

BerkeleyHaas

CASEBOOK

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INTERVIEW PREPARATION GUIDE AND CASE BOOK

Before you begin...



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

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Recruiting for consulting has two critical workstreams

1

Get the interview

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

2

Ace the interview

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



-
- There is a lot to do, but **there are resources to help**; use them! See p. 28 for more information
 - **Do these workstreams simultaneously**, not sequentially
 - Don't wait until you have an interview invite before you start preparing. Regular preparation starting in Fall will be far more fruitful and allow you time to incorporate feedback.
 - **Case interview prep is (typically) the most time-intensive item** and requires the most lead-time

Knowing what the firms are looking for helps you prepare

Value addition

- Structured thinking
- Analytics / quantitative reasoning / problem solving
- Creativity

Communication

- Crystalizing the message
- Delivering information effectively
- Managing client relationship

Team

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

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

Getting the interview

Getting the interview

1 Resume & Cover Letter

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

2 Research

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

3 Networking

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

So what exactly is “Networking”?

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

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

DOs

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

DON'Ts

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

Acing the interview

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



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

Internship recruiting timeline

Indicative internship recruiting & preparation timeline

- Talk to consultant classmates
- Speakers series
- Work on resume
- Haas Consulting Days
- Invest heavily in case prep
- Get to know the firms and their people
- Think through key stories for behavioral prep
- Finalize resume and cover letters
- Drop resumes, some with cover letters (~Nov 29)
- Get invites
- Polish cases
- Behavioral prep
- Finalize behavioral
- Finalize case prep
- 1st round interviews by **early** Jan*
- 2nd round / results by late Jan-early Feb

**Plan to interview the week before classes begin*

Sept

Oct / Nov

Dec

Winter Break

Jan / Feb

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

Full-time recruiting timeline

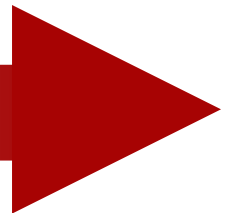
Indicative full-time recruiting & preparation timeline

- Draft resume
- Meet the firms
- Research
- Start case prep
- Invest heavily in case prep
- Develop relationships
- Begin behavioral prep
- Get invites
- Polish cases
- Behavioral prep
- Finalize behavioral
- Finalize cases
- Drop resumes
- 1st rd. interviews by early Oct
- 2nd rd. results by late Oct/Nov

Summer / Aug

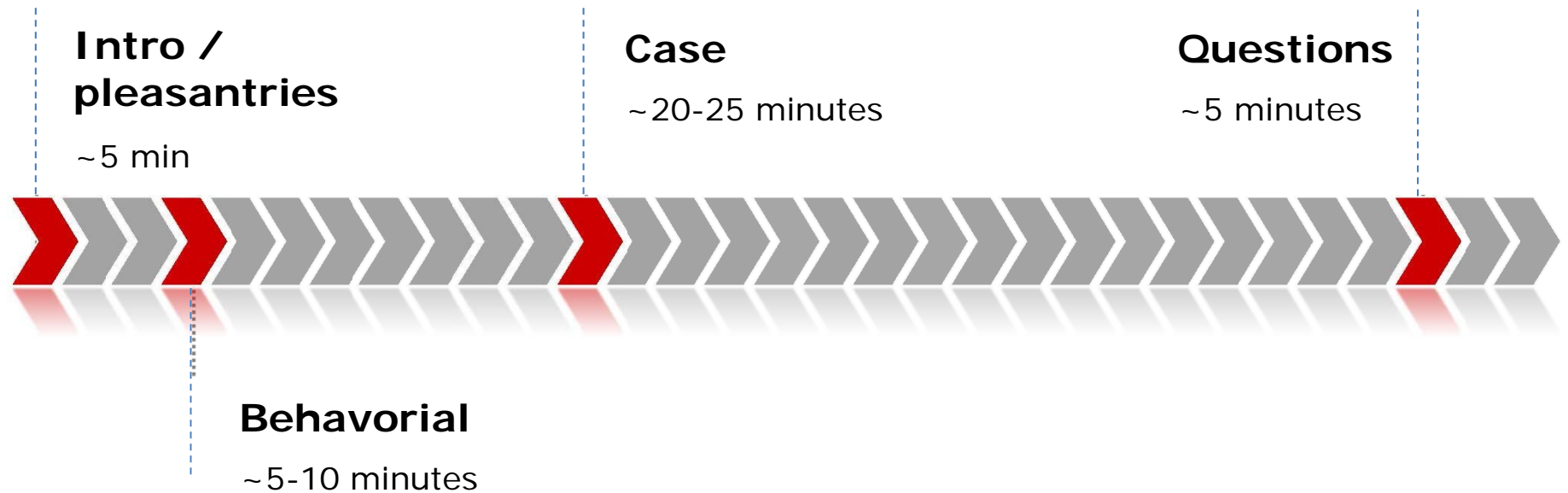
Sep / Oct

Oct / Nov



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

Interviews are ~45 minutes & have behavioral and case components



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

A framework for a successful job search

1 PRIORITIES: Know what you want

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

2 PEOPLE: Recruiting is a team sport

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

3 PLAN: Work smart

- Consulting recruiting is a "solved problem" – before you draft your plan, ask several people who were successful what they did
- For case prep, instead of focusing on quantity, be intentional about what you want to improve in each case prep session

4 PERSISTENCE: Work hard

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

Common pitfalls – and solutions

1 Starting late

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

2 Don't prepare effectively

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

3 Under-index on behavioral prep

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

Outline

- 1) Management consulting recruiting process p. 3
- 2) The case interview p. 15
- 3) The behavioral interview p. 45
- 4) Practice cases p. 50

Case interviews require you to solve a problem

Behavioral / experience interview

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

Case interview

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

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

Case interviews vary widely in format

Interviewee Led Case

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

Interviewer Led Case

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

Written Case

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

Other

- Deloitte / Monitor: Group written case (Typically reserved for 2nd round)

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

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Typical differences between first round & second round cases

First Round

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

Second Round











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

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










Interviews tend to differ by firm

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

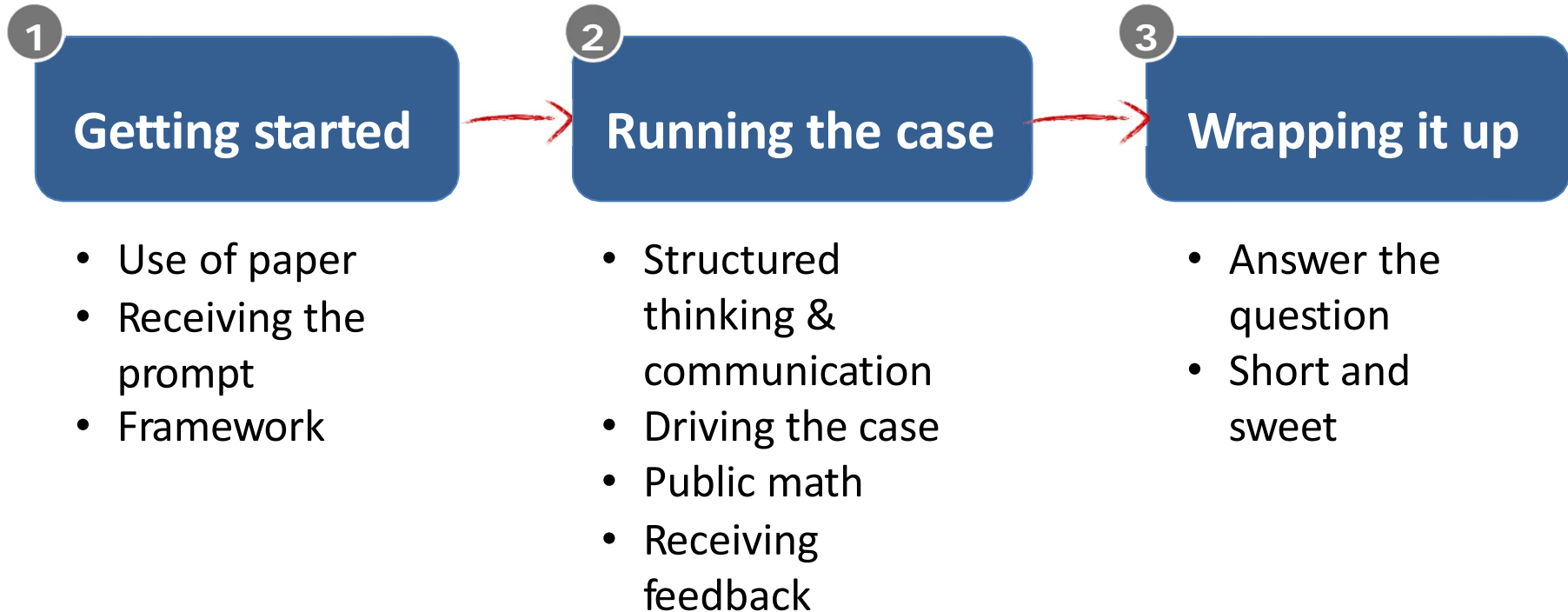
Internship interview round specifics by top firms

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

Presentation interviews by top firms (*varies by office location*)

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

Components of a case



Example case: “Carlos’ Rafting Business”

