800/year x 3%). Total annual revenues are therefore €2.4 billion + €540 million = €2.94 billion. Fixed costs are €1 billion. Variable costs are €1.1 billion (10 million

subscribers x €110/month). Total annual costs are therefore €2.1 billion. For question #2, annual percentage profit margin is therefore 40% (€840 million/€2.1 billion).

On slide #5 (page 64), annual subscription revenues are now €1.2 billion (10 million subscribers x €10/month x 12 months/year). Annual commissions are still €540 million (10 million subscribers x €1,800/year x 3%). Total annual revenues are therefore €1.74 billion. Total costs remain €2.1 billion, so we'll lose €0.36 billion by halving the subscription charges, making the answer "no". At this point, the interviewer should pause and ask the interviewee what (s)he thinks is the likely elasticity of demand. The likely answer is that it is high, meaning that it will be difficult for us to win European subscribers with a €20/month offering.

This insight leads directly into slide #6 (page 65). For question #4, we want to keep our previous level of profits (€840 million) the same. Total annual costs remain at €2.1 billion, so revenues will have to be €2.94 billion. Annual subscription revenues are €1.2 billion (10 million subscribers x €10/month x 12 months/year). So, annual commissions will have to be €1.74 billion. There are 10 million subscribers, so we need to receive commissions of €174/year per subscriber. That means that they will have to buy €5,800/year in goods (€174/year divided by 3%). This is more than a threefold increase from the current projection of €1,800/year. Ask the candidate if (s)he thinks that this is realistic. The answer should be no.

For question #5, total annual costs remain at €2.1 billion, so revenues will have to be €2.1 billion also. Annual subscription revenues are €1.2 billion (10 million subscribers x €10/month x 12 months/year). So, annual commissions will have to be €900 million. There are 10 million subscribers, so we need to receive commissions of €90/year per subscriber. That means that they will have to buy €3,000/year in goods (€90/year divided by 3%). This is better, but still

represents more than a 50% increase from the current projection of €1,800/year. Ask the candidate if (s)he thinks that this is realistic. The answer should be no again.

On slide #7 (page 66), the trick is to understand that each incremental customer contributes to variable costs as well as to revenues. A new customer adds €120 (€10/month x 12 months/year) in annual subscription revenues and €54 in annual commissions (€1,800/year x 3%). This sums to €174/year in incremental revenue, compared with €110 in incremental cost, a total incremental profit of €64/year. These profits have to cover total annual fixed costs of €1 billion, so the break-even point is $\text{€1 billion} / \text{€64} = 15,625,000$ customers. Many candidates foul up this part by forgetting about the variable costs that are incurred when new customers join.

Finally, slide #8 (page 67) asks the candidate some open-ended question to challenge him or her qualitatively, now that the number-crunching is over. For question #1, our client could reduce the fixed costs of investment by outsourcing capacity, leasing networks, working in localized geographies only, etc. For questions #2, our client could continue with the investment even if it looks like it will lose money, perhaps as a foothold for expansion of Internet retailing. But that in turn raises questions or whether or not this will materialize, and whether or not the competition will eliminate the ability to charge commissions.

The third and final question asks the candidate about the key points of the case, which are:

1. We could theoretically make money in Europe by charging what we charge in North America (€20/month), but the competitive landscape and high demand elasticity mean that it will be difficult for us to win European subscribers with a €20/month offering.
2. There are various ways around this, the most promising of which is to drop price to €10/month and hope to convert over a higher number of customers than we had

initially budgeted. But we need to do some market research to see if this is practical before we jump in to the market.

3. Other solutions, such as reducing fixed costs and/or using this project as a loss leader, should also be considered, and may be desirable, depending on the situation.

Maine Apples Case – Case #3 of 10

Maine Apples Case

2004 Kellogg Consulting Club Case Book - Case #3 of 10

72

Danut is a Korean conglomerate that has just made an acquisition in the United States

- **Our client is a Korean conglomerate named Danut that has acquired a small Boston-based biotechnology firm**
- **The company that they have acquired has developed a chemical that helps control the ripening of produce. After limited testing, this chemical appears to work especially well with apples:**
 - **it allows apple orchards to harvest earlier; and,**
 - **it improves the overall quality of the harvest**
- **Danut would like to know if they should attempt to commercialize this chemical**

73

Danut: Key question

Is the market size large enough
and the estimated profitability
high enough for Danut to
attempt to commercialize this
chemical?

74

Danut is going to use the state of Maine as a “test market”

- Apples are grown throughout the United States. Our client, for the moment, is only concerned with the market in the state of Maine, which is the closest apple-growing state to the Boston headquarters of the company that it has acquired
- We know some facts about the Maine apple market:
 - \$30,000/acre is the average annual revenue for apple orchards
 - There are approximately 200 apple orchards in Maine
 - The average orchard has a 100 acres of land
 - The market is growing at approximately GDP
 - There is only one apple harvest per year (in the fall)
- So, we now need to know:
 1. What is the total market size in the state of Maine?
 2. Does this seem large enough to continue?

75

Pricing is easily the most important issue in this case

This is a value-based pricing problem:

1. How much incremental profit does our product create for an apple orchard owner?; and,
2. How much of that benefit can we capture?

76

Our client's product provides three benefits to orchard owners, the first of which is earlier harvesting

- It costs money to maintain a growing field of apple trees. For example, the possibility of frost in Maine forces farmers to cover their trees, etc.
- Our client has given a sample of the product to a farmer with an average-size orchard:
 - This farmer spends \$1,500/night to maintain an active crop of apple trees
 - He was able to harvest his crop 10 days earlier by using the product

What is the estimated savings to the farmer per acre per year?

\$ _____ /acre/year

77

Our client's product provides three benefits to orchard owners, the second of which is better consistency

- Orchards split their harvest between the whole-apple market and the juice market
 - On average, 25% of the total revenue comes from whole apples
 - The other 75% of the total revenue comes from apple juice
- For the whole-apple market, the farmers must sort through the harvested apples and separate out any apples that are not red and ripe
- Our client's product improves the consistency of red apples and improves this yield by an estimated 10%.

What is the estimated incremental revenue to the farmer per acre per year?

\$ _____ /acre/year

78

Our client's product provides three benefits to orchard owners, the third of which is increased sweetness

- For apples dedicated to the juice market, this product improves the overall sweetness of apples
 - Thus, it takes fewer apples to make apple juice
 - Said another way, the same number of apples will make more juice
- It is estimated that the sweetness factor improves juice yield by 5%.

What is the estimated incremental revenue to the farmer per acre per year?

\$ _____ /acre/year

79

Our pricing will depend on the total benefit delivered and on an assumption about how much of that benefit we can capture

What is the estimated incremental profit to the farmer per acre per year?

\$ _____/acre/year

How much of that benefit can we capture in our pricing?

\$ _____/acre/year

To project profitability, we also need to calculate what our costs will be

- It is estimated that the product will cost \$100,000/hectoliter to produce
 - This is a fully-loaded cost, including labor, raw materials, transportation, warehousing, sales and marketing, delivery, etc.
- Tests indicate that 1 hectoliter of the product can support 200 acres of apple crop.

So, in conclusion:

1. Will we make a profit? _____
2. If so, what will our gross margin be? _____
3. If not, what is our negative margin? _____

81

There are other potential issues to explore as well

- Differentiation: What is our positioning? Is it unique? Is it defensible?
- Environmental Issues: Is there any risk of a backlash and/or boycott from the general public? Could the U.S. government attempt to regulate our product?
- Operational reality check: Does the company have the resources to do this?
- Patenting: Do we already have a patent on this product? If yes, when does it expire? If no, is it possible to get a patent? If not, can we at least patent the manufacturing process?
- Representativeness of Maine as a test market: What is the sensitivity of the key assumptions? Does it cost less to cover apples in Michigan or Wisconsin?
- Strategic Fit: Is this opportunity too small relative to the size of the client?

82

Maine Apples Case - Solutions and De-Brief

Origins

This case initially appeared as a text case, without slides, in the 1999-2000 Case Book at Tuck School of Business at Dartmouth College. It has been adapted, turned into slides, and further modified by the team that wrote this case book. We'd like to thank the Tuck School and their 2003-2004 Consulting Club co-chairs, Adam Borchert and Joep Knijn (both from the Tuck Class of 2004), for allowing us to modify and to use this case.

General Comments

This case also has a lot of number crunching!! As such, it is a little bit more quantitative and less qualitative than the average case. However, like the GOTONet case, it is entirely possible that you will see a case such as this one at some point during your interviews. Also, it is not entirely quantitative, as there are some non-numerical insights that the candidate needs to come up with as well.

Solutions/How to Give the Case

The person giving this case needs to give the interviewee the first slide (page 73) as background before asking him or her to state the central question of the case. Based on the first slide, the candidate should be able to come up with the question in slide #2 (page 74). Ideally, the candidate should come up with both facets of the question: 1) the minimum necessary size of the market, and 2) the need for profitability. Slide #3 (page 75) presents the prospect with enough information to answer the two questions at the bottom of the slide. The answer to question #1 is $\$30,000/\text{acre} \times 200 \text{ orchards} \times 100 \text{ acres/orchard} = \600 million . The answer to question #2 is yes – that is indeed large enough to continue.

The interviewer should then ask how the candidate should go about solving the problem. The best answer is to focus on pricing, and the prospect will be doing well to identify the two questions on slide #4 (page 76) before the slide is given to him or her. If (s)he is having trouble getting to those questions, ask him or her about the components of profitability. (The answers are revenues and costs.) Among those, which should be harder to estimate? Since the client should have a decent idea of how much this stuff costs to produce, the answer is revenues. Then, within revenues, there are pricing and volume components. Since we now know the market size, we can at least estimate volume, leaving pricing as the unsolved question.

Pricing will be a function of how much money we make for the client, and how much of that we can capture. Slides #5-7 (pages 77-79) break out this question into three separate calculations. The interviewee should be given one slide at a time, asked to calculate incremental profits on a per-acre, per-year basis, and then to write the answer in the blank space at the bottom of the slide. The answers are as follows:

1. Slide #5 (page 77) - $\$1,500/\text{day} \times 10 \text{ days} / 100 \text{ acres} = \$150/\text{acre}/\text{year}$
2. Slide #6 (page 78) - $\$30,000/\text{acre} \times 25\% \times 10\% = \$750/\text{acre}/\text{year}$
3. Slide #7 (page 79) - $\$30,000/\text{acre} \times 75\% \times 5\% = \$1,125/\text{acre}/\text{year}$

On slide #8 (page 80), the candidate should sum these numbers to a total benefit of \$2,025/acre/year. The second question on slide #8 is more subjective. Ask the candidate what a reasonable percentage would be. This is a perennial question for many products. Working in our client's favor is the monopoly nature of the product, but working against it is the newness and resulting lack of social proof. The best answers will be between 25% and 50%. Anyone who thinks that the client can capture all 100% of the orchard owner's profit is smoking crack. After

the interviewee gives you his or her percentage, say that we will use \$1,000/acre/year as our pricing for the sake of simplicity (this is just under 50%).

Using that pricing, and the information given at the top of slide #9 (page 81), the candidate then calculates that our costs are \$500/acre/year ($\$100,000 / 200$). That gives us a gross margin of $\$1,000/\text{acre}/\text{year} - \$500/\text{acre}/\text{year} = \$500/\text{acre}/\text{year}$, or 50%. This is high, and indicates that our client should proceed ahead with commercialization. Finally, ask the interviewee what other, non-financial factors should be considered. (S)he should be able to come up with at least some of the issues on slide #10 (page 82).

In conclusion, this case tests a candidate's ability to do a lot of number crunching and come up with the right answers. It is best to do all calculations in terms of per acre per year, but the candidate should figure that out on his or her own. If (s)he calculates the numbers in a different way, (s)he can then normalize the units when it comes time to add. The key qualitative insights relate to the nature of value-based pricing: the need to quantify how much money our client's product will make for *its* clients, and a realistic estimate of how much of that money our client can capture. Finally, common sense and a basic familiarity with new product introduction should guide the successful candidate to some or all of the qualitative issues on the last slide.