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

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

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

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

Section & Timestamp

Comments

Presenting your framework – 2:55

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

Driving the case – 4:22

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

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

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

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

Section & Timestamp

Comments

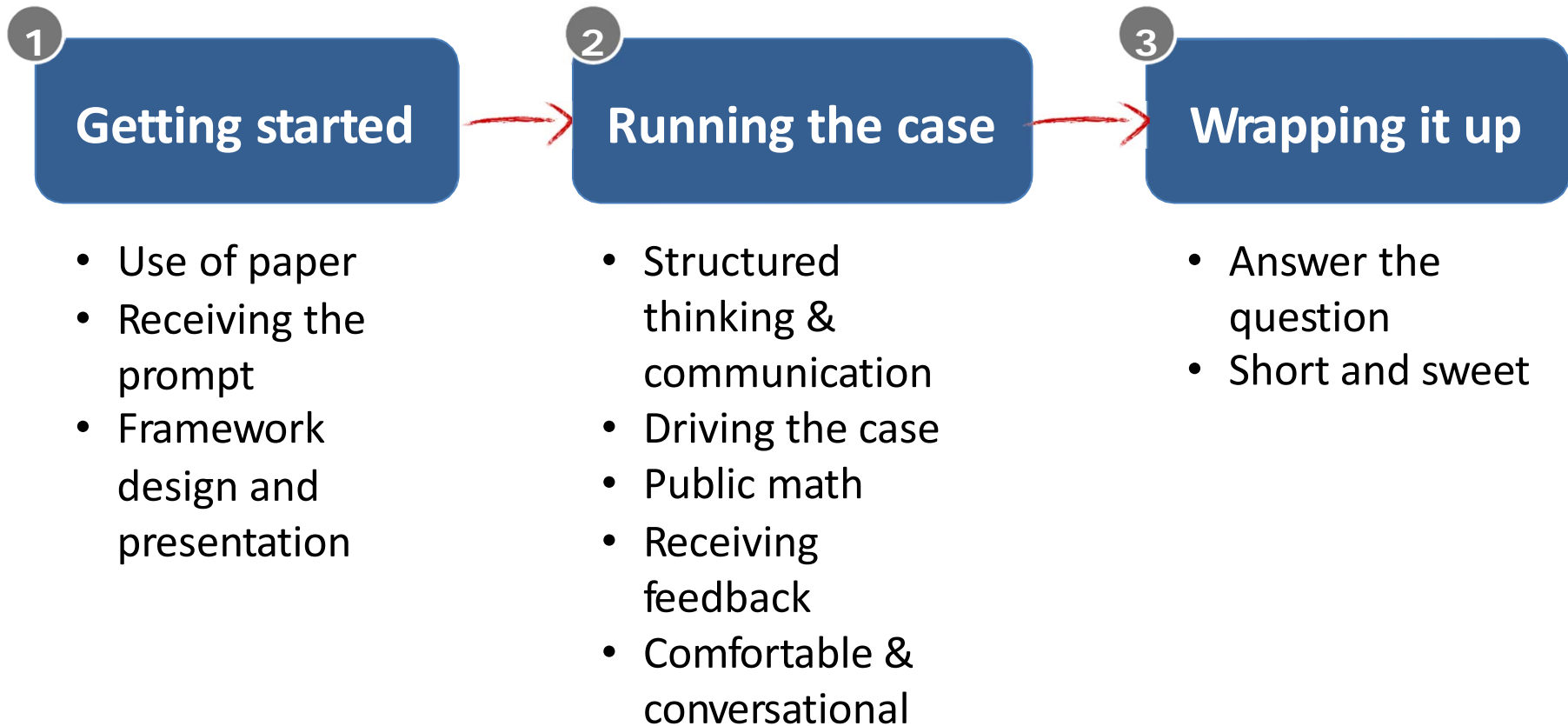
Conclusion – 17:10

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

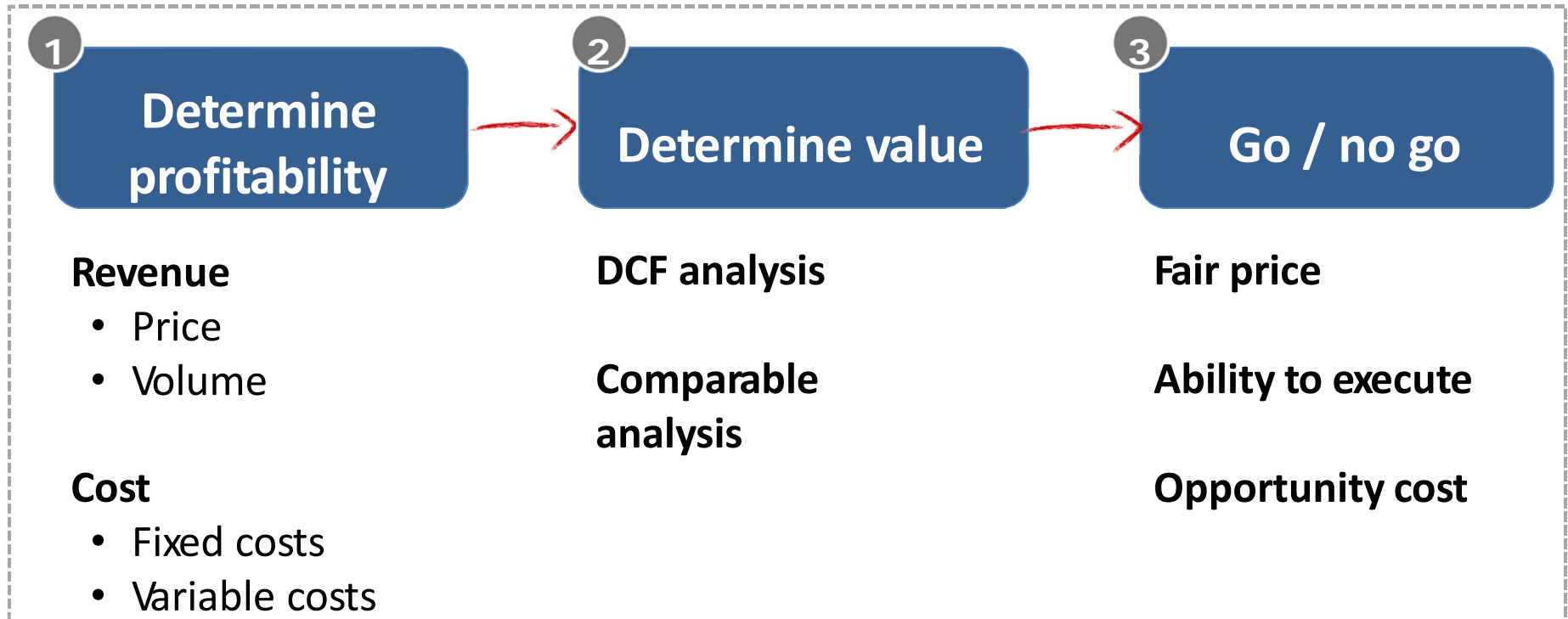
Highlight your personality (appropriately) – 18:10

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

Example case: what was good about this case?



Example case: why was the framework good?



Coherent structure
(reason for the order)

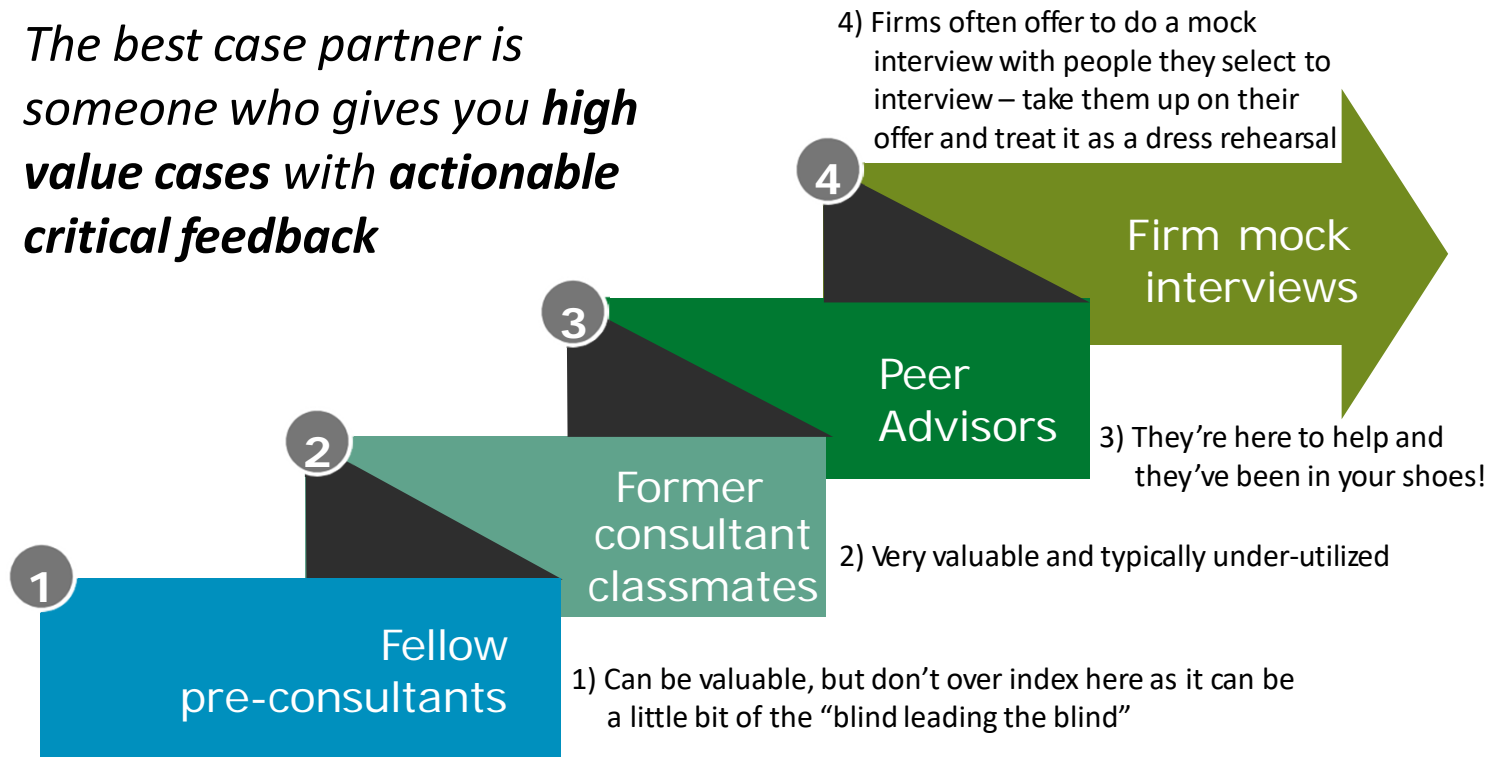
Moderately MECE
(mutually exclusive,
collectively exhaustive)

**On topic and
appropriate depth**

There are resources available to you to help with case prep

Who to practice with?

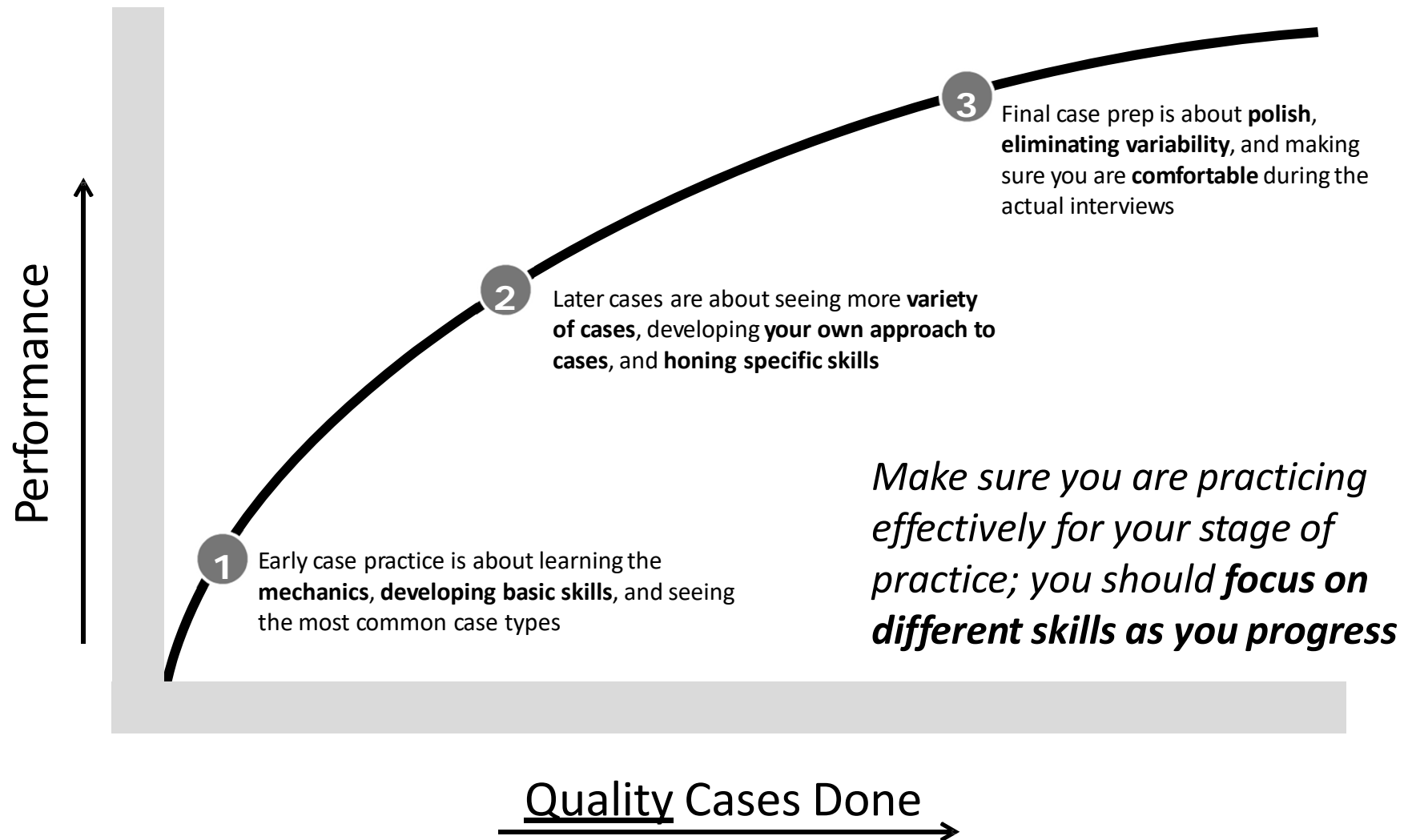
*The best case partner is someone who gives you **high value cases** with **actionable critical feedback***



Where to get cases?

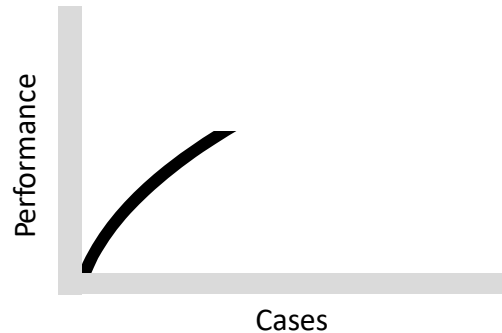
- **School case books (HCC Website)**
- Firm websites
- Prep books (*Crack the Case*, *Case in Point*, *Victor Cheng*)
- Make your own mini-cases or case parts ("what is Café Strada's daily revenue?") → great for framework drills

Case prep: relationship of practice and performance



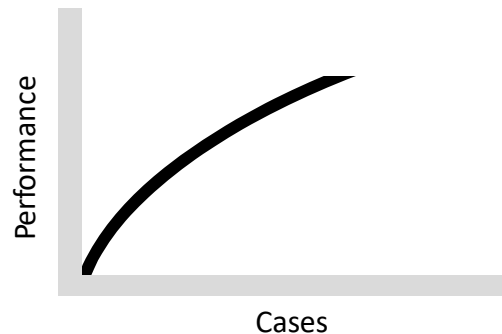
Case prep: common issues illustrated

Not
enough
case prep



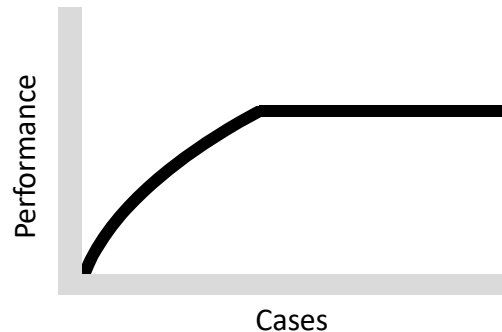
- Some people get started late and don't have time to get past the basics
- **Be sure to give yourself enough time to prepare**

Missing the
final polish



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

Flatlining



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

Case prep: how to practice

*Read this slide
carefully!*

Case
skill

=

Number of cases

*

Average improvement / learning per case

Have a structured approach

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

Depth

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

Breadth

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

Have a structured approach

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

Get the most from every case

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

Always remember what you are solving for

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

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

Why use a case log?

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

Example Excel-based case log

Cases Received

55

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

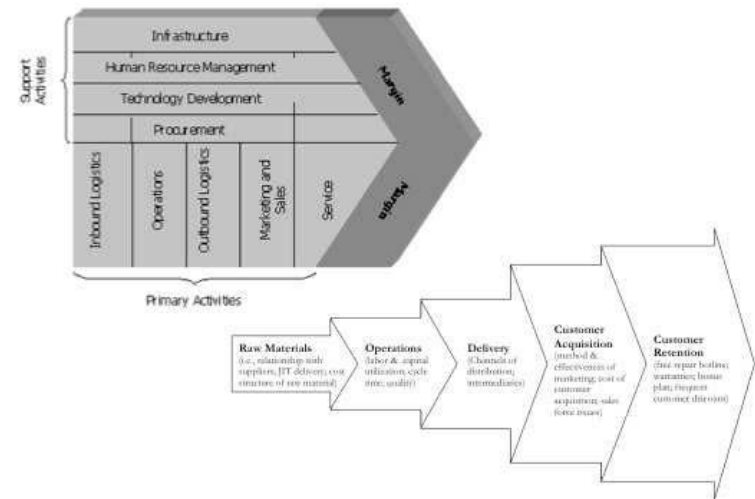
Case prep: use a framework journal to remember good ideas

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

Miscellaneous Framework Roadmaps

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

Firm Value Chain



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

1

Pick a question

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

2

Devise & present a framework

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

3

Evaluate framework

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

4

Redesign & represent

- Doing it over again reinforces “proper behavior”

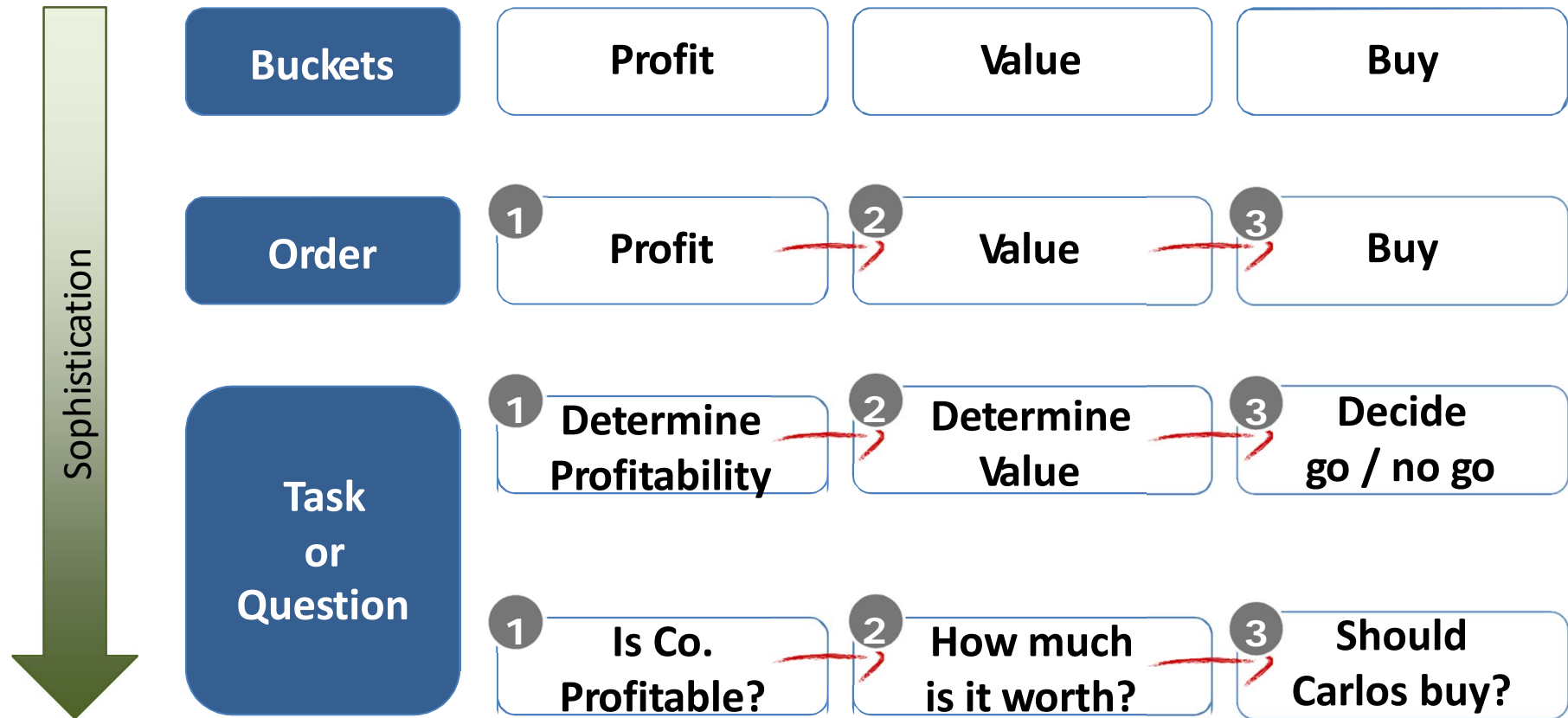
Can be done
alone,
better with
a partner

Frameworks: example “framework game” prompts

Try making a MECE framework to approach the following questions

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

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



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

1

Restate question

2

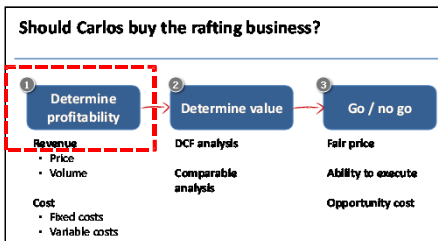
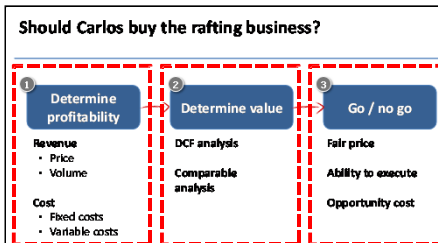
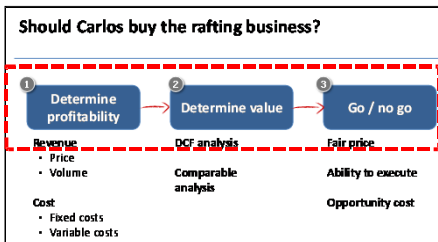
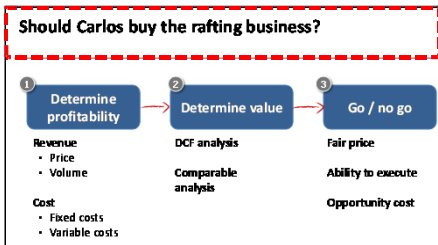
Show structure

3

Show depth

4

Pick starting place



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

Math: a few thoughts on case math

Your goal

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

Common mistakes

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

A good approach to calculations

1

Lay out your approach

- Use paper
- Make sure you are speaking

2

Walk through your steps

- Use paper (unless calcs are very easy)

3

Sanity check the results

- Does the answer make sense?

A few good math tips

1

Approximations

- Use round numbers
- Use approx. calcs

2

Math tricks

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

3

Structure data

- Put large lists of numbers into tables

Math: quick review of the income statement

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

Math: some math drills

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

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

Presentation: A few thoughts on communicating and presenting

Interviewer's internal monologue

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

Areas to focus on

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

Areas to highlight within a case

Presenting your framework

- Good timing?
- Reasonable flow?