Orrington Office Supplies – Case #4 of 10

Orrington Office Supplies Case

2004 Kellogg Consulting Club Case Book - Case #4 of 10

86

Our client, Orrington Office Supplies, is a leading manufacturer of office products in 1992

- **Orrington Office Supplies (OOS) is one of the largest diversified manufacturers of office products, with sales of ~\$275 million in 1991**
 - Strong brands
 - Significant advertising and marketing expense to support these brands
 - Historical growth generated by product line extensions and four key acquisitions
- **OOS is organized into 5 autonomous operating divisions, but with shared manufacturing and marketing functions**
 - **Shared costs (45% of total) are allocated to products on a % of sales method**
 - **Current manufacturing capacity utilization is ~50%**

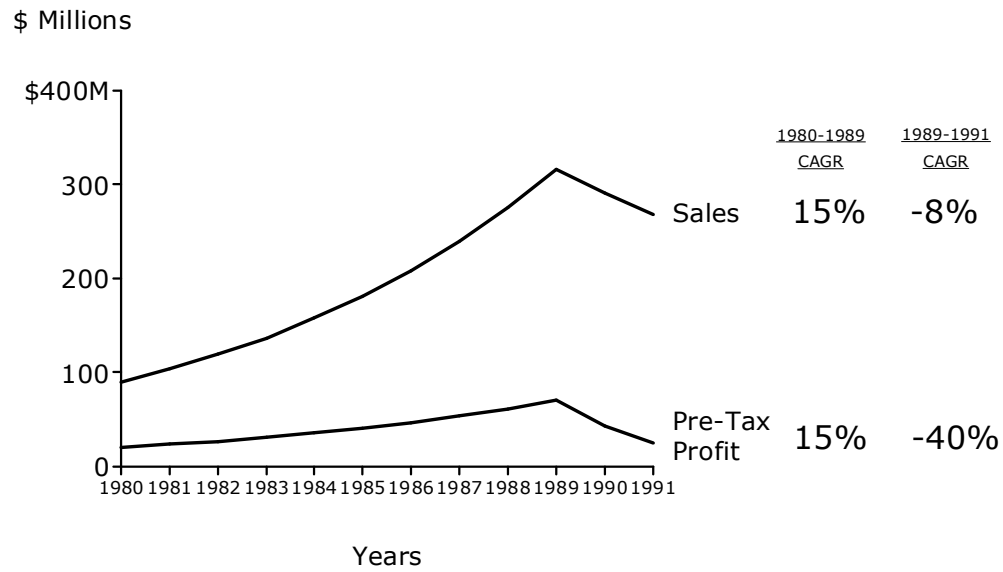
87

Orrington Office Supplies is a potential acquisition target

- OOS is a publicly-traded company on the NASDAQ
- The company's current P/E ratio is 8
- It has little long-term debt
- Some industry analysts are predicting that OOS will become an acquisition target in the near future, given a strong balance sheet but weakening earnings

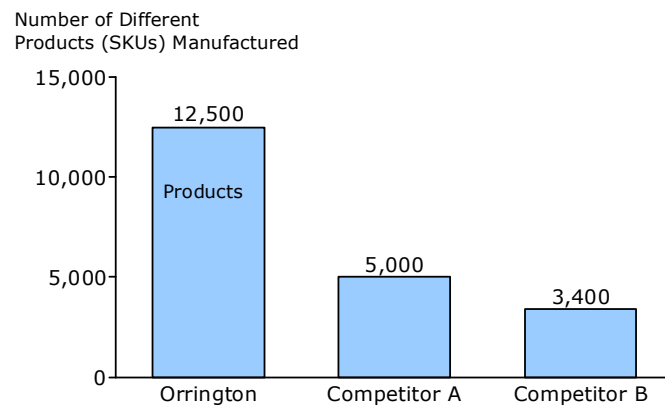
88

OOS experienced consistent revenue and profit growth during the 1980s



89

OOS offers a broader product line than its competitors

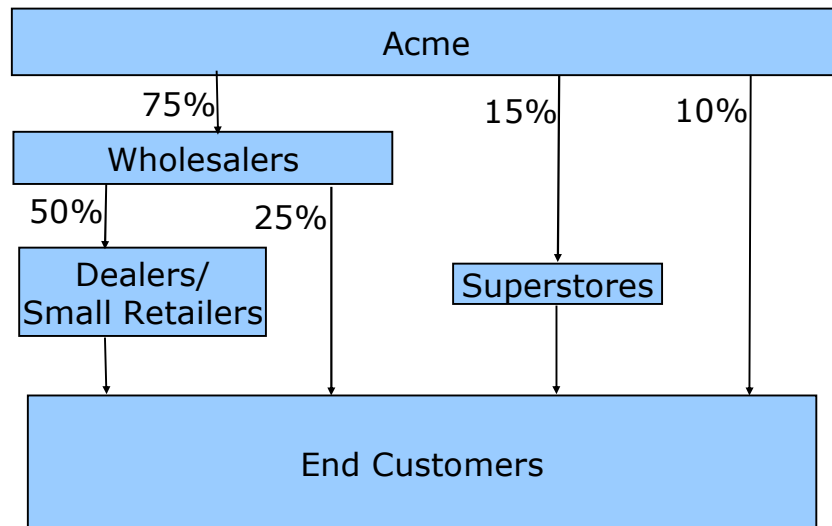


There are some general market trends that affect the client in this case

1. The U.S. office supplies market grew at a 5% CAGR during the 1980s
 - In 1990 and 1991, however, the market declined at 5% per year
2. The superstore channel is becoming increasingly critical
 - Superstores have gained 10 share points in the past two years
 - Superstores typically offer products at a 30% discount to small retailers/dealers
3. Superstores are aggressively substituting private label products for traditional brand names
 - For example, Staples Inc. is currently negotiating with private-label stapler manufacturers in China
 - Acme's most profitable product is a high-end branded stapler
 - Staples, Inc. is now Acme's largest single customer

91

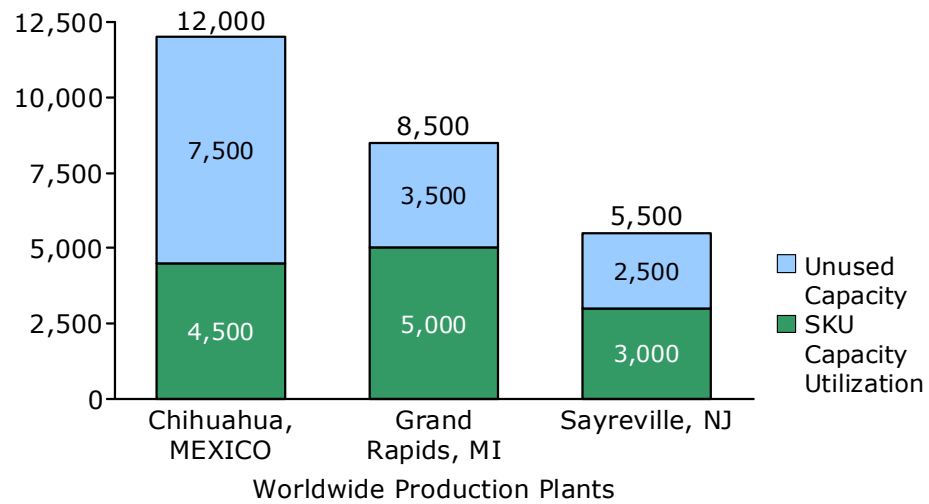
Orrington Office Supplies has several simultaneous distribution channels



92

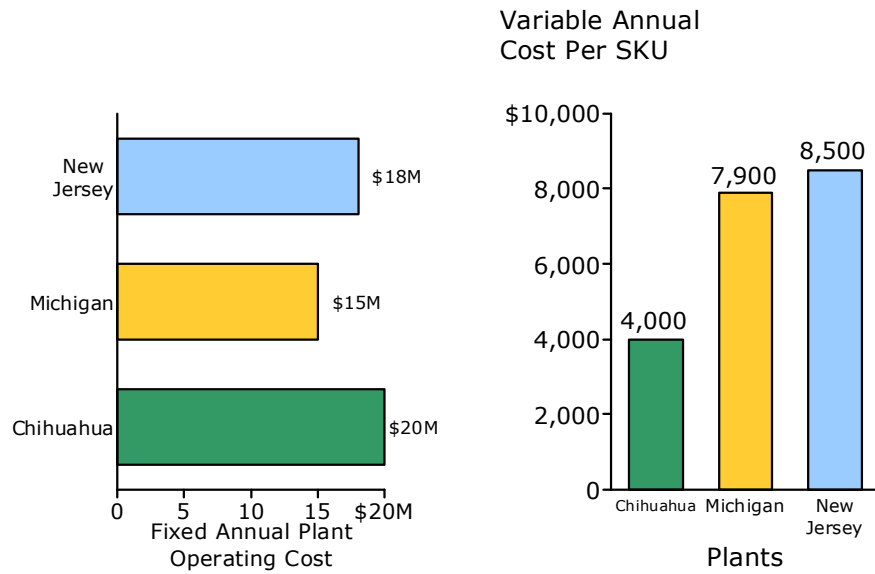
Orrington Office Supplies operates three production plants, all in North America

of SKUs That Can Be Produced



93

Each of the company's plants face a different fixed and variable cost structure



94

One potential solution is to discontinue 500 SKUs and to combine all production in Chihuahua

- How would this change revenues, which are currently \$275 million per year?
- How would this change production costs? What are they now?
- How would this change pre-tax profits, which are currently \$25 million per year?

95

There are other potential issues to explore as well

- Implementation Timeframe: Will not be done tomorrow.
- Relationships with Union: If organized labor is part of our production employee pool in the two plants that we are going to close, we will need to address that situation.
- Changes in Distribution and Warehousing: We will need a carefully-developed transition plan to address this.
- Purchasing: We will need to transition to a strong central purchasing department, rather than smaller local ones.
- Culture: Communicating the change properly is key, and we will need to ensure that morale does not take a “nosedive”.

96

Orrington Office Supplies Case - Solutions and De-Brief

Origins

The Orrington Office Supplies case was adopted from a case in the Bain & Company Chicago Office Practice Case Book in the fall of 2002. We'd like to thank the Chicago Office of Bain & Company, particularly Andy Grieve (Kellogg Class of 2001), for allowing us to modify and to use this case.

General Comments

This case combines public math with the need to come up with some key qualitative insights. More information than usual is presented up front, leaving the candidate to create the structure and decide which are the most important issues to pursue. The candidate also will need to ask for the information that they need, and interpret it once they have it. And the calculations toward the end of the case will definitely provide a public math workout!

Solutions/How to Give the Case

The interviewer needs to give the interviewee the first two slides (pages 87-88) as background before asking him or her how to structure the analysis. Hopefully the candidate will realize that a recent profitability decline is the most urgent and important issue and ask for some revenue and/or profitability trends. At that point, the interviewer can show slide #3 (page 89).

Ideally, the candidate should not only be able to interpret the data on this slide, but also to come up with two insights about this slide: 1) the fact that profits have been declining more steeply than sales reflects the fixed-cost nature of this business, and 2) the reason that sales did not grow at a faster clip than profitability during the 1980s likely reflects a strategy to grow through acquisitions, which prevented OOS from seeing the gains through economies of scale that one would normally expect in a business such as this.

Slides #4-6 (pages 90-92) all contain additional background information about the situation. The interviewer should then ask what should be done about the situation. While the channel migration to superstores is interesting, it and other macroeconomic trends are beyond the scope of the client to control. That piece of analysis, coupled with the fact that our client's manufacturing capacity utilization is only 50%, should point the candidate in the direction of plant consolidation. The interviewer can provide hints if necessary, but should not give slide #7 (page 93) until the candidate has been able to produce this insight.

Slide #7 reveals that only the Chihuahua plant is close to having the capacity to produce the required number of different stock-keeping units (SKUs). Either OOS can close that plant and move all production to the U.S. or it can close the two U.S. plants, discontinue 500 SKUs, and consolidate all production in Chihuahua. Insightful candidates will ask to see fixed and variable cost data from the different plants; the interviewer will then produce slide #8 (page 94).

The interviewee should realize without doing too many calculations that the latter option (consolidating in Chihuahua) is preferable. To reality-test this hypothesis, slide #9 (page 95) asks the candidate to make all of the relevant calculations, which are:

Revenues: Each SKU earns annual revenues of \$22,000 (\$275 million divided by 12,500 SKUs). Therefore, eliminating 500 SKUs will shave \$11 million, or 4%, off of annual revenues.

Costs: Each plant currently has the following annual costs, totaling to \$136 million:

Chihuahua: $\$20,000,000 + (\$4,000 * 4,500 \text{ SKUs}) = \$20\text{M} + \$18\text{M} = \38 million

Michigan: $\$15,000,000 + (\$7,900 * 5,000 \text{ SKUs}) = \$15\text{M} + \$39.5\text{M} = \54.5 M

New Jersey: $\$18,000,000 + (\$8,500 * 3,000 \text{ SKUs}) = \$18\text{M} + \$25.5\text{M} = \43.5 M

Consolidating production to Chihuahua will reduce annual costs by 50% to:

Chihuahua: $\$20,000,000 + (\$4,000 * 12,000 \text{ SKUs}) = \$20\text{M} + \$48\text{M} = \68 M

Profits: We have reduced costs by \$68 million and lowered revenues by \$11 million. This will increase profits by \$57 million, to \$82 million, which more than triples them.

This slide may take up to 10 minutes, which is OK, because many of the earlier slides take much less time than average.

Finally, common sense and a basic familiarity with manufacturing operations should guide the successful candidate to some or all of the qualitative issues on the last slide (page 96).