Presenting your conclusion

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

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

Giving cases: some pointers

Give real feedback

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

Learn from others

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

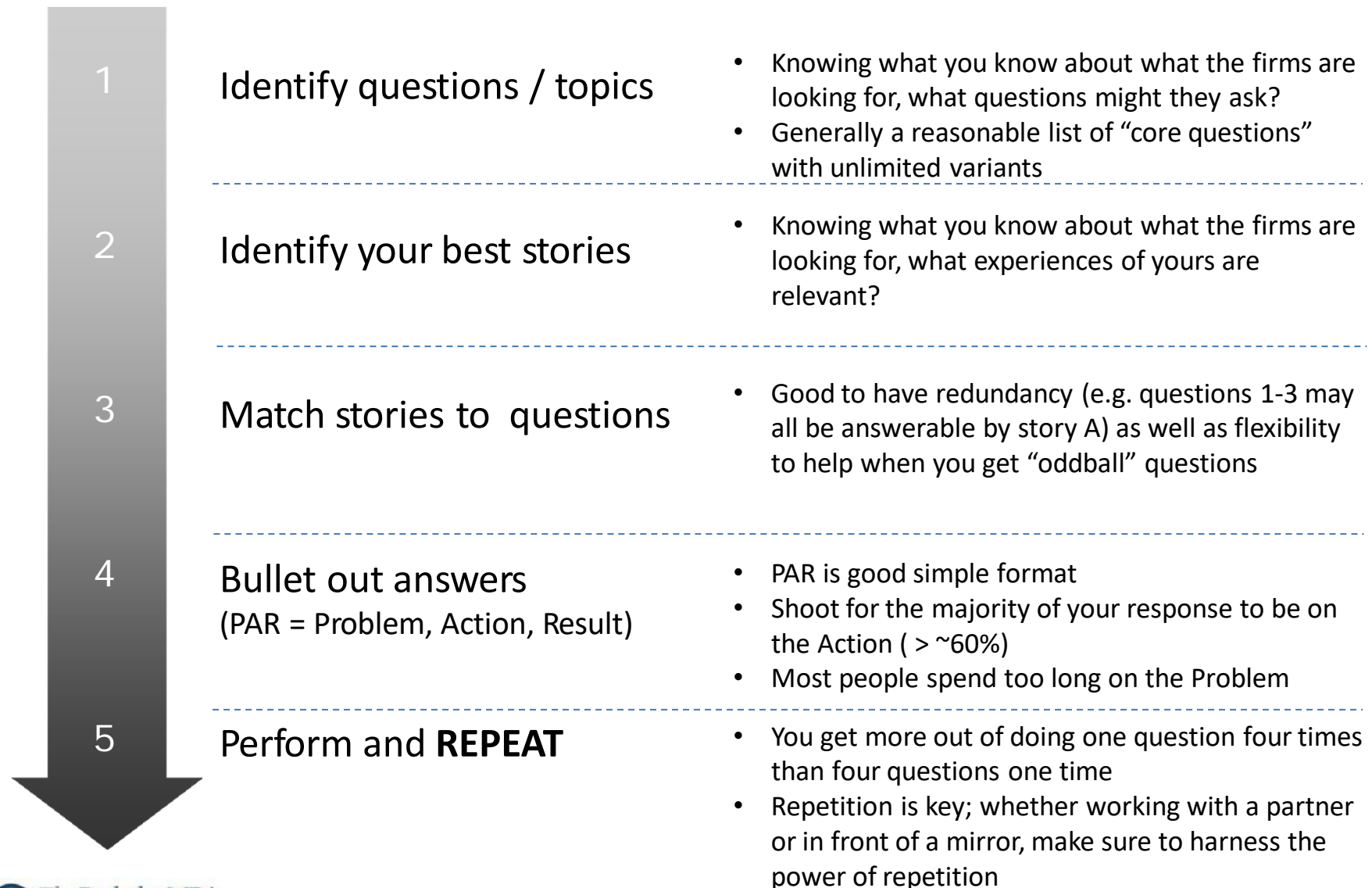
Tips for giving cases

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

Outline

- 1) Management consulting recruiting process p. 3
- 2) The case interview p. 15
- 3) The behavioral interview p. 45
- 4) Practice cases p. 50

Five steps to behavioral preparation



You can tailor one story to answer multiple experience questions

Typical questions in consulting interviews (NOT EXHAUSTIVE)

Introduction

- Tell me about yourself
- Walk me through your resume

Fit

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

Strengths / weaknesses

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

Problem solving

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

Leadership

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

Personal impact & achievement

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

Persuasion & conflict

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

Failure

- Tell me about a time you failed

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

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

Why use a PAR Matrix?

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

Example PAR Matrix

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

Additional Behavioral Questions: NOT AN EXHAUSTIVE LIST

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

Outline

- 1) Management consulting recruiting process p. 3
- 2) The case interview p. 15
- 3) The behavioral interview p. 45
- 4) Practice cases p. 50

Table of contents

Pg #	Cases	Format	Topic	Industry	Concepts tested
52	Berry Chill	Partner	Growth	Consumer Retail	• Growth strategy, Product development
59	ComfortFoam	Interviewee- driven	Competitive Strategy	Manufacturing (consumer)	• Profitability, market segmentation, market sizing
67	CoffeeCo	Interviewer- driven	Profitability	Restaurant	• Market analysis, financial analysis
79	LifeRenew	Interviewee- driven	Market Entry	BioPharma	• Market sizing, customer segmentation, pricing
88	Steel Corp	Interviewee- driven	Growth	Industrial (Steel)	• Growth strategy
95	FlyMe.com	Interviewer- driven	Profitability	Travel / e-commerce	• Financial analysis, Increasing sales
106	MexTell	Interviewee- driven	M&A	Telecom	• Financial analysis
113	SunFury	Interviewer- driven	Market Entry	Energy (Solar)	• Market sizing, Financial analysis
122	Camilla's Pets	Interviewee- driven	Operations	Consumer Retail	• Profitability
131	Hrdwr2Softwr	Interviewer- driven	Growth	Tech (Hardware)	• Market analysis, Financial analysis
141	AlphaAuto	Interviewee- driven	Market Entry	Auto	• Market analysis
157	Jamaican Land	Interviewee- driven	Profitability	Agriculture	• Profitability, Financial analysis
164	Avicenna Health	Interviewee- driven	Market Entry	Healthcare	• Market analysis
171	Down Under	Interviewer- driven	Growth	Retail	• Company analysis, Increasing revenue
185	Otobea	Interviewer-driven	Market Entry	Consumer Retail	• Growth strategy, financial analysis

Guide to the Interviewer

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

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

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

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

Interviewer Guide

- **Keys to the case:** the two or three main points that need to be covered to crack the case
- **Tips:** hints for you to use to guide interviewee
- **Intro and questions to ask:** suggested questions to direct interviewee exhibit analysis
- **Good candidate vs. Better Candidate:** identifies the differentiating characteristics of interviewee performance

Level of Difficulty

1

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

2

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

3

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

4

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

5

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

Case 1: Berry Chill Frozen Yogurt

Behavioral Pre-Case Questions

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

Case Question

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

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

Case Overview

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

Interviewer Guide

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

Case 1: Berry Chill Frozen Yogurt

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

Additional Facts (provide if asked)

- **Company-specific:**
 - One of the first in the self-serve frozen yogurt market
 - Develops own proprietary flavors; toppings are generic
 - Currently own and operate all 25 stores in Southern California
 - Currently only sells yogurt on a per ounce basis
- **Frozen yogurt market**
 - Frozen yogurt is seen as a healthier alternative to ice cream and other desserts
 - Self serve style stores are gaining popularity relative to traditional full-service stores
 - Major costs are fixed – variable cost is essentially yogurt and toppings
- **Competition**
 - In the last year, a few competitors have begun to enter the Southern California market

Interviewer Guide

• Tips

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

• Good candidate:

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

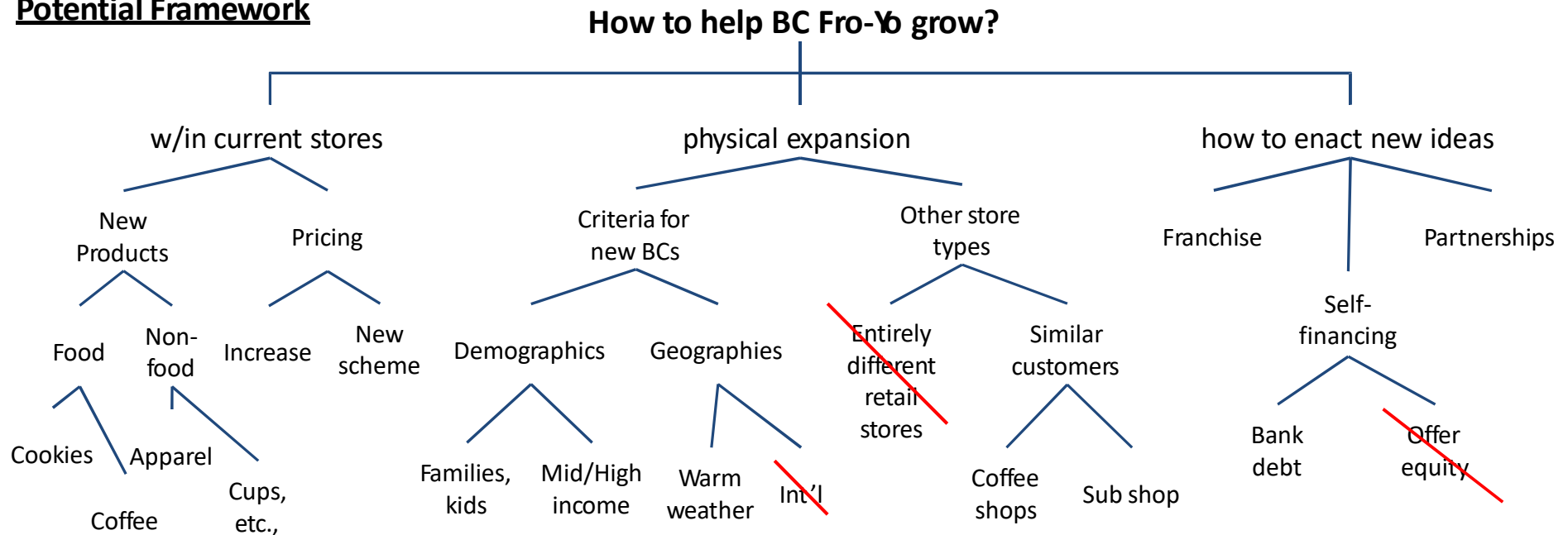
• Better candidate:

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

• NEXT STEP: Framework evaluation

Case 1: Berry Chill Frozen Yogurt

Potential Framework



Interviewer Guide

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

Case 1: Berry Chill Frozen Yogurt

Potential framework for analyzing potential growth opportunities

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

Interviewer Guide

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

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

Suggested answer:

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

Reasons to Support Recommendation

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

Notes

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

Case Feedback Form

Name of Case: _____

Case Book: _____

Behavioral answer _____:_____ min
 Framework development _____:_____ min
 Framework explanation _____:_____ min
 TOTAL Case Time _____:_____ min

Strong
So-so
Weak

Behavioral ☐ ☐ ☐ Impactful & well-communicated

Initial Structure ☐ ☐ ☐ Clarifying questions (if needed)
☐ ☐ ☐ Relevant framework
☐ ☐ ☐ Explanation and hypothesis

Analysis ☐ ☐ ☐ High-level summary of exhibits
☐ ☐ ☐ Stating approach → solving → so what
☐ ☐ ☐ Quantitative accuracy & comfort

Closing ☐ ☐ ☐ Answer first
☐ ☐ ☐ Structured recap of findings
☐ ☐ ☐ What's next

Consulting DNA ☐ ☐ ☐ Business intuition & creativity
☐ ☐ ☐ Structured & clear thinking
☐ ☐ ☐ Comfort with ambiguity
☐ ☐ ☐ Engaging style

Date: _____

Case Giver: _____



Feedback Criteria Key: Definitions of “strong” ratings

Behavioral

Impactful & well-communicated: begins with a one-sentence introduction that captures attention. Showcases behaviors/skills relevant to the prompt. Story is easy to follow as the actions/decisions progress. Includes the elements of Problem-Action-Result or Situation-Task-Action-Results/Reflect.

Initial Structure

Clarifying questions: Only asks questions clearly relevant to the problem that has been presented. Does not try to solve case by asking questions that go beyond clarifying.

Relevant framework: Address the correct problem. Is MECE, showing interdependencies were relevant. Well-structured/easy to read.

Explanation and hypothesis: Summarizes primary “buckets” before diving into details. Includes case specific information, like “room bookings and event space rentals” for a hotel, instead of “revenue.” Drives towards a relevant place to start asking for data.

Analysis

High-level summary of exhibits: Focuses on most important take-aways before diving into math. Asks questions where needed. Connect to previously provided/solved info, where relevant.

Stating approach → solving → so what: Proactively lays out structure (formula or steps) before diving in. Drives towards answers, and then interprets answers for impact on overall case conclusion or next steps.

Quantitative accuracy & comfort: Arrives at correct or appropriately estimated answers. “Sanity checks” in order to verify orders of magnitude or solve for the same number a second way.

Closing

Answer first: Gives the “punch line” first, directly addressing the principal question of the case. This shows ability to communicate effectively with C-level clients and firm partners.

Structured recap of findings: Reviews “what we’ve learned,” referring only to the most important info for a C-level client to know.

What’s next: Goes beyond the prompt to provide appropriate recommendations on risks, contingencies and next steps in order for the client to solve their problem.