Syzygy Supercomputers Case – Case #5 of 10

Syzygy Supercomputers Case

2004 Kellogg Consulting Club Case Book - Case #5 of 10

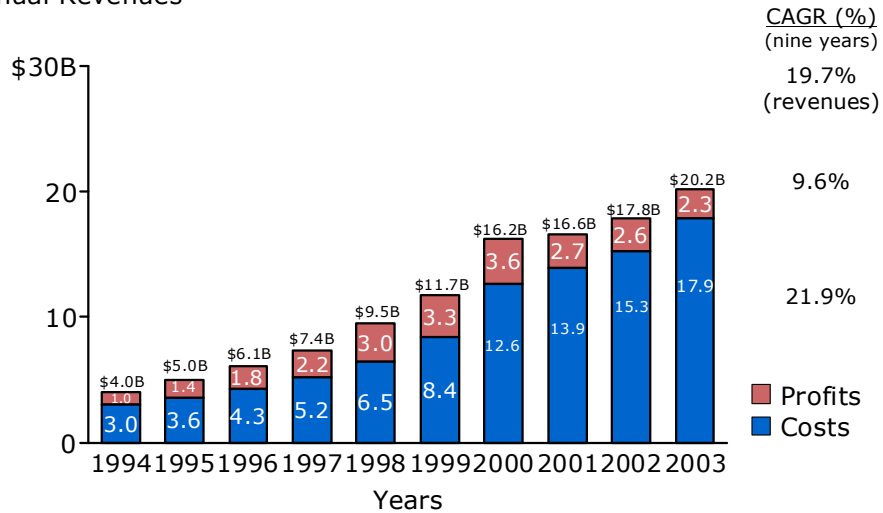
100

Syzygy Supercomputers Situation

- Situation: Syzygy Supercomputers is a large international fully-integrated computers and communications company with annual revenues of approximately \$20 billion U.S.
- Complication: Syzygy's profits have been declining steadily over the past several years
- Action: Your consulting firm has been hired to evaluate the cause of the problem and to recommend solutions

Syzygy's historical costs, revenues, and profits are shown on this slide

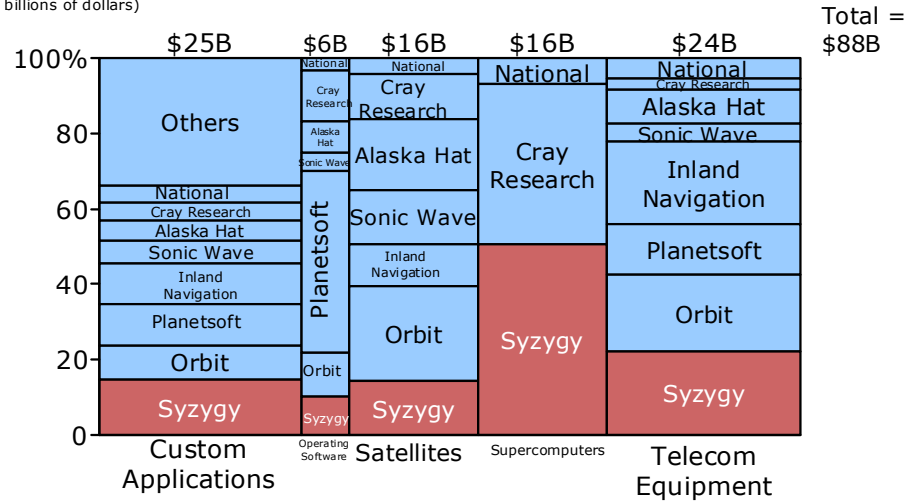
Annual Revenues



102

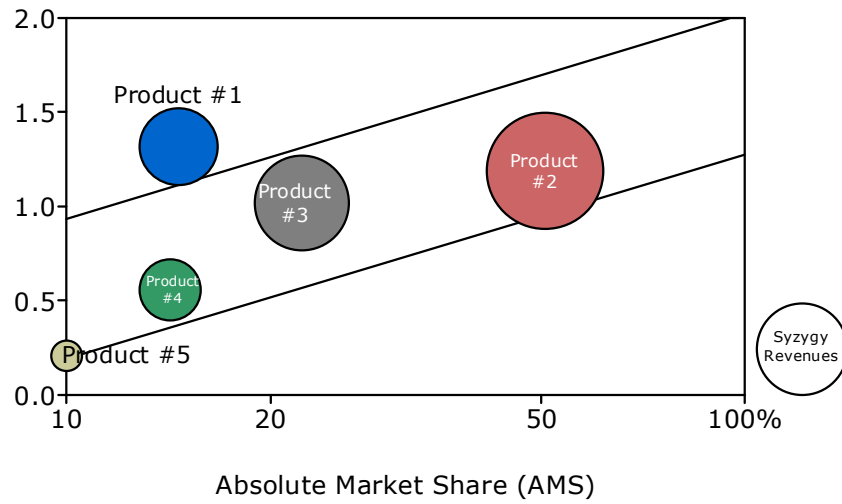
Worldwide telecommunications computing market (today)

Annual Worldwide Market
(in billions of dollars)



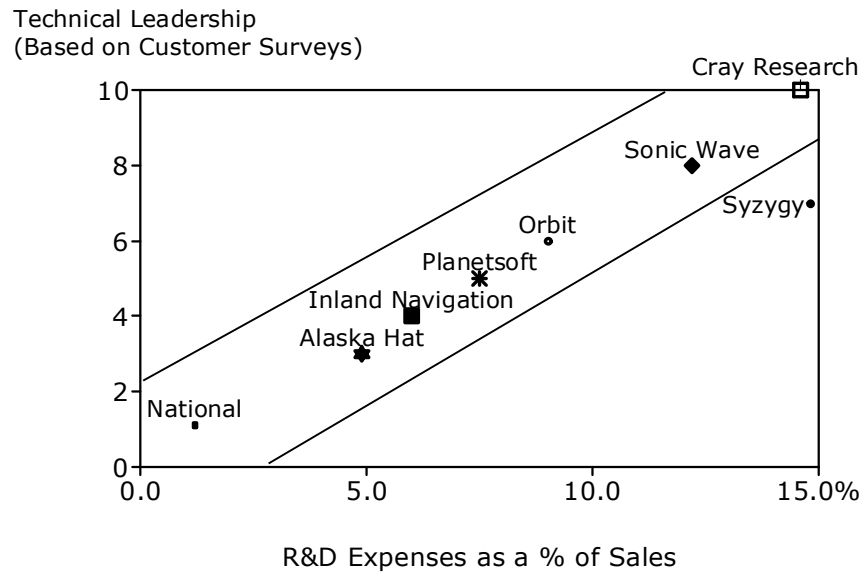
This graph plots Syzygy's absolute market share (AMS) vs. its relative market share (RMS)

Relative Market Share (RMS)



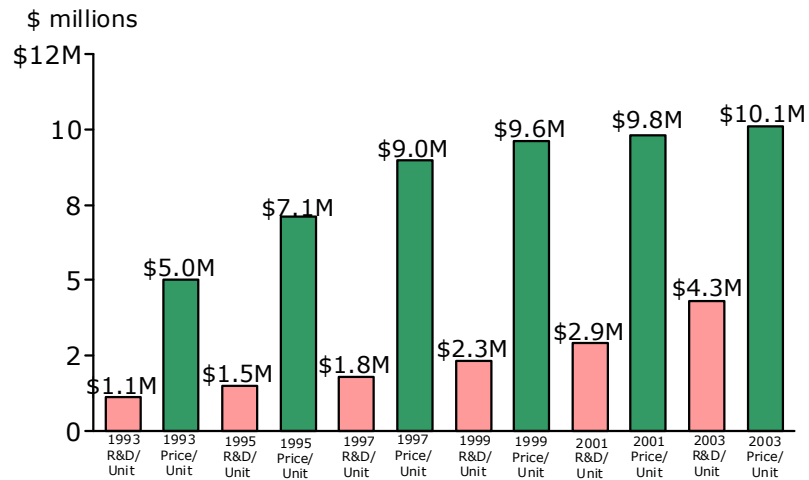
104

This chart compares companies' R&D with their degree of technical leadership



105

Syzygy's R&D expenses for supercomputers and their selling prices are shown over time



Syzygy Supercomputers Case - Solutions and De-Brief

Origins

The Syzygy Supercomputers case was created from scratch by the editorial team for the Kellogg Consulting Club Case Book re-write, although the case does combine concepts from various other cases.

General Comments

This is a challenging case that tests several relevant concepts, and is heavy on slide interpretation. The candidate will need to use logical, inductive reasoning to discover and highlight the relevant ideas and insights.

Solutions/How to Give the Case

Slide #1 (page 101) gives the relevant background information. Based on that, the candidate should identify this as a profitability problem, and ask to see historical revenue and cost information. Wanting to see this information over time, rather than just for the most recent fiscal year, is important, indicating the candidate's understanding of the need to see trends rather than just a snapshot at this moment in time.

Slide #2 (page 102) provides this profitability information. The correct interpretation is that both costs and revenues have risen over time, but that profits peaked in 2000 and have fallen ever since.

Slides #3 and #4 (pages 103-104) should be given in tandem. After presenting the macroeconomic information about this industry (presented in the famed “marimekko” format)⁷

⁷ Take some time to familiarize yourself with this chart, if you have never seen one before. You will probably encounter a chart like this one if you interview with Bain. Marakon uses a similar data format in some of its studies. The editorial team has also seen data laid out this way in cases used in the classroom, so it is a valuable type of chart to be able to quickly interpret.

on slide #3 (page 103), the interviewer should then present slide #4 (page 104) and ask the candidate which product on slide #4 is which. This will require the candidate to identify the meaning of the two axes and the bubble size.

The x axis is absolute market share (AMS), which is Syzygy's revenues divided by the total revenues in the category. AMS is best estimated by the height of Syzygy's rectangle in each of the five product areas in slide #3 (page 103). The y axis represents relative market share (RMS), which is calculated as Syzygy's market share divided by the market share of the next closest competitor, if Syzygy is the market leader in that category, in which case the RMS number will be greater than one. If Syzygy is not the market leader, then the calculation is Syzygy's market share divided by the market share of the leader, in which case the RMS number will be less than one. Estimating RMS from the information on slide #3 (page 103) is best done by looking at the ratio of the height of Syzygy's rectangle in each of the five product areas to the height of competitors' rectangles in each of those areas. Finally, the diameter of the bubbles is driven by Syzygy's total revenues in that category, estimated from the marimekko chart on slide #3 (page 103) by the height of Syzygy's rectangle (its market share) multiplied by the width of the rectangle (the size of the market).

Correctly interpreting slides #3 and #4 (pages 103-104) will lead the candidate to correctly identify the products on slide #4 (page 104):

1. Product #1 is custom applications;
2. Product #2 is supercomputers;
3. Product #3 is telecommunications equipment;
4. Product #4 is satellites; and,
5. Product #5 is operating software.

So, now – how do you interpret the graphs and what to do about them? Looking at slide #4 (page 104), the bubble in the upper-left hand corner of an AMS vs. RMS slide (product #1, in this case) indicates a position as the market leader in a very fragmented industry. The obvious question, then, is what if any advantages accrue to such a leader. In this case, it is probably true that there are little if any economies of scale in custom applications, so increasing either AMS or RMS seems unlikely to lead to a competitive advantage. By contrast, the bubbles to the right-hand side of a chart like this (product #2, in this case) indicate a duopoly market in which the client company is in either first place or a close second. Finally, the bubble in the lower left-hand corner of such a chart (product #5, in this case) indicates a weak position and begs the question – are there economies of scale, network effects, and/or an experience curve at work here? Since this product is operating software, the answer is probably going to be “yes” in all three cases. The likely conclusion is that Syzygy’s already small market share in operating software will continue to erode. Translation: Syzygy should probably exit this business.

Slides #5 and #6 (pages 105-106) conclude the case by looking at Syzygy’s research and development (R&D) spending. The key insight in slide #5 (page 105) is that Syzygy is the only major competitor in this industry whose R&D spending is below the “normative band” (the band indicated by the area in between the two parallel lines). We would expect each company’s degree of technical leadership to go up as it invests in R&D. But Syzygy, with slightly more R&D than Cray Research, enjoys less of a perception of technical leadership from its customers, and is also dominated by Sonic Wave, which has a position to the north and west of Syzygy as well.

Slide #6 (page 106) builds on this point by examining Syzygy’s R&D expenses as compared to its product prices over time. Although R&D as a % of the product price is clearly

increasing over time, the key insight here is the absolute expenses, not the % taken up by expenses. Spending \$4 million/unit on R&D for features that will allow a company to charge \$6 million/unit more for its product is a good strategic move, even if it raises the overall % of a product's sale price that is spent on R&D. However, Syzygy is spending more money on features than the customer's corresponding "willingness to pay" – for instance, from 2001 to 2003, Syzygy's R&D spending per unit increased by \$1.4 million, but the corresponding price increase was only \$300,000/unit. Likely translation – Syzygy is spending money to develop features that consumers are not willing to pay for. That's a bad business practice.

In conclusion, this is a complex case with multiple possible interpretations. In light of the information presented, the candidate should be able to produce the most important insight, which is that Syzygy should either A) cut R&D to eliminate spending on unnecessary customer features, or B) keep R&D spending the same, but switch the work to developing features that consumers will be willing to pay for at a level that is higher than the R&D expense itself. Syzygy's position as the overall market leader would argue for Option B, but either option could be argued for successfully. A second-order insight from the case is that Syzygy should exit the operating software business, since economies of scale, network economics, and the experience curve are all working against it. By the same token, it should increase its focus in some of the categories where it is the market leader, to get some or all of those economies to work for it and against its competition.

Winter Olympics Bidding Case – Case #6 of 10

Winter Olympics Bidding Case

2004 Kellogg Consulting Club Case Book - Case #6 of 10

111

Our client is a major U.S. television network

- We have been retained by a television network that is trying to decide how much to bid for the rights to broadcast the 2010 Winter Olympic Games in British Columbia, Canada
- The Winter Olympics lasts for 16 days
 - The first day, a Friday, is taken up with the Opening Ceremonies (3 hours of broadcasting) from 8-11 PM
 - The games themselves are held during the next fourteen days (10 hours of broadcasting per day)
 - Our client will broadcast Olympics weekday coverage from 9 a.m. to noon, 2-5 p.m., and 7-11 p.m.
 - Our client will broadcast Olympics weekend coverage from 11 AM to 9 PM
 - The final day, a Saturday, is taken up with the Closing Ceremonies (3 hours of broadcasting) from 8-11 PM

112

Revenue for this project is entirely based on advertising

- Our client is a broadcast television network that receives no subscription revenue
- It will, however, be able to keep 100% of its advertising revenue, without sharing any with its affiliates
- Advertising rates are estimated to be \$400,000 per 30-second ad for prime-time programming and \$200,000 per 30-second ad for non-prime-time programming
 - "Slot" = 30 seconds of advertising time
 - Prime Time = M-F from 7 PM – 11 PM; Sat-Sun all day
 - Non Prime Time = M-F all other times
- Market research has shown that consumers / watchers can take no more than 10 minutes of advertising time per hour of television; they will stop watching if there is more advertising than that

113

There are other potential issues to explore as well

- Tangible Costs: These are estimated to total \$428,000,000
- Opportunity Cost: How profitable would the other programming that would be airing on our network be?
- Time Value of Money: We can assume a six-year lag time between payments of our rights fees in early 2004 and the receipt of revenues in early 2010.

114

Finally, there are also some intangible factors

- 1.This might give us access to viewers that we would otherwise not have
- 2.There is prestige associated with this event
- 3.We can use some of the air time to promote our other programming

115

Winter Olympics Bidding Case - Solutions and De-Brief

Origins

This case was adopted by the editorial team for this book from a case that was given to Chris Dupre from the Kellogg Class of 2003 at a Kellogg "Super Saturday Case Workshop" by a Kellogg alum at A.T. Kearney. We'd like to thank Chris (and also, by extension, A.T. Kearney) for allowing us to modify and to use this case.

General Comments

This case combines public math with the need to come up with some key qualitative insights. This is a high-level case that is more likely to be given by a partner in a second-round case interview than by a manager or consultant in a first-round case interview. But, regardless of the setting, the successful candidate needs both to nail the math and also to come up with the important questions to ask to value the project. This is not a slide-heavy case, but the prospect really needs to identify the relevant issues to do well here.

Solutions/How to Give the Case

Slide #1 (page 112) should be presented to the candidate at the beginning of the case. From there, (s)he should identify this as a valuation problem, and ask about potential revenues. At this point, slide #2 (page 113) can be shown. From there, the candidate should be asked to calculate the total revenue for this project, which are \$928 million. The revenue math calculations are as follows:

Prime Time Revenues:

Weekday (M-F): $10 \text{ weekdays} \times 4 \text{ hrs/weekday} \times 10 \text{ min/hr} \times 2 \text{ slots/min} \times \$400,000/\text{slot}$
 $= \$320 \text{ Million}$

Weekend (Sat-Sun): $4 \text{ weekend days} \times 10 \text{ hrs/weekend day} \times 10 \text{ min/hr} \times 2 \text{ slots/min} \times$
 $\$400,000/\text{slot} = \320 Million

Opening Ceremony: $3 \text{ hrs} \times 10 \text{ min/hr} \times 2 \text{ slots/min} \times \$400,000/\text{slot} = \$24 \text{ Million}$

Closing Ceremony: $3 \text{ hrs} \times 10 \text{ min/hr} \times 2 \text{ slots/min} \times \$400,000/\text{slot} = \$24 \text{ Million}$

Non-Prime Time Revenues:

Weekday (M-F): $10 \text{ weekdays} \times 6 \text{ hrs/weekday} \times 10 \text{ min/hr} \times 2 \text{ slots/min} \times \$200,000/\text{slot}$
 $= \$240 \text{ million}$

Total Revenue = $\$320\text{M} + \$320\text{M} + \$24\text{M} + \$24\text{M} + \$240\text{M} = \underline{\underline{\$928 \text{ million}}}$

It may take the candidate up to 3-5 minutes to do these calculations. A good candidate will work slowly and steadily rather than rushing and risking a mistake. And, as with many public math problems, the candidate should set the problem up correctly which is as important as, if not more important than, doing the calculations correctly.

After the candidate does the math, the interviewer should ask about how to value the project. The next element that needs to be calculated is cost. Successful prospects will identify that there are three main areas of cost before being shown slide #3 (page 114): actual production costs, opportunity costs, and the time value of money. Candidates should ask the interviewer to provide data on each of the three cost categories. That data is mostly shown on slide #3. If the candidate asks, which (s)he should, the interviewer can also say that the opportunity cost is \$1 million/hour of displaced programming and that the weighted average cost of capital (WACC) for this project is 12%/year.

In calculating the time value of money, the candidate will be helped by knowing the “rule of 72,” which says that the number of years that it takes money to double is equal to 72 divided by the rate of return. In other words, money invested at a 9% annual rate will double in 8 years,

money invested at a 12% annual rate will double in 6 years, etc. Since there is a six-year lag between expenses (buying the rights in early 2004) and revenues (getting money in early 2010), and since the cost of capital is 12%, it therefore follows that all 2010 cash flows can be halved to find their 2004 equivalents.

So, the relevant profitability analysis is:

Revenues	+ \$928,000,000 in 2010
Actual Costs	- \$428,000,000 in 2010
Opportunity Costs	- \$146,000,000 in 2010

	= \$346,000,000 in 2010
	divided by 2
	= \$177,000,000 in 2004

The interviewer should then ask the candidate about any intangible issues that would affect the bid. Hopefully (s)he can come up with some or all of the three insights on slide #4 (page 115). The interviewer should NOT give this slide to the candidate – the candidate needs to come up with this information on his or her own. The interviewer can provide hints if necessary.

While there is no “correct” answer for this case, the \$177 million net present value (NPV) of this project, coupled with the intangible benefits, would argue for a bid in the \$200 million range. Any candidate who comes up with a number that is not in that ballpark will have to provide an in-depth justification as to why that is right.

The last four practice cases (#7-10) in this case book do not have slides, and therefore do not have any pages that the interviewer needs to “present” to the candidate. As a result, the solutions and interviewer notes are interspersed with the text of the questions in these four cases.

Rotisserie Ranch: A Structured Case - Case #7 of 10

Note:

We would like to thank our Associate Editor Brian Fox (Kellogg Class of 2004) for providing this case. The case mimics the “structured case” approach used by a number of firms to standardize first round interviewing.

When giving this case, text printed in italics is not intended to be read to the interviewee, but is intended to assist the interviewer in giving the case. Non-bold font should be read to the interviewee, as per the instructions given in italics. The questions are in bolded font and should also be read to the interviewee.

Introduction

This case is going to take a slightly different path from some of the others that you’ve probably practiced. We’re going to work through a business issue together – I’m going to ask you questions to guide you in your analysis, and I’m going to look to you to come to a conclusion on how to solve our client’s problem. If you’re ready, I’m going to read you a short description of the situation and then begin asking you questions. Ready?

Context

Our client is Rotisserie Ranch, a poultry farming collaborative that specializes in growing chickens for rotisserie roasting. Its main line customer segment is comprised of large grocery chains, who buy its chickens to fresh roast in the meat departments of their retail stores.

Rotisserie Ranch is the market leader in rotisserie-ready chicken production. It grows its chickens to a specific size, weight, fat content and muscle tone so that they will remain juicy on the spit (or under the heat lamp) while waiting to be taken home by a customer. It has developed a differentiated process for sterilely packaging the chickens (after they have been plucked), so that they will remain fresh for an extended period of time under refrigeration, rather than freezing. This is a benefit to grocers, because predicting demand for cooked chickens is hard, and if the meat department staff has under-provisioned, a Rotisserie Ranch chicken can go from refrigerator to roaster faster directly, bypassing the costly delay of thawing a frozen bird.

Market research has revealed to Rotisserie Ranch that more and more consumers have begun buying flavored rotisserie chickens recently. Rotisserie chicken flavoring started when some grocers began drenching chickens in barbecue sauce prior to roasting, but has branched out into other flavors like lemon herb, tandoori and teriyaki. Rotisserie Ranch is thinking of pre-spicing some of its chickens for grocers. It has engaged us to determine whether or not this is a good idea.

Question #1

How would you go about analyzing this issue?

The candidate should now lay out a clear structure for analyzing the case. This structure should include a proposal to analyze:

- *Revenue and Cost implications of new venture*

- *How this will affect existing sales (expand the market?)*
- *How this will affect cost structure (increased raw materials & labor? Same distribution channel?)*
- *Value to customers (grocery chains)*
- *Competition*
 - *What competitors exist?*
 - *Do they have similar offerings?*
 - *How they might respond?*

Question #2

Your team begins analyzing this issue by interviewing grocery retailers. Do you think that grocery retailers would be interested in pre-seasoned chickens from Rotisserie Ranch?

It is more important that the candidate's answer this question be well thought-through than a specific "yes or no" answer per se. The response should be grounded in solid business thinking, and not on personal experience or gut instinct.

A "yes" response would include justifications like the following:

- *Pre-seasoned chickens would cut the grocer's labor costs (meat department workers don't need to spend time seasoning the chickens). There will be significant economies of scale in seasoning centralization;*
- *Quality of seasoning on pre-seasoned chickens will be more consistent (it will be done centrally and optimized by Rotisserie Ranch, rather than by a multitude of meat department workers in hundreds of stores); or,*

- *Rotisserie Ranch, being a chicken specialist, will be able to expend more resources to research the ideal seasoning blends – making its seasoned chickens more appealing than a grocer’s homemade seasoned chickens.*

A “no” response would include justifications like the following:

- *Grocery chains differentiate from one another based on value-added departments, like meat. If Rotisserie Ranch offers chickens with the same seasoning blend to competing chains, it will eliminate one point of competitive distinctiveness;*
- *The meat departments of specific grocery stores are likely to be better attuned to local consumer tastes than a centralized seasoner like Rotisserie Ranch;*
- *Adding different flavors of chicken will increase the total volume of chickens that a grocer needs to keep in stock at any one time. Delaying “specialization” allows the grocer to tailor flavoring based on specific customer demand.*

Question #3

It turns out that the grocers are very interested in Rotisserie Ranch’s proposal. Superstore grocers, in particular, are interested in increasing variety while cutting staff labor. Your team uncovers that many grocers have found seasoned chicken sales to be very inconsistent across their retail network. They attribute this to low seasoning skills by their meat department workers.

In the course of your interviews, they reveal to you that they will be happy to switch to Rotisserie Ranch’s pre-seasoned chickens, but first they want to be sure that the Rotisserie Ranch chickens will sell well. How would you test this?

The correct answer is to run a test market. The candidate may begin going into detail on how this test would be run. Cut him or her off as soon as you are comfortable that they understand that:

- *A pilot test should be run; and,*
- *The pilot needs to have some control or comparison group*

Question #4

Good. We ran a test market on Rotisserie Ranch's barbecue chicken at two price points: \$3 and \$5. We found that, on average, a large grocery store will sell 1,000 chickens a week at the \$3 price point and 300 barbecue chickens a week at the \$5 price point. How would you use this information to help sell Rotisserie Ranch's barbecue chicken to a grocery chain?

The candidate should now ask how much an average grocery store sells of its own barbecue chicken a week.

*If the candidate asks this immediately say: “**Good question**” ...and proceed to (A)*

The interview cannot really continue until the candidate recognizes that he or she is missing this piece of information.

*If the candidate misses this, give him or her some time to get it, then ask: “**What other information would be valuable to know before making your pitch**”. If they get it, proceed to (A). If they don't get it say: “**OK, one thing that was helpful to us was that:**”*

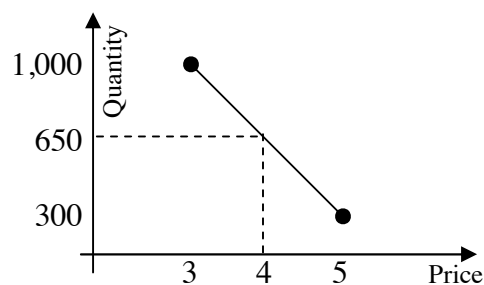
(A): A large grocery store generally grosses \$2,000 a week on barbecue chickens, and sells 500 of them.

Given this information, can you calculate whether the *Rotisserie Ranch* chickens are likely to sell better than the grocery store-prepared chickens?

The candidate should be able to quickly back out that the average price point of grocery-store chickens is \$4 (\$2,000 divided by 500 chickens).

The candidate should assume that the demand function for Rotisserie Ranch chickens is linear. If this is the case, a \$4 price for a Rotisserie Ranch Chicken should result in sales of 650 chickens (the average of 1,000 chickens at the \$3 price point and 300 chickens at the \$5 price point). If the grocery chain can sell more pre-seasoned chickens at the same price, it will be interested in carrying the new Rotisserie Ranch product line.

<u>Chicken Price</u>	<u>Quantity Sold</u>
\$3.00	1,000
<u>\$5.00</u>	<u>300</u>
$(\$3.00 + \$5.00)/2 = \$4.00$	$(1,000 + 300)/2 = 650$



*If the candidate correctly calculates 650 chickens, at a \$4.00 price, then say: **Good. So,** what would be the incremental revenues that a grocery store would make each week by selling *Rotisserie Ranch* chickens, rather than their own, assuming a \$4.00 price?*

	<u>Chicken Price</u>		<u>Expected Quantity Sold</u>		<u>Revenues</u>
<i>Rotisserie Ranch:</i>	\$4.00	*	650	=	\$2,600
<i>Meat Department:</i>	\$4.00	*	500	=	<u>\$2,000</u>
			<i>Incremental Revenues</i>	=	\$600

Question #5

Frank Fieldsmith, *Rotisserie Ranch*'s VP of Marketing, is excited about the prospect of selling pre-seasoned chickens. He thinks that this presents a branding opportunity for *Rotisserie Ranch* with consumers. Would you advise *Rotisserie Ranch* to start a direct-to-consumer (DTC) campaign with its pre-seasoned chickens? Why or why not?