Consulting DNA

Business intuition & creativity: Pulls on personal experience or recent news. Asks appropriate questions about the business model. Goes “beyond the book,” is not a “case robot” but rather can provide new ideas and be flexible when put on the spot.

Structured & clear thinking: Clearly shows and explains logical steps towards conclusions, uses paper to create structure around conversation. Speaks at an appropriate pace and volume.

Comfort with ambiguity: Handles missteps with grace, takes pauses to collect thoughts when needed, reacts well to surprises.

Engaging style: Brings the case-giver along in multi-step processes, maintains good eye contact, shows interest in the case content.

Case 2: ComfortFoam

Behavioral Pre-Case Questions

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

Case Question

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

Case Overview

Format: Interviewee-driven

Difficulty level: 3/5

Topic: Competitive strategy

Industry: Manufacturing
(Consumer)

• **Concept(s) tested:**

- Profitability
- Market segmentation
- Market sizing

Interviewer Guide

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

Case 2: ComfortFoam

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

Additional Facts (provide if asked)

• Company-specific:

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

• U.S. mattress market

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

• Competition

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

Interviewer Guide

• Good candidate:

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

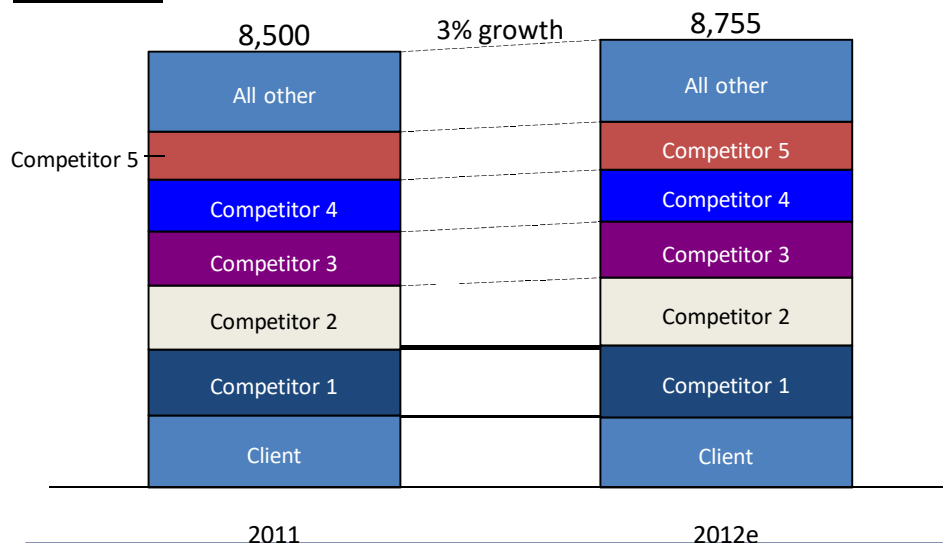
• Better candidate:

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

• NEXT STEP: MOVE TO NEXT PHASE

Case 2: ComfortFoam

Exhibit 1: U.S. Mattress Market



Company	Market Share	Revenue Growth	EBITDA Margin	EBITDA	Market Value	Price-to-EBITDA
Competitor 5	11%	9%	18%	\$168	\$2,074	12.3
Competitor 4	14%	2%	8%	\$95	\$755	7.9
Competitor 3	13%	-2%	-2%	-\$22	\$108	N/A
Competitor 2	8%	10%	19%	\$129	\$1,863	14.4
Competitor 1	15%	7%	10%	\$128	\$1,410	11.1
ComfortFoam	20%	-2%	12%	\$204	\$1,869	9.2

Interviewer Guide

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

Key Observations from Data

- **Client-specific**
 - 👉 Largest share of market
 - 👉 Revenue expected to decline and result in loss of market share
 - 👉 Average profitability and p/EBITDA rating
- **Overall market**
 - 👉 Top 6 own ~80% of the market
 - 👉 Relatively low growth overall
 - 👉 Profitability varies widely (from -2% to 19% EBITDA Margin)
 - 👉 EBITDA drives Market Value (P/EBITDA varies from 7.9 to 14.4)
- 👉 **Competitors 2 and 5 are rising stars**

Case 2: ComfortFoam: Handout

Exhibit 1: 2011 U.S. Mattress Market

(values in millions)



Company	Revenue	EBITDA	Market Value
Competitor 5	\$935	\$168	\$2,074
Competitor 4	\$1,190	\$95	\$755
Competitor 3	\$1,105	-\$22	\$108
Competitor 2	\$680	\$129	\$1,863
Competitor 1	\$1,275	\$128	\$1,410
ComfortFoam	\$1,700	\$204	\$1,869

Case 2: ComfortFoam

Potential framework for analyzing potential strategies

Potential Strategies	Level of difficulty (Low – High)	Potential Magnitude (Small – Large)	Timing (Short – Long)	Risk (Low – High)	Interviewer Guide
Increase price	Low	Small – Med	Short-term	Medium	<ul style="list-style-type: none"> • Intro: “What are some of the things our client can do to address these competitive issues?” • Questions to ask: <ul style="list-style-type: none"> 👉 How would you evaluate these potential options? 👉 What criteria can you use to evaluate these potential options? 👉 Which criteria is the most important for our client to consider? (Magnitude) • Keys to section: <ul style="list-style-type: none"> – Develop a structured approach to generate and evaluate potential strategic options • NEXT STEP: WRAP-UP
Invest in R&D	High	Medium	Long-term	High	
Invest in direct to consumer channels	Medium	Med – Large	Mid- to Long-term	High	
Acquire competitor	Medium	Large	Mid- to Long-term	Med – High	

Case 2: ComfortFoam: Conclusion (2 minutes max)

Suggested answer:

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

Reasons to Support Recommendation

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

Notes

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

Case Feedback Form

Name of Case: _____

Case Book: _____

Behavioral answer _____:____ min
 Framework development _____:____ min
 Framework explanation _____:____ min
 TOTAL Case Time _____:____ min

Strong
So-so
Weak

Behavioral ☐ ☐ ☐ Impactful & well-communicated

Initial Structure ☐ ☐ ☐ Clarifying questions (if needed)
☐ ☐ ☐ Relevant framework
☐ ☐ ☐ Explanation and hypothesis

Analysis ☐ ☐ ☐ High-level summary of exhibits
☐ ☐ ☐ Stating approach → solving → so what
☐ ☐ ☐ Quantitative accuracy & comfort

Closing ☐ ☐ ☐ Answer first
☐ ☐ ☐ Structured recap of findings
☐ ☐ ☐ What's next

Consulting DNA ☐ ☐ ☐ Business intuition & creativity
☐ ☐ ☐ Structured & clear thinking
☐ ☐ ☐ Comfort with ambiguity
☐ ☐ ☐ Engaging style

Date: _____

Case Giver: _____



Feedback Criteria Key: Definitions of “strong” ratings

Behavioral

Impactful & well-communicated: begins with a one-sentence introduction that captures attention. Showcases behaviors/skills relevant to the prompt. Story is easy to follow as the actions/decisions progress. Includes the elements of Problem-Action-Result or Situation-Task-Action-Results/Reflect.

Initial Structure

Clarifying questions: Only asks questions clearly relevant to the problem that has been presented. Does not try to solve case by asking questions that go beyond clarifying.

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Explanation and hypothesis: Summarizes primary “buckets” before diving into details. Includes case specific information, like “room bookings and event space rentals” for a hotel, instead of “revenue.” Drives towards a relevant place to start asking for data.

Analysis

High-level summary of exhibits: Focuses on most important take-aways before diving into math. Asks questions where needed. Connect to previously provided/solved info, where relevant.

Stating approach → solving → so what: Proactively lays out structure (formula or steps) before diving in. Drives towards answers, and then interprets answers for impact on overall case conclusion or next steps.

Quantitative accuracy & comfort: Arrives at correct or appropriately estimated answers. “Sanity checks” in order to verify orders of magnitude or solve for the same number a second way.

Closing

Answer first: Gives the “punch line” first, directly addressing the principal question of the case. This shows ability to communicate effectively with C-level clients and firm partners.

Structured recap of findings: Reviews “what we’ve learned,” referring only to the most important info for a C-level client to know.

What’s next: Goes beyond the prompt to provide appropriate recommendations on risks, contingencies and next steps in order for the client to solve their problem.

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Structured & clear thinking: Clearly shows and explains logical steps towards conclusions, uses paper to create structure around conversation. Speaks at an appropriate pace and volume.

Comfort with ambiguity: Handles missteps with grace, takes pauses to collect thoughts when needed, reacts well to surprises.

Engaging style: Brings the case-giver along in multi-step processes, maintains good eye contact, shows interest in the case content.

Case 3: CoffeeCo

Behavioral Pre-Case Questions

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

Case Question

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

Case Overview

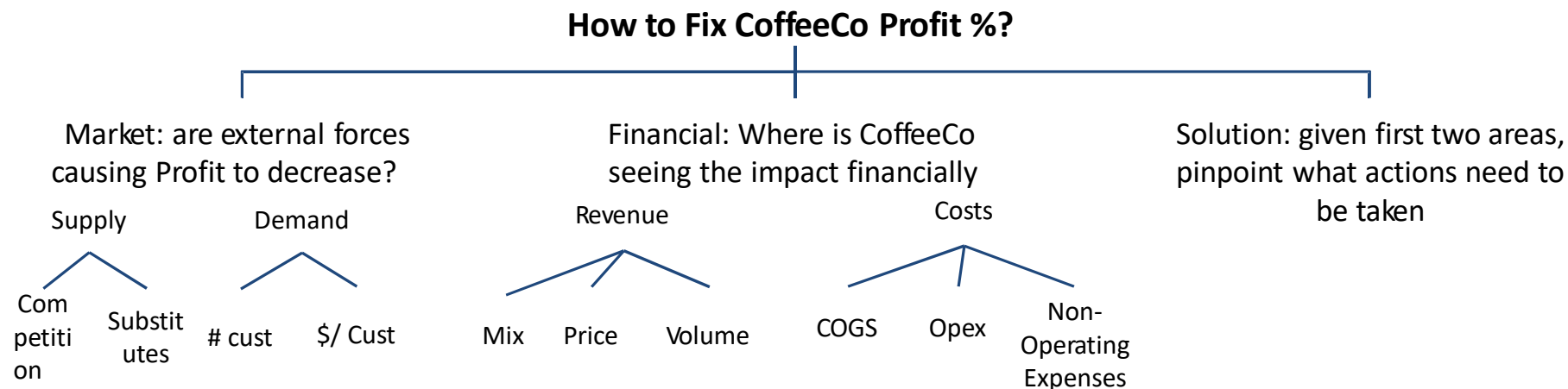
- **Format:** Interviewer-driven
- **Difficulty level:** 4/5
- **Topic:** Profitability
- **Industry:** Restaurant
- **Concept(s) tested:**
 - Market analysis
 - Financial analysis
 - Increasing sales
 - Decreasing costs
- **Length:** Long (~30 min)