Yes, Rotisserie Ranch should start a DTC campaign on its chickens. This will give it:

- *Better defense against "me too" competitors*
- *More power in negotiations with retailers over price and placement*
- *Increased ability to get distribution into retail chains that currently don't carry its product line*
- *The ability to do more effective consumer research about their opinions of its chicken*
- *The potential to expand the category, drawing consumer attention to the benefits of pre-seasoned rotisserie chickens*
- *et cetera*

A "no" answer is also acceptable, but only if very well justified.

In either case, the candidate should provide a clear structure to how he or she answers this question. Similar to the outset of the case, the best candidates will define a methodology for

assessing this question. Allow the candidate to explore each of the avenues that (s)he defines by explaining the circumstances under which branding would or would not be a good idea. Once the candidate begins to coalesce on an opinion, you can move on.

Question #6

Suddenly, your manager bursts into the team room. “The chairman of Rotisserie Ranch’s board just called,” she says. “He’s skeptical about whether he should agree to continue funding this pre-seasoning research,” she adds. How would you respond to the chairman? Should Rotisserie Ranch continue to pursue this pre-seasoned chicken venture?

This is the classic “elevator pitch” moment. The candidate should provide a clear recommendation to the chairman. This recommendation should not recapitulate the analysis performed, but should draw upon that analysis to provide a succinct opinion.

In sum, this case requires some clear-headed intuition and logic around the process of new product introduction. Applying a structure that is rigorous but not completely rigid is the key to solving this case.

Tarrant Fixtures - Case #8 of 10

Note:

We would like to thank our Associate Editor David Welch (Kellogg Class of 2004) for providing this case. The case mimics the “case without slides” approach used by many firms in the interviewing process.

Introduction

Your client, Tarrant Fixtures, is a low-intensity manufacturing company that produces display fixtures for retail clients. It has been determined that the company’s financial performance has deteriorated in each of the last three years. Management is specifically concerned with the company’s falling Return on Investment (“ROI”). You have been asked to diagnose the root cause(s) of this problem and recommend one or more solutions to put the company back on track.

Information to be Given by Interviewer (as the candidate asks for it)

The company has two types of products, each of which account for approximately 50% of revenues:

- “custom displays” (which are customized in design and manufacturing)
- “standard displays” (which are manufactured according to standard blueprints)

During the last three years:

- Total Revenues have grown by 25% [\$100M to \$125M];
- Costs of production (materials, labor, SG&A, etc.) have remained stable as a percentage of revenue [80%];

- The company has made no new investments in property, plant, and equipment (PP&E);

Standardized product information:

- Total number of “standardized” products has increased from 5 to 12;
- 5 standardized products account for 80 percent of sales in standardized products;
- Inventory levels have increased by 300% during last three years (primarily in finished goods), from \$25 million to \$75 million;
- Built-to-stock from sales forecast; and,
- Total Capital Employed_{today-3} = \$80M; Total Capital Employed_{today} = \$130M

Solution

The critical insight of this case involves the division of ROI into its component pieces—profits and “investment.” This case can be quite challenging to the interviewee who focuses solely on the company’s recent profits, which have grown substantially over the relevant time frame. A good first step to “cracking” this case is to establish the parameters of the analysis using the ROI metric given.

$$\text{ROI} = \frac{\text{Return}}{\text{Investment}} = \frac{\text{Profits}}{\text{Capital Employed}} = \frac{f(\text{price, quantify, fixed costs, variable costs})}{f(\text{PPE, working capital})}$$

Most candidates will begin by examining the profit element of ROI. It should become quickly apparent, however that the company’s absolute level of profits have increased substantially during the last three years (Profit_{today} = \$25M; Profit_{today-3} = \$20M). So this road is a dead end.

A successful candidate should examine what level of investment was required to support the observed increase in profits. A line-by-by line examination of a typical balance sheet will

indicate all of the relevant categories of capital for purposes of calculating ROI. The following conclusions may then be drawn:

- No increase in A/R minus A/P;
- No increase in net PPE (in fact, most assets are fully depreciated);
- No increase in cash balances; and,
- Significant increase in inventory.

Determining that inventory build-up has negatively impacted ROI is the first-order insight required by this case. Second-order insights will correctly identify the reasons behind this build-up: (1) proliferation of “standardized” product lines; (2) inaccurate demand forecasts resulting in excess safety stock; (3) obsolete inventories of “out-dated” product lines.

Based upon the three factors identified above, management could consider a number of process improvements. A successful candidate should identify one or more of these improvements and should be prepared to discuss potential pitfalls that might be encountered when implementing them:

- Write-off or work-down “obsolete” inventory (this will cause an immediate “hit” on profits, so management may be reluctant);
- Improve demand forecasting to set more realistic safety stock levels (how can the company improve demand forecasting?); and/or,
- Regulate product-line proliferation to avoid future occurrences of problem (how?).

Conclusion

This is a short case, designed to be solved in approximately 15-20 minutes. The important steps are 1) establishing a viable structure, 2) breaking down the problem into its component parts, and 3) continuing to examine issues until the correct ones are identified.

Vindaloo Corporation - Case #9 of 10

Origins

This case has been slightly adapted from a case given by Ben Walter (Kellogg Class of 2003), now with BCG San Francisco. The case originated from the case book at the Wharton School at the University of Pennsylvania. We would like to thank both Ben and Wharton for allowing us to include the case in this case book.

Introduction

Our client, Vindaloo Corporation, is a small biotechnology company that has developed a new seed for sugar beets, which produces twice as much sugar as the seeds that are currently in use. They now want to sell the company, and wonder how much it is worth.

In addition, the following information applies (give this to the candidate, if he or she asks for it):

1. Beets grown from the new seeds will produce sugar in a 1:2 ratio rather than the 1:1 ratio that is now prevalent. In other words, now 100 beets produce 100 pounds of sugar, an average of one pound per beet. 100 beets grown from the new seeds will now produce 200 pounds of sugar, or an average of two pounds per beet.
2. Sugar is a mature commodity. The wholesale market is \$2 billion worldwide per year.
3. The elasticity of demand for sugar is 1.
4. The value chain can be broken down into four primary processes: 1) farming (planting, harvesting, and selling beets), which takes 40% of the cost; 2) trucking, which takes 10% of the cost; 3) refining, which takes 30% of the cost; and 4) distribution, which takes 20% of the cost.

5. Farmland that is not used for sugar can be repurposed to grow cabbage, which is currently one fifth as profitable as sugar.
6. Trucking costs for sugar are 5% fixed and 95% variable, with the variable costs directly related to the weight of what is being trucked.
7. Refining costs are all variable, and it will cost 25% more per beet to refine the new beets than it cost to refine the old beets.
8. There are no cost savings in distribution from the reduced volume.
9. The worldwide sugar market is predicted to grow at 100% annually.
10. We can assume a 100% market penetration, since there are no competing products, and the efficacy of the product is proven.

Solution

This product will only allow our client's clients (sugar growers) to produce sugar more efficiently. It won't cause the sugar to taste any better or cause consumers to demand more of it. Therefore the product cannot be expected to grow revenue, but it will reduce costs. The value of Vindaloo Corporation is directly related to how much cost saving its product effects – this is similar conceptually to the Maine Apples case.

To solve for the cost savings, we should look at each component step of the overall value chain in turn:

1. Farming – The product allows farmers to grow the same amount of sugar on half of the land. Candidates who think that farmers will just use the same amount of land and produce twice as much sugar have not thought the question through. If everyone in the world produced twice as much sugar as they were producing before, there would be far more supply than demand. So we can assume that farmers will keep half

of their land for sugar and repurpose the rest of the land for growing cabbage. Previously, one acre of land produced “X” profits of sugar – now half an acre can produce profits of “X” while the other half produces profits of “.1X” of profits from cabbage. Recall that cabbage is a fifth as profitable as sugar currently – this means that it will be only a tenth as profitable as the “new” sugar. Since profits per acre go from X to 1.1X, there is a 10% increase in profits from farming.

2. Trucking - variable trucking costs, which represent 95% of the total cost structure, will decrease by 50%, leading to an overall costs savings of $95\% \times 50\% = 47.5\%$.
3. Refining – refining costs drop by half because only half as many sugar beets are being refined. However, then there is a 25% increase in costs per beet. So the costs go from “X” to “.5X” to “.625X”, an overall savings of 37.5%.
4. Distribution - there are no cost savings in distribution.

Now the candidate needs to weight the cost savings by the amount of costs that each step adds to the value chain, as follows:

<u>Step</u>	<u>A - Cost Portion</u>	<u>B - Cost Savings</u>	<u>Weighted Cost Savings</u> <u>(A x B)</u>
Farming	40%	10%	4%
Trucking	10%	47.5%	4.75%
Refining	30%	37.5%	11.25%
Distribution	20%	0%	0%
Total	100%		20%

So, our client's product will save 20% a year in sugar costs – multiplied by \$2 billion, that cost savings comes out to \$400 million per year. The final question then, is how valuable is that? Here, it would be valuable for the candidate to know the perpetuity formula, which is:

$$Value = \frac{YearlyCash}{(r - g)}$$

We are given the growth rate, g , as 2%. “ r ” is not given, but we can go with the standard assumption of 10%. Therefore the company can be valued at: $\frac{\$400M}{(10\% - 2\%)} = \frac{\$400M}{8\%} = \$5B$

Conclusion

This is a valuation case and, as such, has a lot of number crunching. But there are also several important qualitative insights for the candidate to make, the main one of which is that the new technology will halve the land rather than doubling production, which would cause an immediate worldwide sugar glut and rapidly falling prices.

Zephyr Beverages - Case #10 of 10

Origins

This case has been slightly adapted from a case in the previous version of the Kellogg case book (Get Off Of My Case, Volume 1). We would like to again thank the authors of that case book for its influence on this re-write. In that book, this case was entitled “Chilled Beverages” and was case #4.

Introduction

Our client, Zephyr Beverages, is a division of a large consumer products company. The division produces fruit juices in three forms, all under the Zephyr name: chilled, juice boxes, and frozen concentrate. Zephyr had sales of \$600 million last year, about 3% of the company’s overall sales of \$20 billion.

The chilled segment represents \$120 million in sales per year. While juice boxes and frozen concentrate have been consistently profitable, chilled juices are only breaking even in good quarters and are losing money in bad quarters. Zephyr has received a proposal from upper management to sell the chilled juices business. We need to help them decide whether or not this is a good idea.

Additional Information

The candidate will need to ask for additional information that is necessary to solve the problem, rather than relying on the interviewer to dispense it all at once. When asked, the interviewer can reveal the following additional information:

- Chilled beverages are a \$5 billion worldwide industry.
- The two largest players have market shares of 40% and 25%, respectively.

- Zephyr's market share, 12%, makes it third in the industry.
- As far as we know, the two companies with more market share than Zephyr are both profitable.
- The two market leaders are able to do more advertising, couponing, promotion, and trade than Zephyr is able to do.
- The market leaders produce pure orange juice and blends that are based on citrus juices. Zephyr's product uses more elaborate blends of juices, usually with a base of pear or peach juice (95% of the inputs) and flavored with cranberries, bananas, mangoes, etc. (the other 5% of the inputs). Pear and peach juice are about the same price as orange juice, but the other flavorings cost about twice as much.
- The market for chilled juices is dominated by mothers with school age children. This is a highly price sensitive market that loves coupons, promotions, etc.
- Brand name is important in this market, as in juice boxes and frozen concentrate, as mothers tend to prefer highly reliable products for their children. However, the brand premium must be in line with other branded products. Therefore, all branded juices tend to sell in the same price range.
- One plant in California produces all of the products; chilled, juice boxes and frozen. It would be difficult to find another use for the plant without a major conversion.

Solutions

There are three possible solutions:

1) Sell the chilled juice business. This would, however, affect the juice and frozen concentrate businesses, as there are both advertising and manufacturing synergies.

2) Sell all of the juice business. This may be more feasible, as the buyer could capture the synergies, but would not be too likely to turn the business around. The selling price is likely to be low.

3) Keep the chilled juice business and rework the ingredients and costs. This is probably the most feasible option, as evidenced by the success of the competitors. We are probably developing extra features in our ingredient mix that the market does not want and is not willing to pay for. Eliminating or scaling back those features will probably allow us to cut costs without affecting revenue.

Conclusion

This is a relatively short case that requires the candidate to create a holistic structure for solving the problem. Any of the three possible solutions can probably be argued for persuasively, but the third solution is the one most likely to make economic sense. Prospects who do well on this case will have to be comfortable with ambiguity and with a lack of perfect information.

IV. Discussion of Fit Interviewing⁸

Overview

Now that we have thoroughly discussed case interviews and provided a number of sample cases, we will move on to the topic of fit interviews. Fit interviews are the other type of interviews (besides case interviews) that are used in the consulting company recruiting process. They are less common on aggregate, but are used in some form by most consulting firms. Understanding how to do well on them is an important component of securing a job offer.