Interviewer Guide

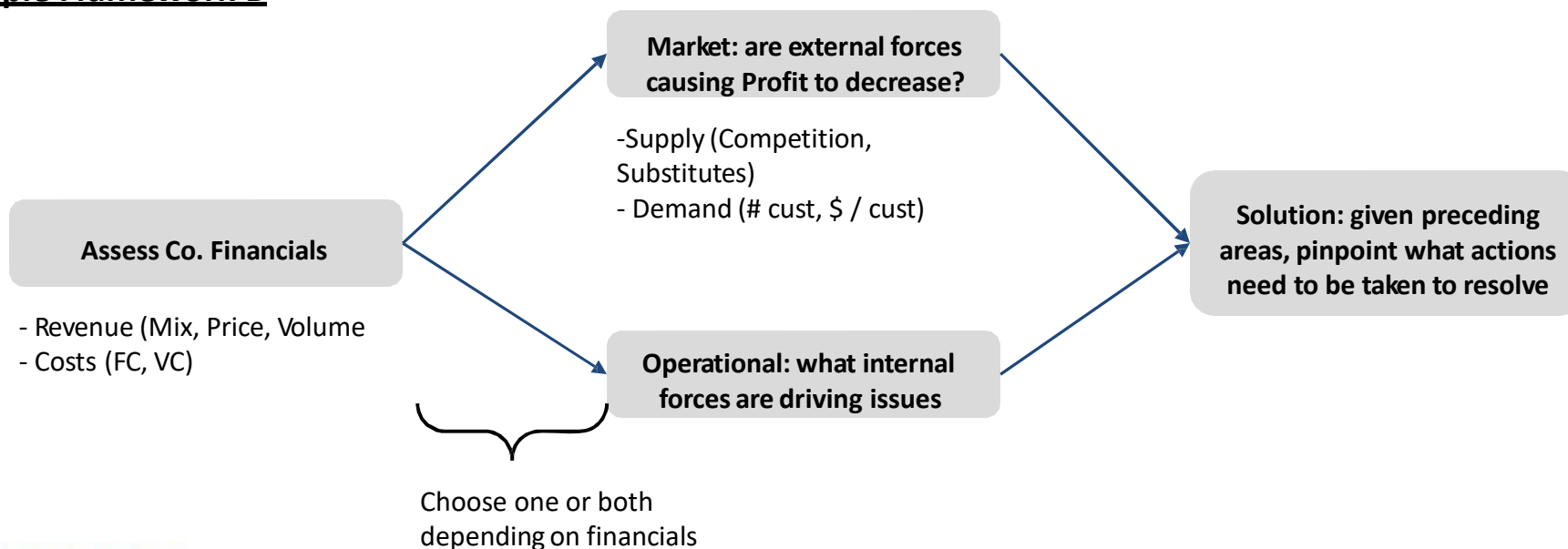
- **Keys to the case**
 - Quickly realizing that profit decrease is not due to changes in the broader market
 - Reading “between the lines” in the financial info to determine that new stores are underperforming
 - Quickly coming to correct solution for Revenue and OpEx issue
- **Keys to the case**
 -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

Case 3: CoffeeCo

Example Framework A



Example Framework B



Case 3: CoffeeCo

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

Case Facts (provide if asked)

• Market Demand:

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

• Market Supply

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

• Client

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

Interviewer Guide

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

Case 3: CoffeeCo

Exhibit: Selected CoffeeCo Income Statement Items

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

Interviewer Guide

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

Key Observations from Data

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

Case 3: CoffeeCo: Handout

Exhibit: Selected CoffeeCo Income Statement Items*

(values in thousands)

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

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

Case 3: CoffeeCo

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

Flow of this Section

1) Interpreting chart:

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

2) Brainstorming issues:

- 👉 Ask the interviewee to brainstorm why the New Stores aren't selling sandwiches. After they do so, push them to think about why the on-campus locations might not be able to (e.g. “the store owner tells us he would like to sell sandwiches on campus but he can't. Why might that be?”). Example brainstorm:
 - Issue due to Demand (I.e. on-campus customers don't want sandwiches)
 - Issue due to Supply (CoffeeCo is not selling sandwiches)
 - Chooses not to
 - Can't
 - + No staff
 - + No ingredients
 - + **No facilities: can't make the sandwich because the campus won't give them a kitchen permit for years**
- 👉 The point of this section isn't to test to see if they can guess well, but rather to see if they can brainstorm effectively and quickly hone in on key issue with some interviewer guidance

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

Interviewer Guide

- **Answer:** CoffeeCo's has lower revenue at the New Stores because it doesn't sell sandwiches at the new stores. This, in turn, is due to the fact that CoffeeCo won't get a kitchen permit on campus for years. The company can fix this by making pre-made sandwiches at its off-campus locations and bringing-on campus
- **Good candidate:**
 - 👉 Gets to the right answer with moderate guidance
- **Better candidate:**
 - 👉 Gets to the right answer with limited guidance
 - 👉 Presents a structured approach to brainstorming
 - 👉 Bonus points for additional creative revenue solutions
- **NEXT STEP:** If the interviewee has done the OpEx portion, ask them to wrap up the case with a conclusion. Otherwise, ask them to solve the OpEx issue

Case 3: CoffeeCo: Handout

Exhibit: Menu for Old Stores vs. New Stores

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

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

Case 3: CoffeeCo

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

Flow of this Section

1) Interpreting chart:

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

2) Brainstorming issues:

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

3) Suggest solution

Interviewer Guide

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

Case 3: CoffeeCo: Handout

Exhibit: OpEx Breakout for Old Stores vs. New Stores

Presented as % of total OpEx

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

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

Case 3: CoffeeCo: Conclusion (2 minutes max)

Suggested answer:

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

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

Case Feedback Form

Name of Case: _____

Case Book: _____

Behavioral answer _____:_____ min
 Framework development _____:_____ min
 Framework explanation _____:_____ min
 TOTAL Case Time _____:_____ min

Strong
So-so
Weak

Behavioral ☐ ☐ ☐ Impactful & well-communicated

Initial Structure ☐ ☐ ☐ Clarifying questions (if needed)
☐ ☐ ☐ Relevant framework
☐ ☐ ☐ Explanation and hypothesis

Analysis ☐ ☐ ☐ High-level summary of exhibits
☐ ☐ ☐ Stating approach → solving → so what
☐ ☐ ☐ Quantitative accuracy & comfort

Closing ☐ ☐ ☐ Answer first
☐ ☐ ☐ Structured recap of findings
☐ ☐ ☐ What's next

Consulting DNA ☐ ☐ ☐ Business intuition & creativity
☐ ☐ ☐ Structured & clear thinking
☐ ☐ ☐ Comfort with ambiguity
☐ ☐ ☐ Engaging style

Date: _____

Case Giver: _____



Feedback Criteria Key: Definitions of “strong” ratings

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Impactful & well-communicated: begins with a one-sentence introduction that captures attention. Showcases behaviors/skills relevant to the prompt. Story is easy to follow as the actions/decisions progress. Includes the elements of Problem-Action-Result or Situation-Task-Action-Results/Reflect.

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Case 4: LifeRenew

Behavioral Pre-Case Questions

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

Case Question

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

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

Case Overview

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

Interviewer Guide

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

Case 4: LifeRenew

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

Additional Facts (provide if asked)

• Company-specific:

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

• Canopure-specific

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

- 👉 **Costs:** not known at this stage

• Canine blood substitutes market

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

Interviewer Guide

• Good candidate:

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

• Better candidate:

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

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

Case 4: LifeRenew

Exhibit 1: Annual Canine Care Market

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

Interviewer Guide

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

Key Observations from Data

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

Case 4: LifeRenew: Handout

Exhibit 1: Annual Canine Care Market

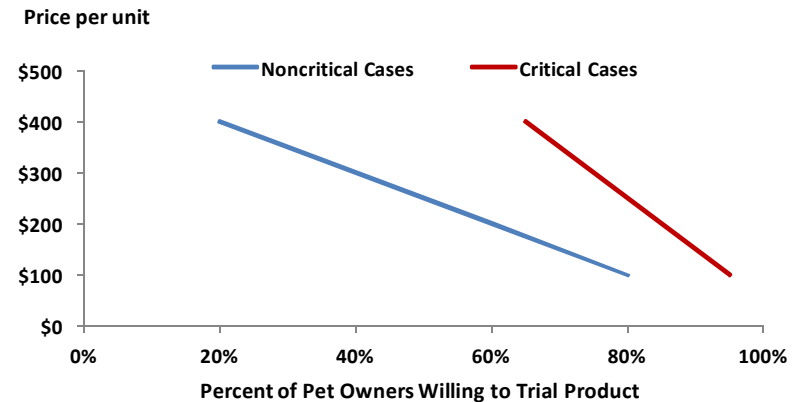
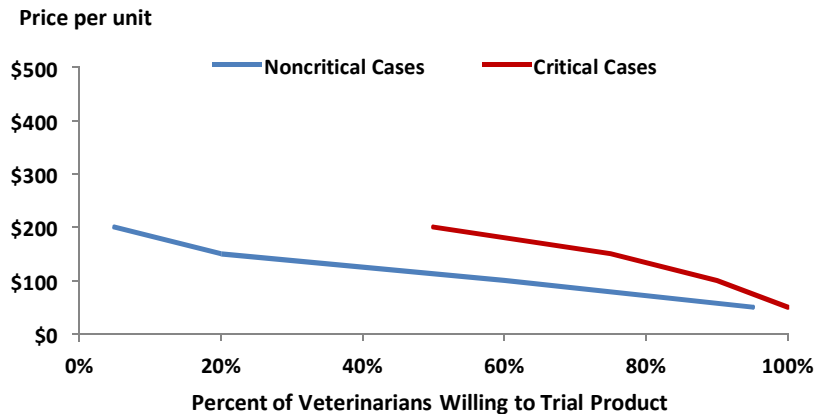
Practice Type	Avg. No. of Doctors	Number of Practices	Avg. No. of Transfusions	Cost of Unit of Blood	Acute Blood Loss Cases	Percent of ABL Cases w/Transfusion
Primary care practice						
1 Doctor practices	1.0	4,000	-	-	1,200	
2 Doctor practices	2.0	4,800	-	-	2,400	
3+ Doctor practices	4.6	6,400	-	-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

Assumption: 1 unit of blood per transfusion

* Average cost of a unit of blood to the veterinarian

Case 4: LifeRenew

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



Interviewer Guide

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

Key Observations from Data

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

Case 4: LifeRenew: Handout

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

Exhibit 2: Vet Willingness to Trial Canopure

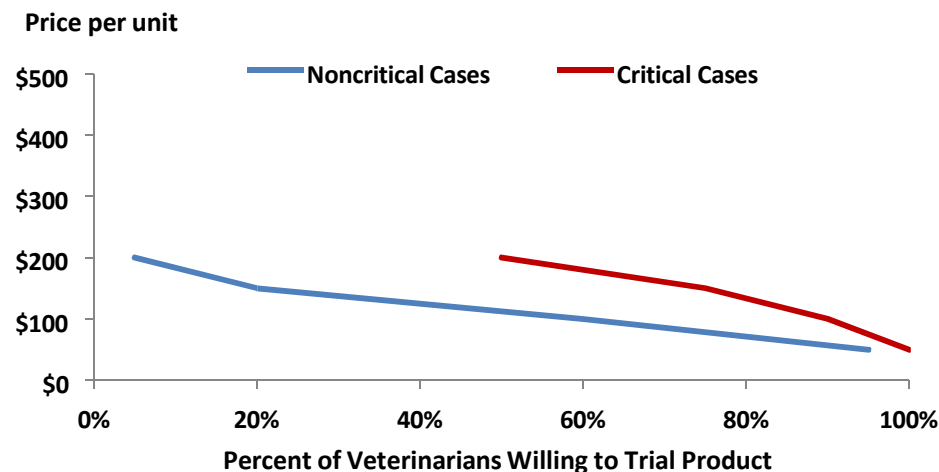
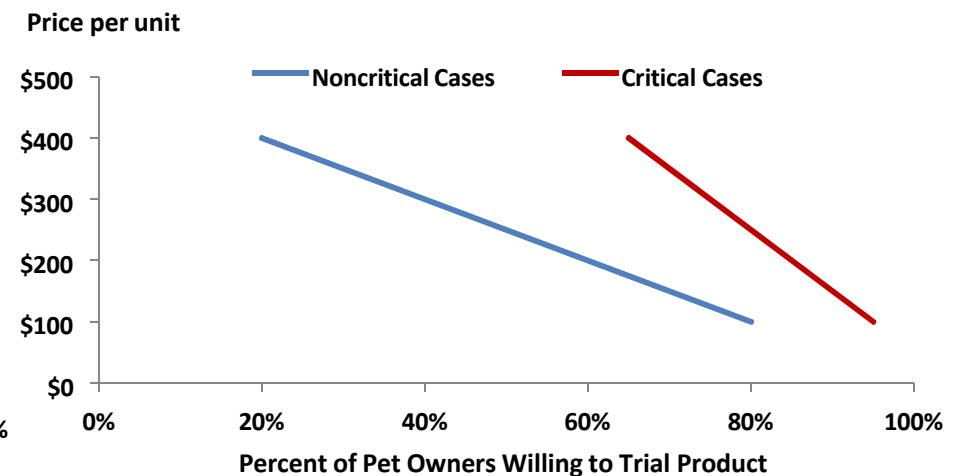