Fit Versus Case Interviews

Before moving on to focus exclusively on fit interviews, it will be useful to briefly discuss the relative importance of fit and case interviews, and the relationship between them. It is a common misnomer that fit interviews are of secondary importance when compared to case interviews in the consulting interview process. While it is true that fit interviews are less frequent than case interviews from a purely mathematical standpoint, a poor fit interview can torpedo your chances of receiving a job offer. Since most students have had more experience with fit interviews than they have with case interviews, they tend to prioritize improving their case interviewing skills over their fit interviewing skills. Whether or not that is the right approach for you depends on your individual background, strengths, and weaknesses. Just remember that performing well on both interviews is critical to landing consulting positions.

⁸ As mentioned in the Introduction, the text in this section has been primarily adapted from the 2001 Fleischmann, Fong, and Marciano article, although some of the content and wording are new. They, and we, would like to give Special thanks to Jason Moss and Chris Riley (both members of the Kellogg Class of 2001) for their invaluable contributions to the initial document, from which this section is primarily adapted.

You should also bear in mind that the distinction between fit and case interviews is, in an important sense, artificial. In a very real way, case interviews *are* fit interviews. The interviewer, in addition to gauging your analytical skills, is evaluating your poise, enthusiasm, presence, and demeanor. As you progress through the case, the interviewer will be assessing whether or not (s)he would want to work with you, and whether you would make a positive impression on clients. Do not make the mistake of going into “case crunching mode” in case interviews, and shoving your personality to the side. In both fit and case interviews, do your best to be personable, confident, engaged, thoughtful, and collected.

Structure of Fit Interviews

In “fit” interviews, you will be asked about your motivations, background and experiences, and capabilities – as you have perhaps also been asked in interviews in the past for non-consulting positions. When you will encounter fit interviews, and how many you will have, varies by firm. You may or may not be asked fit questions in the first round of interviews; in the second round, however, you will almost certainly have at least one fit interview. You may also encounter “hybrid” interviews in either round, which typically involve some fit questions followed by a short case, or vice versa. Please consult Section V for descriptions of the exact interview formats that are used by various consulting companies.

In a typical fit interview, you will be asked to talk about your background and why you are interested in consulting. Your “story” is very important. You should be able to succinctly and persuasively tell an interviewer where you are coming from, the rationale behind important decisions you have made (e.g. choice of college, choice of post-college [pre-MBA] work experience, decision to get an MBA, choice of Kellogg over other business schools, decision to seek a position in consulting, etc.), and why you hope to obtain a position with his or her

particular firm. This story should convey to the interviewer exactly why you are there, and convince him or her that you are serious about consulting, and about his or her firm.

But beware of over-emphasizing your interest in consulting (e.g., saying “My ultimate career ambition is to be a partner in your firm!”). Almost all of your interviewers will be consultants with MBAs who have been in your shoes. As such, they are well aware that many MBAs view consulting as a platform from which to jump to other opportunities in the future. If you are one of these people, you should be honest about that, although you will be even more effective if you can provide the interviewer with some idea of what you see yourself doing in the medium-term to long-term (e.g., “My ultimate goal is to run my own small business in the telecommunications industry, and I think that consulting as an immediate post-MBA career will provide me with a great platform and experience to do that in the longer term.”).

If you do envision yourself doing consulting long-term, there is nothing wrong with saying that, but you might want a more toned-down approach than the one used above. For instance, you could say something to the effect of, “My current plan is to do consulting in the short-term and, if I like it and am effective at it, to continue in the field indefinitely. However, my career interests may evolve, in which case I will seek a general management position in industry, using my consulting experience as background.”

The “fit” element that is most common in consulting interviews is the “do you have any questions for me” time that concludes almost every case interview. Your questions communicate your depth of understanding about the firm, your interest in the firm, and your ability to ask insightful questions. Spend time preparing a few firm-specific questions before every interview. Try to make these high-caliber questions, not questions that can be answered by merely going to a company’s Web site. Finally, be interested in the response, and consider asking a follow-up

question or two. Your questions should communicate that you're interesting and interested in the firm you're interviewing with.

Typical Fit Interview Questions

A list of typical fit interview questions can be found in **Appendix E**. These are meant to illustrate some of what you might encounter. They can all be answered using the introspective techniques and methods we have already discussed. Again, the best preparation is to know yourself and why you are trying to find a job in consulting and at that particular company.

Our thanks go to Larry Maher (Kellogg Class of 2004) for compiling the questions that are used in **Appendix E**.

Preparation for "Fit" Interviews

If you are facing a fit interview, or a hybrid "case and fit" interview, take the time to research each firm that you interview with. Be able to articulate a few reasons why each firm is the best fit for you, and make sure to have a few questions prepared to ask the interviewer. Do not put undue stress on yourself to discover arcane facts about a firm or develop brilliant, thought-provoking questions. For the most part, interviewers just want to make sure that your interest in their firm is genuine.

It is highly possible that you will be asked some specific questions about your previous work experience or outside activities/personal interests, so know your résumé cold. Have several handy examples of times when you demonstrated leadership, creativity, and teamwork -- skills that all consulting firms look for. Minimize work for yourself by developing examples that can be used in response to various questions (e.g. an example that demonstrates both your leadership abilities and your creativity). Also, be ready to discuss your top achievements, strengths and weaknesses, and characteristics that distinguish you from other candidates. You obviously will

not be able to anticipate and prepare for every fit question, but most are easy if you have thought about them ahead of time, and difficult if you have not, so be prepared.

In addition to asking you questions about your background and motivations, an interviewer may engage you in some type of casual conversation, just to get a feel for who you are. As a general rule, in all of your interviews be personable, confident, and enthusiastic. The standard question going through the interviewer's head is whether or not (s)he would be okay being stuck with you at an airport, on a long car ride, or in a late-night deadline situation. Be sure that you come across as someone whom people would like to spend time with. You simply are not going to get the job if you don't.

Finally, on a practical note, be sure to understand how each firm with which you are interviewing uses fit interviews. (Section V of this book contains all of this information.) If you are preparing for a first-round interview with a company that does not use fit interviews until the second round, concentrate on cases and do not bother with preparing for the fit interview with that particular firm (aside from your question preparation). The cynical, pessimistic reason for this is that you might not get called back to the second round and would therefore be wasting your time. A more optimistic approach is that you want to devote all of your energy to acing the first-round interviews, so that you can get to the second round. There will be enough time between rounds for you to adequately prepare for the fit interviews. Just be sure that you know what the interviews formats are for each firm, and prepare accordingly.

Approach and Attitude

Probably the most important aspect of preparing for fit interviews is developing the right approach and attitude. Unlike case interviews, which are essentially a one-way "test," fit interviews are a two-way conversation between the interviewee and interviewer. The candidate

should feel that (s)he is interviewing the firm just as much as the firm is interviewing him or her. Candidates should not only have in mind some questions that they have about the firm, but should also try to analyze the people that they are speaking to in fit interviews. Just as the firm is trying to decide if the prospect is someone they would want to sit next to on a long flight, so too should the prospect decide if the firm is a place that they would like to spend 2-3 years of their professional life or more.

Too often in the past, Kellogg students have failed to embrace the “two-way” nature of fit interviewing, and of the consulting recruiting process in general. Too often students have recklessly pursued their “dream job,” only to get there after graduation and realize that they do not enjoy the work or the firm, or both. Getting a job is not the goal here. The goal is to be happy and professionally satisfied long after you have left Kellogg, whether it is in consulting or in another field.

This is more of an issue in full-time recruiting than in summer recruiting. If you think that you might enjoy consulting and have the opportunity to do it for the summer, go for it. If you get there and enjoy the job and the people, great. If you don’t, that is good too, for now you will know that consulting is not the right fit for you. A summer spent in a job that you do not like is NOT a “wasted summer.” It provides you with important information and insight as to what you do or do not want to do with your career. Far better to learn that consulting is not right for you in a ten or eleven-week internship than in a much longer stint after you have been graduated. No one can see the future, of course, but it is wise to ask questions during the fit interview that will help you make as informed a decision as possible.

Separately, it is very important to go into the interview with confidence about yourself and your achievements. In the past, too many Kellogg students have been concerned about being

a “career switcher.” There is nothing wrong with that! 85-90% of people who are going through the consulting recruiting process are “career switchers.” Two current Kellogg second-years spent the summer in an office of a consulting firm that included an ex-chef, an ex-labor lawyer, and an ex-minor league baseball player. All of these people left their jobs, went to business school, and are now in consulting. And that is just one office of one firm! The point is that there are a lot of people who have done different things between college and business school. Do not under any circumstances feel that you need to apologize for past career decisions. Instead, think hard about what you did and what you learned, and how that can be applied to consulting. There are aspects of almost any job that can relate. If a former minor league baseball player can do it, you can too!

Similarly, some people have been self-conscious about having worked in a different type of consulting firm (e.g., Accenture) before going to business school, and are worried that they will not be able to transition to one of the firms that recruits at Kellogg. This too is nonsense. There are lots of people who have made a similar transition in the past. Consulting firms that recruit at Kellogg are not as judgmental of other firms as some might think. They want to find and hire the best people, regardless of background. In all situations, discuss your previous work experience with a lot of self-confidence – you accomplished a lot, you learned a lot, it got you into a business school that is among the best (if not the best) in the world, and now you are moving on to even more exciting new opportunities. You should not be sorry for anything.

Conclusion

Fit interviewing is an important component of the recruiting process for consulting firms. It does not require an enormous quantity of preparation time. Before the interview, however, the most successful candidates will have been introspective about their previous experiences, why they want to work in consulting now, and how they see themselves fitting in to a particular firm.

Don't spend a lot of time memorizing data about yourself, the industry, or the firm. Instead, take some quiet time to yourself and deeply consider the questions of what you want and why you want it. That is the best way to be truly prepared for a fit interview in every sense of the word.

V. Interview Formats Used by Various Companies

Overview

This section provides information on each of the eleven consulting companies that are interviewing for positions for the summer of 2004. Nine of the eleven companies are interviewing on campus; Marakon and McKinsey are interviewing off-campus. At press time for this book, in early December 2003, these were the only companies that had notified the Kellogg CMC of their intentions to recruit for summer of 2004 internships. If more firms come forward after this book has gone to press, we will make every effort to add pages to the case book describing those companies and their recruiting tactics, and distribute those pages to all interested first-years.

There is one page of information on each company in this section. The pages are organized alphabetically by company. Each page is in the same format, and data for each company has been verified (and in some cases provided) by the companies themselves, to ensure as much accuracy as possible. Please note: we do not endorse any of the companies over any of the others. They have all been given the same amount of space in this book, whose purpose is to provide information, not judgment. No firm is the right fit for everyone.

Unlike some of the other sections, Section V is not designed to be read all the way through. It is meant to be a reference for students who are interested in one or more of the firms, to get a basic idea of the size and scope of the firm, the data that they do (and do not) ask for in the recruiting process, and the interview formats that they use. Candidates interviewing with a firm should consult not only the page for that firm in this book, but also their Web site, etc. The

best resource, of course, are people who work at these firms, so take the time to get to know some of them at company presentations and dinners.



Interview Formats Used – A.T. Kearney

Thumbnail Information:

Company Headquarters: Chicago, IL
Year Founded: 1926

Total # of Worldwide Offices: 57
Total # of U.S. Offices: 10

Web Home Page: <http://www.atkearney.com/>

Total # of Worldwide Employees: 4000
Total # of U.S. Employees: 1600

Interviewing Format for Summer of 2004 Internships:

of Interviewing Rounds: 2

of First-Round Interviews: 2 Format: 45-minute interviews, mix of case and fit format

of Second-Round Interviews: 3 Format: One traditional case interview, one traditional fit interview, and one case presentation. Each module is 45 minutes in length.

Are Kellogg grades taken into consideration? No

Are undergraduate grades taken into consideration? No

Are GMAT scores taken into consideration? Yes If so, why? GMAT score can be one of many data points A.T. Kearney looks at to get a better understanding of a student

Are SAT scores taken into consideration? No

Historical Kellogg Hiring Statistics:

Members of the Kellogg Class of 2001 Who
Worked at A.T. Kearney Immediately After Graduation: 17

Members of the Kellogg Class of 2002 Who
Worked at A.T. Kearney Immediately After Graduation: 10

Members of the Kellogg Class of 2003 Who
Worked at A.T. Kearney Immediately After Graduation: 4

Members of the Kellogg Class of 2004 Who
Worked at A.T. Kearney During the Summer of 2003: 2

Estimated Worldwide Size of the A.T. Kearney:
Summer of 2004 Summer Class: TBD



Interview Formats Used – Bain & Company

Thumbnail Information:

Company Headquarters: Boston, MA
Year Founded: 1973

Total # of Worldwide Offices: 31
Total # of U.S. Offices: 8

Web Home Page: <http://www.bain.com/>

Total # of Worldwide Employees: 2800
Total # of U.S. Employees: 1200 (approx.)

Interviewing Format for Summer of 2004 Internships:

of Interviewing Rounds: 2

of First-Round Interviews: 2

Format: Thirty-minute case interviews.

of Second-Round Interviews: 4

Format: Three thirty-minutes case interviews and
one thirty-minute fit interview.

Are Kellogg grades taken into consideration? YES If so, why? Another data point

Are undergraduate grades taken into consideration? YES If so, why? Another data point

Are GMAT scores taken into consideration? YES If so, why? Another data point

Are SAT scores taken into consideration? YES If so, why? Another data point

Historical Kellogg Hiring Statistics:

Members of the Kellogg Class of 2001 Who
Worked at Bain Immediately After Graduation: 17

Members of the Kellogg Class of 2002 Who
Worked at Bain Immediately After Graduation: 14

Members of the Kellogg Class of 2003 Who
Worked at Bain Immediately After Graduation: 17

Members of the Kellogg Class of 2004 Who
Worked at Bain During the Summer of 2003: 6

Estimated Worldwide Size of the Bain
Summer of 2004 Summer Class: 87



Interview Formats Used – The Boston Consulting Group (BCG)

Thumbnail Information:

Company Headquarters: Boston, MA
Year Founded: 1963

Total # of Worldwide Offices: 59
Total # of U.S. Offices: 10

Web Home Page: <http://www.bcg.com/>

Total # of Worldwide Employees:
Total # of U.S. Employees:

Interviewing Format for Summer of 2004 Internships:

of Interviewing Rounds: 2

of First-Round Interviews: 2 Format: 45-minute case-style

of Second-Round Interviews: 3-4 Format: 45-minute case-style

- Are Kellogg grades taken into consideration? No
- Are undergraduate grades taken into consideration? Yes

If so, why? Undergraduate transcripts are requested from candidates who are invited for decision round interviews (scanned or faxed copies are accepted). This is an effort to help BCG learn more about experiences and achievements outside of the interviews.

- Are GMAT scores taken into consideration? Yes

If so, why? GMAT scores are requested from candidates when they are invited for decision round interviews (e-mailed scores, scanned or faxed copies are accepted). This is an effort to help BCG learn more about experiences and achievements outside of the interviews.

- Are SAT scores taken into consideration? No

Historical Kellogg Hiring Statistics:

Members of the Kellogg Class of 2001 Who
Worked at BCG Immediately After Graduation: **27**

Members of the Kellogg Class of 2002 Who
Worked at BCG Immediately After Graduation: **14**

Members of the Kellogg Class of 2003 Who
Worked at BCG Immediately After Graduation: **19**

Members of the Kellogg Class of 2004 Who
Worked at BCG During the Summer of 2003: **10**

Estimated Worldwide Size of the BCG
Summer of 2004 Summer Class: **TBD**



Interview Formats Used – Booz Allen Hamilton

Company Headquarters: McLean, VA
Year Founded: 1914

Total # of Worldwide Offices: 60+
Total # of U.S. Offices: 25 Total (8
Commercial Business-WCB)

Web Home Page: <http://www.bah.com/>

Total # of Worldwide Employees: 13,000 +
Total # of WCB Employees: 2,000

Interviewing Format for Summer of 2004 Internships:

of Interviewing Rounds: 2

of First-Round Interviews: 2 Format: Case Based

of Second-Round Interviews: 2-4 Format: Case Based/Behavioral

Are Kellogg grades taken into consideration? Sometimes If so, why? Depends on the interviewer

Are undergraduate grades taken into consideration? Sometimes

If so, why? Depends on the interviewer

Are GMAT scores taken into consideration? Yes If so, why? Standard gauge for intelligence,
but only one factor of many in the decision making process

Are SAT scores taken into consideration? No

Historical Kellogg Hiring Statistics:

Members of the Kellogg Class of 2001 Who
Worked at Booz Allen Immediately After Graduation: 12

Members of the Kellogg Class of 2002 Who
Worked at Booz Allen Immediately After Graduation: 4

Members of the Kellogg Class of 2003 Who
Worked at Booz Allen Immediately After Graduation: 11

Members of the Kellogg Class of 2004 Who
Worked at Booz Allen During the Summer of 2003: 4

Estimated Worldwide Size of the Booz Allen
Summer of 2004 Summer Class: 8-10



Interview Formats Used – Deloitte Consulting

Thumbnail Information:

Company Headquarters: New York, NY
Year Founded: 1857 (parent)

Total # of Worldwide Offices: 143
Total # of U.S. Offices: 46

Web Home Page: <http://www.dc.com/>

Total # of Worldwide Employees: 120,000
Total # of U.S. Employees: 30,000

Interviewing Format for Summer of 2004 Internships:

of Interviewing Rounds: 2

of First-Round Interviews: 2

Format: Thirty minute interviews

of Second-Round Interviews: 1

Format: 2 on 1 Full case lasting 1 hour

Are Kellogg grades taken into consideration? yes___ If so, why? Used as a data point.

Are undergraduate grades taken into consideration? no

Are GMAT scores taken into consideration? yes If so, why? Used as a data point

Are SAT scores taken into consideration? no

Historical Kellogg Hiring Statistics:

Members of the Kellogg Class of 2001 Who
Worked at Deloitte Immediately After Graduation: **11**
Members of the Kellogg Class of 2002 Who
Worked at Deloitte Immediately After Graduation: **11**

Members of the Kellogg Class of 2003 Who
Worked at Deloitte Immediately After Graduation: **13**

Members of the Kellogg Class of 2004 Who
Worked at Deloitte During the Summer of 2003: **6**

Estimated Worldwide Size of the Deloitte
Summer of 2004 Summer Class: **175**



Interview Formats Used – DiamondCluster

Thumbnail Information:

Company Headquarters: Chicago, IL
Year Founded: 1993 (parent)

Total # of Worldwide Offices: 9
Total # of U.S. Offices: 1

Web Home Page: <http://www.diamondcluster.com/> Total # of Worldwide Employees:
450 consultants, 200 in operations
Total # of U.S. Employees: N/A

Interviewing Format for Summer of 2004 Internships:

of Interviewing Rounds: 2

of First-Round Interviews: 1 Format: 1 case and 1 behavioral interview

of Second-Round Interviews: 1 Format: 2 cases and 1 behavioral

Are Kellogg grades taken into consideration? Sometimes If so, why?*

Are undergraduate grades taken into consideration? Sometimes If so, why?*

Are GMAT scores taken into consideration? Sometimes If so, why? *

Are SAT scores taken into consideration? No

(* - Underscores exceptional performance in academic pursuits or particularly keen analytical communication skills.)

Historical Kellogg Hiring Statistics:

Members of the Kellogg Class of 2001 Who
Worked at DiamondCluster Immediately After Graduation: 3

Members of the Kellogg Class of 2002 Who
Worked at DiamondCluster Immediately After Graduation: 0

Members of the Kellogg Class of 2003 Who
Worked at DiamondCluster Immediately After Graduation: 1

Members of the Kellogg Class of 2004 Who
Worked at DiamondCluster During the Summer of 2003: 1

Estimated Worldwide Size of the DiamondCluster
Summer of 2004 Summer Class: **TBD**



Interview Formats Used – Marakon Associates

Thumbnail Information:

Company Headquarters: Chicago, IL

Year Founded:

Total # of Worldwide Offices: 5

Total # of U.S. Offices: 3

Web Home Page: <http://www.marakon.com/>

Total # of Worldwide Employees: 300

Total # of U.S. Employees: 180

Interviewing Format for Summer of 2004 Internships:

of Interviewing Rounds: Undecided at this time

of First-Round Interviews: _____ Format: _____

of Second-Round Interviews: _____ Format: _____

of Third-Round Interviews: _____ Format: _____

Are Kellogg grades taken into consideration? _____ If so, why? _____

Are undergraduate grades taken into consideration? _____ If so, why? _____

Are GMAT scores taken into consideration? _____ If so, why? _____

Are SAT scores taken into consideration? _____ If so, why? _____

Historical Kellogg Hiring Statistics:

Members of the Kellogg Class of 2001 Who
Worked at Marakon Immediately After Graduation: **6**

Members of the Kellogg Class of 2002 Who
Worked at Marakon Immediately After Graduation: **0**

Members of the Kellogg Class of 2003 Who
Worked at Marakon Immediately After Graduation: **0**

Members of the Kellogg Class of 2004 Who
Worked at Marakon During the Summer of 2003: **0**

Estimated Worldwide Size of the Marakon
Summer of 2004 Summer Class: **TBD**



Interview Formats Used – McKinsey & Company

Thumbnail Information:

Company Headquarters: New York, NY
Year Founded: 1926

Total # of Worldwide Offices: 83
Total # of U.S. Offices: 20

Web Home Page: <http://www.mckinsey.com/>

Total # of Worldwide Employees: ~5800
Total # of U.S. Employees: ~2000

Interviewing Format for Summer of 2004 Internships:

of Interviewing Rounds: 2

of First-Round Interviews: 2

Format: Structured case and behavioral interviews

of Second-Round Interviews: 4-5

Format: Structured case, behavioral interviews and possibly a team meeting or role play exercise

Are Kellogg grades taken into consideration? Yes___ If so, why? Additional data point

Are undergraduate grades taken into consideration? Yes If so, why? Additional data point

GMAT scores taken into consideration? Yes_____ If so, why? Additional data point

Are SAT scores taken into consideration? No

Historical Kellogg Hiring Statistics:

Members of the Kellogg Class of 2001 Who
Worked at McKinsey Immediately After Graduation: 58

Members of the Kellogg Class of 2002 Who
Worked at McKinsey Immediately After Graduation: 37

Members of the Kellogg Class of 2003 Who
Worked at McKinsey Immediately After Graduation: 41

Members of the Kellogg Class of 2004 Who
Worked at McKinsey During the Summer of 2003: 19

Estimated Worldwide Size of the McKinsey
Summer of 2004 Summer Class: TBD



Interview Formats Used – Mercer Management Consulting

Thumbnail Information:

Company Headquarters:
Year Founded:

Total # of Worldwide Offices: 21
Total # of U.S. Offices: 8

Web Home Page: <http://www.mercermc.com/>

Total # of Worldwide Employees:
Total # of U.S. Employees:

Interviewing Format for Summer of 2004 Internships:

of Interviewing Rounds: TBD

of First-Round Interviews: _____ Format: _____

of Second-Round Interviews: _____ Format: _____

of Third-Round Interviews: _____ Format: _____

Are Kellogg grades taken into consideration? _____ If so, why? _____

Are undergraduate grades taken into consideration? _____ If so, why? _____

Are GMAT scores taken into consideration? _____ If so, why? _____

Are SAT scores taken into consideration? _____ If so, why? _____

Historical Kellogg Hiring Statistics:

Members of the Kellogg Class of 2001 Who
Worked at Mercer Immediately After Graduation: 7

Members of the Kellogg Class of 2002 Who
Worked at Mercer Immediately After Graduation: 0

Members of the Kellogg Class of 2003 Who
Worked at Mercer Immediately After Graduation: 3

Members of the Kellogg Class of 2004 Who
Worked at Mercer During the Summer of 2003: 3

Estimated Worldwide Size of the Mercer
Summer of 2004 Summer Class: TBD



Interview Formats Used – Monitor

Thumbnail Information:

Company Headquarters: Cambridge, MA
Year Founded: 1992

Total # of Worldwide Offices: 28
Total # of U.S. Offices: 6

Web Home Page: <http://www.monitor.com/>

Total # of Worldwide Consultants: 725
Total # of U.S. Consultants: 385

Interviewing Format for Summer of 2004 Internships:

of Interviewing Rounds: 2

of First-Round Interviews: 28 Format: One hour combination of a business case and fit. 15 minutes to read the business case, 25 minutes discussing the business case with the interviewer, 20 minutes of conversation.

of Second-Round Interviews: n/a Format: n/a

of Third-Round Interviews: 1 interview day with 6-10 candidates Format: Series of three interviews - a group business case interview, a role play exercise, and a feedback interview.

Are Kellogg grades taken into consideration? No

Are undergraduate grades taken into consideration? No

Are GMAT scores taken into consideration? No

Are SAT scores taken into consideration? No

Historical Kellogg Hiring Statistics:

Members of the Kellogg Class of 2001 Who

Worked at Monitor Immediately After Graduation: **5, there were 4 '01 grads who started in 2002**

Members of the Kellogg Class of 2002 Who

Worked at Monitor Immediately After Graduation: **1, there were 2 '02 grads who started in early 2003**

Members of the Kellogg Class of 2003 Who

Worked at Monitor Immediately After Graduation: **0**

Members of the Kellogg Class of 2004 Who Worked at Monitor During the Summer of 2003:

4

Estimated Worldwide Size of the Monitor Summer of 2004 Summer Class:

15



Interview Formats Used – ZS Associates

Thumbnail Information:

Company Headquarters: Evanston, IL
Year Founded: 1983

Total # of Worldwide Offices: 11
Total # of U.S. Offices: 5

Web Home Page: <http://www.zsassociates.com/>

Total # of Worldwide Employees: 522
Total # of U.S. Employees: 419

Interviewing Format for Summer of 2004 Internships:

of Interviewing Rounds: 2

of First-Round Interviews: 2 Format: 30-minute sessions. One case, one behavioral.

of Second-Round Interviews: 3 Format: Two case, one behavioral.

Are Kellogg grades taken into consideration? Yes

If so, why? ZS likes to know as much about the candidate as possible.

Are undergraduate grades taken into consideration? Yes

If so, why? ZS likes to know as much about the candidate as possible.

Are GMAT scores taken into consideration? Yes

If so, why? ZS likes to know as much about the candidate as possible.