Exhibit 3: Pet Owner Willingness to Trial Canopure



Case 4: LifeRenew: Conclusion (2 minutes max)

Suggested answer:

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

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

Reasons to Support Recommendation

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

Notes

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

Case Feedback Form

Name of Case: _____

Case Book: _____

Behavioral answer _____:_____ min
 Framework development _____:_____ min
 Framework explanation _____:_____ min
 TOTAL Case Time _____:_____ min

Strong
So-so
Weak

Behavioral ☐ ☐ ☐ Impactful & well-communicated

Initial Structure ☐ ☐ ☐ Clarifying questions (if needed)
☐ ☐ ☐ Relevant framework
☐ ☐ ☐ Explanation and hypothesis

Analysis ☐ ☐ ☐ High-level summary of exhibits
☐ ☐ ☐ Stating approach → solving → so what
☐ ☐ ☐ Quantitative accuracy & comfort

Closing ☐ ☐ ☐ Answer first
☐ ☐ ☐ Structured recap of findings
☐ ☐ ☐ What's next

Consulting DNA ☐ ☐ ☐ Business intuition & creativity
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☐ ☐ ☐ Engaging style

Date: _____

Case Giver: _____



Feedback Criteria Key: Definitions of “strong” ratings

Behavioral

Impactful & well-communicated: begins with a one-sentence introduction that captures attention. Showcases behaviors/skills relevant to the prompt. Story is easy to follow as the actions/decisions progress. Includes the elements of Problem-Action-Result or Situation-Task-Action-Results/Reflect.

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Explanation and hypothesis: Summarizes primary “buckets” before diving into details. Includes case specific information, like “room bookings and event space rentals” for a hotel, instead of “revenue.” Drives towards a relevant place to start asking for data.

Analysis

High-level summary of exhibits: Focuses on most important take-aways before diving into math. Asks questions where needed. Connect to previously provided/solved info, where relevant.

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Closing

Answer first: Gives the “punch line” first, directly addressing the principal question of the case. This shows ability to communicate effectively with C-level clients and firm partners.

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Case 5: Steel Corp

Potential Behavioral Pre-Case Questions

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

Case Question

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

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

Case Overview

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

Interviewer Guide

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

Case 5: Steel Corp

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

Additional Facts (provide if asked)

Steel Corp:

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

Flat Steel Industry:

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

Competitors: (There are no production constraints for competitors)

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

Customer:

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

Interviewer Guide

• Good candidate:

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

• Better candidate:

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

Case 5: Steel Corp

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

Production Figures for 2015 and 2025

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

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

Interviewer Guide

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

Case 5: Steel Corp

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

Potential Solutions

Option 1: Acquire New Steel

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

Interviewer Guide

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

Case 5: Steel Corp

Suggested answer:

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

Reasons to Support Recommendation

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

Notes

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Case 6: FlyMe.com

Behavioral Pre-Case Questions

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

Case Question

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

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

Case Overview

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

Interviewer Guide

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

Case 6: FlyMe.com: Additional Info

Pre Framework

Interviewer: only provide these details if asked

• Industry-specific:

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

• Company-specific

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

• Competitor-specific:

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

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

Interviewer Guide

• Good candidate:

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

• Better candidate:

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

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

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

Profitability Framework

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

• Non-company items (*less relevant*)

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

• Company profitability (*most relevant*)

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

• How to fix the issue (*relevant*)

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

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

Interviewer Guide

• Good candidate:

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

• Better candidate:

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

• NEXT STEP: Profitability deep dive

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

Profitability Deep Dive

Interviewer: "Where would you like to start?"

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

- **If asked about costs**

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

- **Revenue**

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

Interviewer Guide

- **Good candidate:**

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

- **Better candidate:**

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

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

Case 6: FlyMe.com

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

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

Case 6: FlyMe.com: Profitability Math

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

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

Interviewer Guide

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

Key Observations from Data – Interviewee should get most of these

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

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

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

Brainstorm

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

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

Some potential examples are:

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

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

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

Interviewer Guide

•Good candidate:

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

• Better candidate:

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

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

Case 6: FlyMe.com (5 minutes)

Brainstorm & Conclusion

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

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

Some potential examples are:

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

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

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

Interviewer Guide

• Good candidate:

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

• Better candidate:

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

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

Suggested answer:

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

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

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Structured & clear thinking: Clearly shows and explains logical steps towards conclusions, uses paper to create structure around conversation. Speaks at an appropriate pace and volume.

Comfort with ambiguity: Handles missteps with grace, takes pauses to collect thoughts when needed, reacts well to surprises.

Engaging style: Brings the case-giver along in multi-step processes, maintains good eye contact, shows interest in the case content.

Case 7: MexTell

Potential Behavioral Pre-Case Questions

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

Case Question

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

Should they acquire?

Case Overview

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

Interviewer Guide

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

Case 7: MexTell: Framework (5 minutes max)

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

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

What does the Mexican Cellular Market look like?

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

What does the MexTell Income Statement look like?

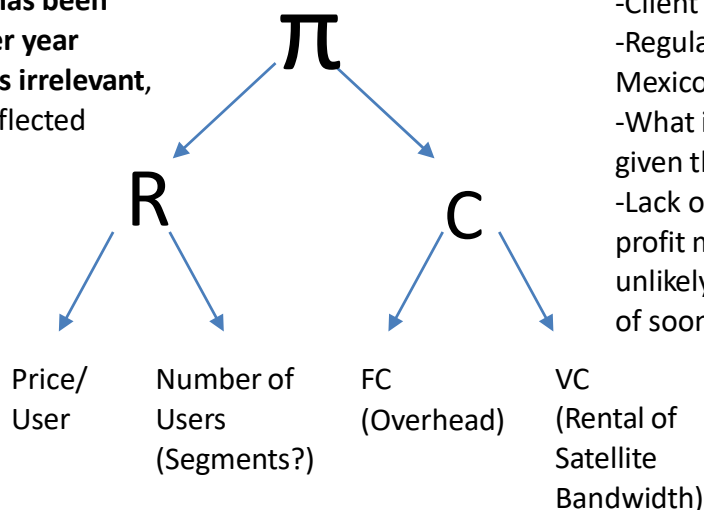
- Need to understand the major revenue and cost streams to be able to value the company:

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

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

Suggested Risks:

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



Interviewer Guide

• Good candidate:

- Creates a framework that catches the major levers and risks to the deal
- Ensures that valuation and risks to the deal are part of the framework

• Better candidate:

- Understands from the prompt that a final number of > or < \$6B is the goal, and creates a framework based on valuation methods commonly used (DCF, Comps, Book Value)

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

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

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

Interviewer Guide

- **Good candidate:**
 - Creates a structure after realizing the volume of information they are about to get.
 - Keeps a structure through most of the profit tree, asking for relevant information when needed
 - Calculates numbers as they go.
- **Better candidate:**
 - Realizes that in order to get to a Valuation they need a profit, and makes a structure to get the data
 - Does math as necessary to keep the numbers flowing, but doesn't interrupt data capture
 - Realizes that Basic Users << Premium users; hypothesizes that Basic price may be too high for average GDP, and flags for "opportunity review"
 - Realizes that total users << pop. of Mexico since Mextell has no competition; flags as growth potential

Case 7: MexTell: Valuation (5 minutes max)

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

Three potential Valuation Methods

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

Comps: "No Data in recent history"

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

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

KEY POINTS:

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

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

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

Interviewer Guide

• Good candidate:

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

• Better candidate:

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

Case 7: MexTell: Conclusion (2 minutes max)

Suggested answer:

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

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

Reasons to Support Recommendation

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

Notes

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

Case Feedback Form

Name of Case: _____

Case Book: _____

Behavioral answer _____:_____ min
 Framework development _____:_____ min
 Framework explanation _____:_____ min
 TOTAL Case Time _____:_____ min

Strong
So-so
Weak

Behavioral ☐ ☐ ☐ Impactful & well-communicated

Initial Structure ☐ ☐ ☐ Clarifying questions (if needed)
☐ ☐ ☐ Relevant framework
☐ ☐ ☐ Explanation and hypothesis

Analysis ☐ ☐ ☐ High-level summary of exhibits
☐ ☐ ☐ Stating approach → solving → so what
☐ ☐ ☐ Quantitative accuracy & comfort

Closing ☐ ☐ ☐ Answer first
☐ ☐ ☐ Structured recap of findings
☐ ☐ ☐ What's next

Consulting DNA ☐ ☐ ☐ Business intuition & creativity
☐ ☐ ☐ Structured & clear thinking
☐ ☐ ☐ Comfort with ambiguity
☐ ☐ ☐ Engaging style

Date: _____

Case Giver: _____



Feedback Criteria Key: Definitions of “strong” ratings

Behavioral

Impactful & well-communicated: begins with a one-sentence introduction that captures attention. Showcases behaviors/skills relevant to the prompt. Story is easy to follow as the actions/decisions progress. Includes the elements of Problem-Action-Result or Situation-Task-Action-Results/Reflect.

Initial Structure

Clarifying questions: Only asks questions clearly relevant to the problem that has been presented. Does not try to solve case by asking questions that go beyond clarifying.

Relevant framework: Address the correct problem. Is MECE, showing interdependencies were relevant. Well-structured/easy to read.

Explanation and hypothesis: Summarizes primary “buckets” before diving into details. Includes case specific information, like “room bookings and event space rentals” for a hotel, instead of “revenue.” Drives towards a relevant place to start asking for data.

Analysis

High-level summary of exhibits: Focuses on most important take-aways before diving into math. Asks questions where needed. Connect to previously provided/solved info, where relevant.

Stating approach → solving → so what: Proactively lays out structure (formula or steps) before diving in. Drives towards answers, and then interprets answers for impact on overall case conclusion or next steps.

Quantitative accuracy & comfort: Arrives at correct or appropriately estimated answers. “Sanity checks” in order to verify orders of magnitude or solve for the same number a second way.

Closing

Answer first: Gives the “punch line” first, directly addressing the principal question of the case. This shows ability to communicate effectively with C-level clients and firm partners.

Structured recap of findings: Reviews “what we’ve learned,” referring only to the most important info for a C-level client to know.

What’s next: Goes beyond the prompt to provide appropriate recommendations on risks, contingencies and next steps in order for the client to solve their problem.

Consulting DNA

Business intuition & creativity: Pulls on personal experience or recent news. Asks appropriate questions about the business model. Goes “beyond the book,” is not a “case robot” but rather can provide new ideas and be flexible when put on the spot.

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Engaging style: Brings the case-giver along in multi-step processes, maintains good eye contact, shows interest in the case content.