Are SAT scores taken into consideration? No

Historical Kellogg Hiring Statistics:

Members of the Kellogg Class of 2001 Who
Worked at ZS Associates Immediately After Graduation: 5

Members of the Kellogg Class of 2002 Who
Worked at ZS Associates Immediately After Graduation: 7

Members of the Kellogg Class of 2003 Who
Worked at ZS Associates Immediately After Graduation: 4

Members of the Kellogg Class of 2004 Who
Worked at ZS Associates During the Summer of 2003: 2

Estimated Worldwide Size of the ZS Associates
Summer of 2004 Summer Class: TBD

VI. Conclusion

We hope that this book will be helpful to Kellogg students in finding consulting jobs. All of us who had a hand in writing and/or editing the book will be around on campus throughout the winter 2004 and spring 2004 quarters, and we hope that people will use us as a resource. That is to say, we hope that people will feel free to talk to us, formally or informally, to clarify some of the concepts raised in the book, ask questions, and resolve any areas of uncertainty. We also hope that people will give us some frank feedback about the book and how it can be improved, to ensure that future editions can be made even better.

We'd like to conclude with a few overall thoughts about the consulting recruiting process. Although this and many other books are full of advice, there is no "magic secret." We unfortunately cannot let people in on any special formula that will guarantee them a job in consulting, as much as we would like to. The process requires ability, preparation, focus, and some degree of luck.

We mention this because approaching this problem with the right mindset is as important as anything. Too often in the past, Kellogg students have been preoccupied with discovering the "inside scoop" or the "magic bullet" or the "secret to success" that will help them to "game" the system and shortcut the process into their dream job. But this cannot be done. If it could be done, we would have told you about it on page one of this book and been done with it, and spent the rest of the fall golfing.

The good news is that you can get a job in consulting with a decent but not outrageous amount of preparation and effort. You don't need to ditch your friends, risk failing all of your courses, and generally drop out of society. You can, and should, still be able to do all of the

things inside and outside of Kellogg that you have been doing. Preparing for consulting interviews will take time, of course, but it should not be stressful.

Practicing consulting cases will probably consume 4-6 hours per week of your time, on average. That is a lot, but it is very do-able with the right time management skills. One of the side benefits of taking it on is that people invariably become that much more skilled at time management. People also get a lot more focused when they are practicing if they realize that they need to accomplish the practice in a finite period of time. Manage your schedule in such a way that you can practice hard and still leave time to have a life. Fitting in 4-6 hours a week is not a lot in the grand scheme of things, and you may develop deep friendships with some of your “study partners” in the process.

The main benefit of practicing cases is that it will help you perform well in case interviews. Another residual benefit, often ignored, is that practicing cases will probably help you in your Kellogg coursework. You’ll get exposure to more different situations than you would otherwise be exposed to, and you’ll sharpen your approach to analyzing and solving difficult business problems. Don’t underestimate the degree to which this preparation will help you in your Kellogg courses. Conversely, your Kellogg coursework will help you in preparing for case interviews. So, it is best to approach consulting interview preparation not a stand-alone pain in your arse, but as an integrated part of your Kellogg education, which is really what it is. Think of the time spent preparing for case interviews as time spent to sharpen your analytical skills. Whether you ultimately decide to go into consulting or not, we believe that preparing for case interviews will contribute to you being a more capable businessperson when you graduate.

Finally, now more than ever is a great time to use the Kellogg network. Do not think of yourself as going through this process in isolation. There are a lot of people here at Kellogg to

help you, and the support network is as broad as it is deep. People are available to help you not only with your actual case practice, but also to provide moral and psychological support. At some point in the process, you will probably feel confused, disheartened, discouraged, upset, frustrated, or just generally defeated. This is the perfect time to tap into your network of Kellogg peers and other friends. It is larger than you think. Use it early and often. You want to not only get a great job, but arrive at the end of the quarter with your sanity intact.

Good luck!!

Appendix A: Background and Acknowledgements

Background

This book is the second of its kind to be produced at Kellogg (hence its designation as “version 2.0”). The original “Get Off Of My Case” was written and compiled by the seven Kellogg Consulting Club co-chairs from the Class of 2002.⁹ This book builds off of their efforts, and to that end we would like to thank them and to acknowledge the many references that this book will make to theirs. The other major background text for this book is a case interview guide called “Successfully Navigating the Recruiting Process.” It was written two years ago (November, 2001) by a pair of Kellogg students¹⁰ under the guidance of Kellogg Prof. Sonia Marciano. This article contained no actual practice cases, but it has been adapted into two sections of this book: Section II (on case interviewing) and section IV (on fit interviewing).

The goal of this book was to take these two documents (and, to a lesser extent, other raw materials as well) and to fuse them into one single guide that represented Kellogg’s aggregate best current demonstrated thinking on the matter. It has been felt that the initial “Get Off Of My Case,” while groundbreaking, needed to be updated in both content and format to be truly useful to Kellogg students trying to find consulting jobs. The Fleischmann, Fong, and Marciano article, meanwhile, is limited in scope and has not been widely distributed within the school. Furthermore, the existence of two separate documents within Kellogg has caused some confusion and made it more difficult for students to focus their preparation. By combining the best aspects of both documents, and then adding in practice cases and general advice from other sources, we

⁹ Their names are Susan Deutsch, Deepak Garg, Colleen Sellers, Amar Shah, Johnny Three, Andrea Traverso, and Shawn Wischmeier, all from the Kellogg Class of 2002.

¹⁰ Their names are Erica Fleischmann and Ryan Fong, both from the Kellogg Class of 2001.

have endeavored to create a single document that will be recognized throughout Kellogg as the definitive source of best demonstrated thinking on this particular subject.

Acknowledgements

The person at Kellogg who is most responsible for the success of this book is its faculty advisor, the aforementioned Prof. Sonia Marciano. As always, we have benefited from her considerable insight. We would also like to thank the many other people who helped with the writing, editing, and general “reality-checking” of the book. These people include the two Associate Editors, Brian Fox and David Welch, both members of the Kellogg Class of 2004.

Besides the two Associate Editors, other current Kellogg students were involved as well. Our six first-year “referee reviewers” represented the intended audience for this document and made valuable suggestions on how to improve it. They are (in alphabetical order by last name) John Boyle and Federico Bugallo. Thank you both.

Last but certainly not least, many current and former members of the Kellogg community contributed sample cases, or ideas and information that were converted into sample cases. They include Kellogg Prof. David Besanko, Chris Dupre '03, Colby Maher '03, and Ben Walter '03. Many thanks. Speaking of Kellogg alumnae/i, we would also like to thank all of the people who helped to author the initial Kellogg case book and/or the “Successfully Navigating the Recruiting Process” document, which have been the two biggest single data inputs for this book. We have alluded to them above, but also want to explicitly thank them for their work.

Appendix B: Additional Resources

The most relevant and useful additional resources for consulting interview preparation are as follows (not necessarily in either ascending or descending order or utility):

1. Consulting case books from other business schools – Anderson, Chicago, Columbia, Cornell, Harvard, Tuck, Wharton
2. Consulting company cases – submitted by Bain, BCG, McKinsey, etc.
3. Consulting company representatives and literature
4. Consulting company Web sites, many of which contain sample interactive practice cases
5. Consulting magazine article on “The 50 Best Consulting Firms to Work For”
6. Crack the Case, the new case interview guide by David Ohrvall, former Bain manager
7. Current Kellogg students who have worked in consulting or gone through the consulting interview process, either before or during Kellogg
8. Discussions with members of the consulting industry
9. “Get Off of My Case” – Kellogg case book updated for 2001-2002
10. Kellogg Career Management Center (CMC) counselors
11. Kellogg Case Interview Guide, “Successfully Navigating the Recruiting Process”, November 2001, by Erica Fleischmann, Ryan Fong, and Prof. Sonia Marciano
12. Kellogg Consulting Club’s official Web site located on the ‘Serial’ at http://www.kellogg.nwu.edu/student/club/consult/cons_000.htm
13. Mark Horstman’s “Don’t Forget the Fit” presentation (available from the Kellogg CMC on video if needed)
14. New Kellogg cases – written by members of the Kellogg Class of 2004 who worked in consulting during the summer of 2003
15. Vault Guide to the Top 50 Consulting Firms book

Appendix C: Concepts in Microeconomics

Microeconomic concepts that interviewees should be ready to raise in a case interview, if the situation presents itself, are as follows:

- Market structures and their primary features (see below);
- Consumers' price sensitivity as measured by demand elasticity;
- Competitor reactions to price changes;
- Long-term and dynamic effects of pricing decisions (demand is more elastic in the long run than it is in the short run);
- Opportunities to price-discriminate;
- Opportunities to effectively use "loss leader" or "traffic building" pricing strategies;
- Price as a signal of quality;

Common Market Structures are as follows:

1) *Perfectly Competitive*: in the absence of product differentiation, firms take price as given (in other words, they perceive their demand curves to be horizontal), elasticity of demand is infinite, and entry and exit are costless. Equilibrium condition is:

$$MR=MC=Price$$

2) *Monopoly*: one firm that has control over market price faces downward-sloping demand curves (implying that an increase in price will result in a lower quantity sold). Monopolistic profit maximization is described by the relationship:

$$MR = MC = Price * [1 + (1/Elasticity\ of\ Demand)]$$

For example, if elasticity of demand is .5, then $MR = MC = Price * (1 + 1/0.5)$, so $MR = MC = Price * 3$.

3) *Oligopoly*: an oligopoly is a highly-concentrated industry, usually with high barriers to entry. (For example, the top four manufacturers produce 80% of the industry's total output.) Firms have impact over prices, but must consider rival firms' behavior to determine the best action. The generic recommendation is to resist the urge to cut prices, because competitors will likely match price cuts and everyone will end up worse off than they were before.

Appendix D: Profitability Analysis

Here are some additional thoughts about profitability analysis cases, building on the discussion that was first introduced in Section II:

1. *Price increases offer another way for companies to increase their profits.* You might think of firms pricing in one of three ways: 1) Costs plus basis 2) Matching competition 3) Charging what the markets will bear. Firms in a competitive market are price takers, while monopolies can maximize profits by trading off on price or quantity subject to their downward sloping demand curve. An oligopoly must consider rival firms' behavior in determining its own pricing policy. Always understand the underlying market structure of the case before developing recommendations.

2. *Product differentiation or segmentation* by market, product, geography, quality, etc. is an additional means to distance a company from its competitors. The relative power of buyers and competition from substitute goods are other issues that can surface in such cases.

3. *Quantity is the third component of profit.* Growth in current market share or expansion into new markets can help a firm increase output. Changes in the product, sales network, marketing, and price all impact sales volume. Intangibles such as quality of service can also be improved or marketed to help increase volume.

4. *Price, cost, and volumes are all interrelated.* Companies need to find the best mix of the three items and realize that improving one aspect can negatively impact the other two items, thus lowering overall firm profit. If a firm increases quantity by cutting prices, what happens to profit? If increased volume necessitates higher costs through plant expansion, how is

profit affected? These examples show that the candidate needs to balance the three components to find the best strategy for the company as a whole.

5. *Across a multi-product line, it may be useful to analyze profitability on a product-by-product basis.* It may also be useful to analyze profitability by division, region, customer, or market segment. In addition, note that a small % change in price or cost flows straight through to the bottom line and can have a large positive % impact on profitability if demand is inelastic. Changes in volume usually have a smaller impact on the bottom line because both revenues and costs vary with volume.

Appendix E: Typical Fit Interview Questions

General

- Tell me about yourself.
- Walk me through your resume.
- Tell me more about [a specific bullet on your resume].
- Why consulting? Why this firm?
- Why did you choose to go to Kellogg?
- How would you evaluate the business of one of your previous employers?
- What do you like to do for fun?
- What is your favorite book?
- What are three qualities your friends would use to describe you? How have these traits impacted your professional career?
- What is your most significant accomplishment?
- What distinguishes you from the other candidates we are interviewing today?
- What is the one thing you want me to remember about you when I'm making my decision to hire you?
- Tell me about a time where you set your goals too high (too low).
- Who do (did) you look up to professionally and why?
- Tell me about someone who was a role model to you and why they were important to you.
- Which classes have you enjoyed most and why?
- Tell me about a time you failed at something.
- What's the headline for your obituary?
- What would your parents say about you?
- What charities do you support and why?
- What books have you read lately and why?
- Who's your favorite author?
- Who are you?
- What's important to you? Why?
- What goals do you have?
- What are the most significant challenges that you face?

It is also good to have your one-minute elevator pitch on yourself and why the firm is the best option for you.

Communication

- Tell me about a time where you had
 - to persuade someone to do something they initially didn't want to do.
 - a disagreement with your boss and how you handled it.

Leadership/Teamwork

- Tell me about a time where you had
 - to lead a team through a significant change.
 - to deal with a difficult teammate and how you handled it.
 - to lead a team to overcome a significant obstacle.
 - to change the direction of where a team was headed.
 - a disagreement with a member of your team and how you handled it.
 - to deal with an ambiguous situation and how you handled it.
 - to finish a project on time and under pressure.
- Tell me about your most challenging assignment or project.
- Tell me about a time when you worked with people who approached things differently than you.
- How would coworkers describe your leadership style?

Analytical Capacity

- Tell me about a project/issue that required you to analyze a lot of ambiguous data and how did you organize/resolve it.
- Tell me about a complex problem you had:
 - What data did you have in hand?
 - What data did you wish you had? How would you go about getting the data?
 - What conclusion did you arrive at? What happened?

One final note on “fit” interviews: consult the resources made available by other clubs at Kellogg to prepare students for interviewing. The Kellogg Marketing Club, for example, has a well-developed guide and matrix for organizing one’s “tell me about a time” responses.