Case 8: SunFury

Potential Behavioral Pre-Case Questions

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

Case Question

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

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

Case Overview

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

Interviewer Guide

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

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

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

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

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

Sequence of events and required data

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

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

Things they should then ask:

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

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

Interviewer Guide

• Good candidate:

- Understands that this is a market sizing and requires no prompting
- Makes reasonable assumptions about home ownership and population density
- Understands what information they will need to answer the question as it comes up

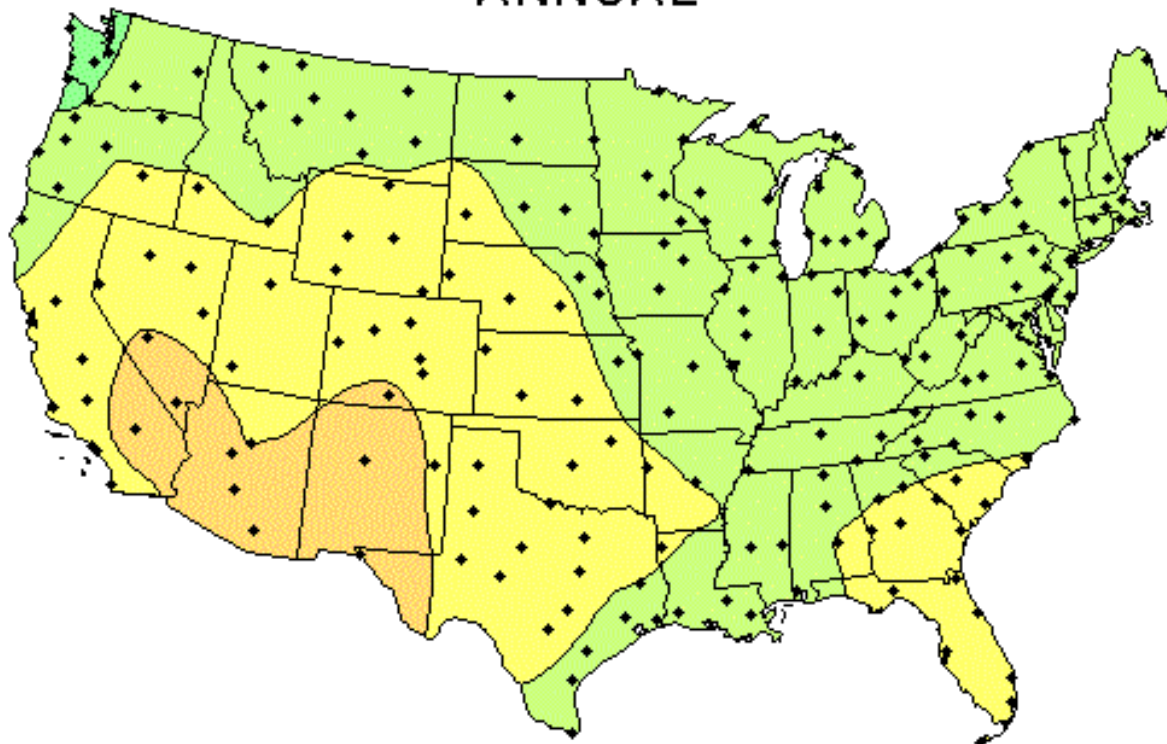
• Better candidate:

- Lays out the steps to the problem in advance; knows how they will get to a number and the information they need before they start
- Reads the footnotes to find out the solar cutoff is $>5\text{ kWh/m}^2/\text{day}$

Case 8: SunFury: Handout 1

Average Daily Solar Radiation Per Month

ANNUAL



kWh/m²/day

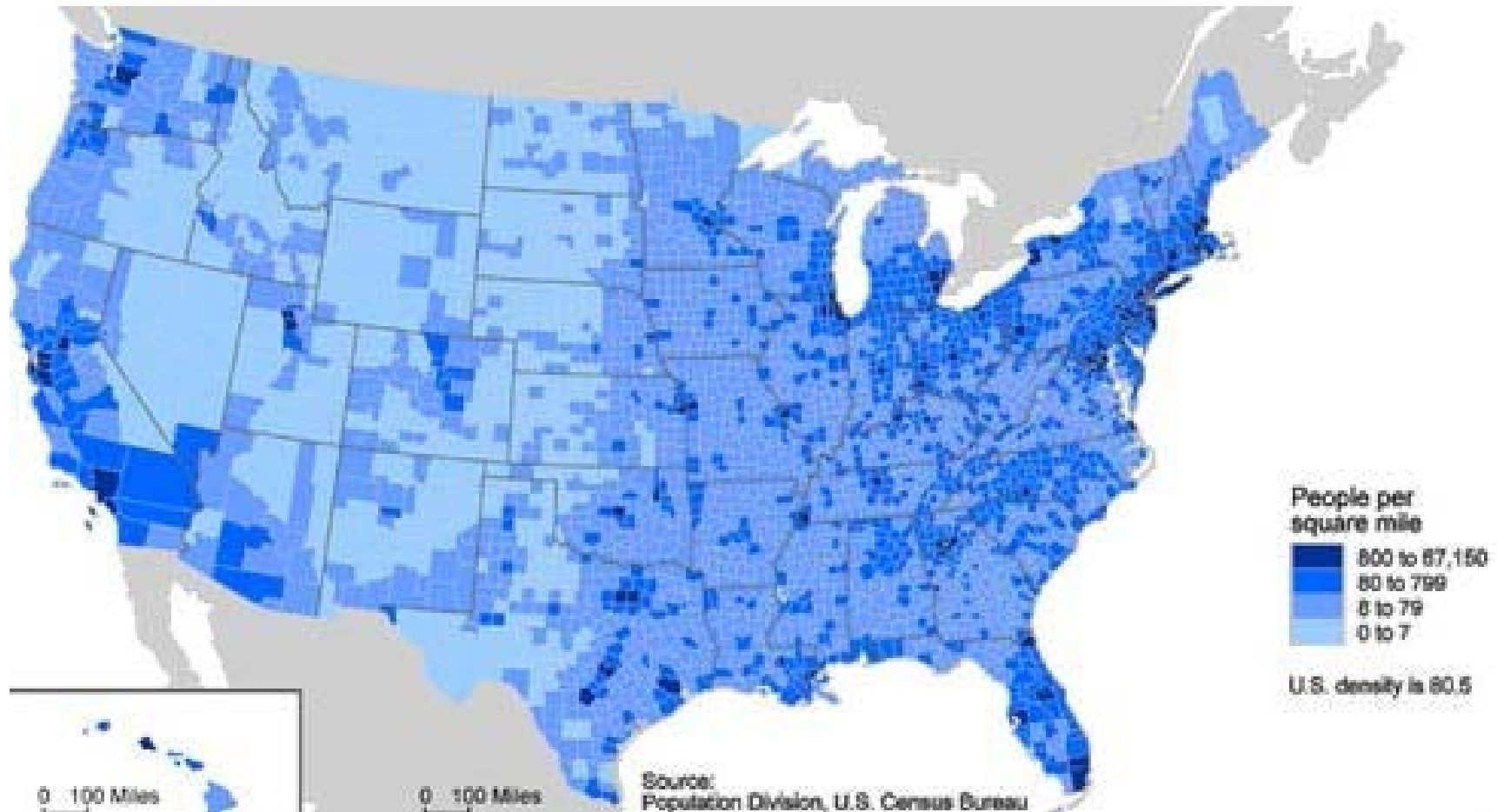


Footnote:

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

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

Case 8: SunFury: Handout 2



Footnote:

(1) SOURCE: US Census Bureau

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

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

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

Sequence of events and required data

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

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

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

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

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

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

Interviewer Guide

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

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

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

Expect the candidate will make framework to structure relevant info.

Suggest framework and sequence of events

Do external conditions support?

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

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

Do internal conditions support?

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

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

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

Are there relevant Risks? Next Steps?

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

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

Interviewer Guide

• Good candidate:

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

• Better candidate:

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

Case 8: SunFury: Conclusion (5 minutes max)

Suggested answer:

(GOOD) SunFury should not enter the residential market.

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

Reasons to Support Recommendation

- The fierce competition reduces market share available to <20%
- Duration of ITC is only one year from launch date
- Startup costs make this an unprofitable endeavor

Case Feedback Form

Name of Case: _____

Case Book: _____

Behavioral answer _____:_____ min
 Framework development _____:_____ min
 Framework explanation _____:_____ min
 TOTAL Case Time _____:_____ min

Strong
So-so
Weak

Behavioral ☐ ☐ ☐ Impactful & well-communicated

Initial Structure ☐ ☐ ☐ Clarifying questions (if needed)
☐ ☐ ☐ Relevant framework
☐ ☐ ☐ Explanation and hypothesis

Analysis ☐ ☐ ☐ High-level summary of exhibits
☐ ☐ ☐ Stating approach → solving → so what
☐ ☐ ☐ Quantitative accuracy & comfort

Closing ☐ ☐ ☐ Answer first
☐ ☐ ☐ Structured recap of findings
☐ ☐ ☐ What's next

Consulting DNA ☐ ☐ ☐ Business intuition & creativity
☐ ☐ ☐ Structured & clear thinking
☐ ☐ ☐ Comfort with ambiguity
☐ ☐ ☐ Engaging style

Date: _____

Case Giver: _____



Feedback Criteria Key: Definitions of “strong” ratings

Behavioral

Impactful & well-communicated: begins with a one-sentence introduction that captures attention. Showcases behaviors/skills relevant to the prompt. Story is easy to follow as the actions/decisions progress. Includes the elements of Problem-Action-Result or Situation-Task-Action-Results/Reflect.

Initial Structure

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Case 9: Camilla's Pets

Potential Behavioral Pre-Case Questions

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

Case Question

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

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

Case Overview

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

Interviewer Guide

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

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

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

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

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

Sequence of events and required data

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

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

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

Things they should then ask:

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

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

Things they should then ask about:

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

Interviewer Guide

• Good candidate:

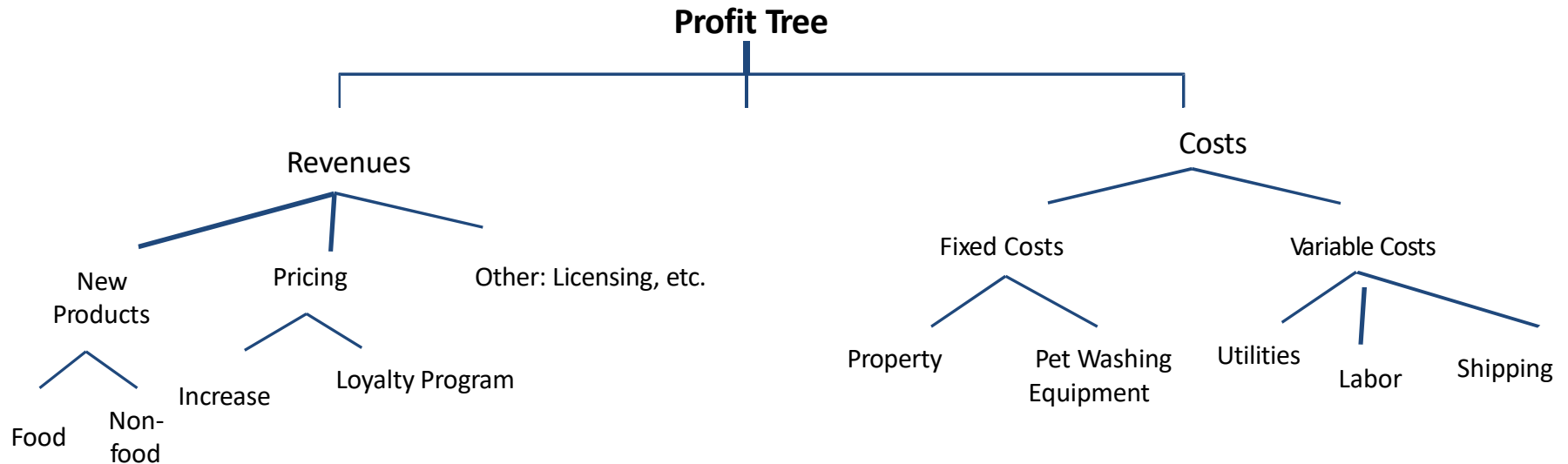
- Takes initiative, proposes a path forward and starts developing hypothesis
- Gets industry specific with the framework (e.g. retail and pet store related)
- Asks questions about the market (e.g. size and growth)

• Better candidate:

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

Case 9: Camilla's Pets: Profit Tree Portion

Potential Framework



Interviewer Guide

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

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

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

Sequence of events and required data

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

Task 1) Obtain additional information:

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

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

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

Ask the candidate which animals they should recommend:

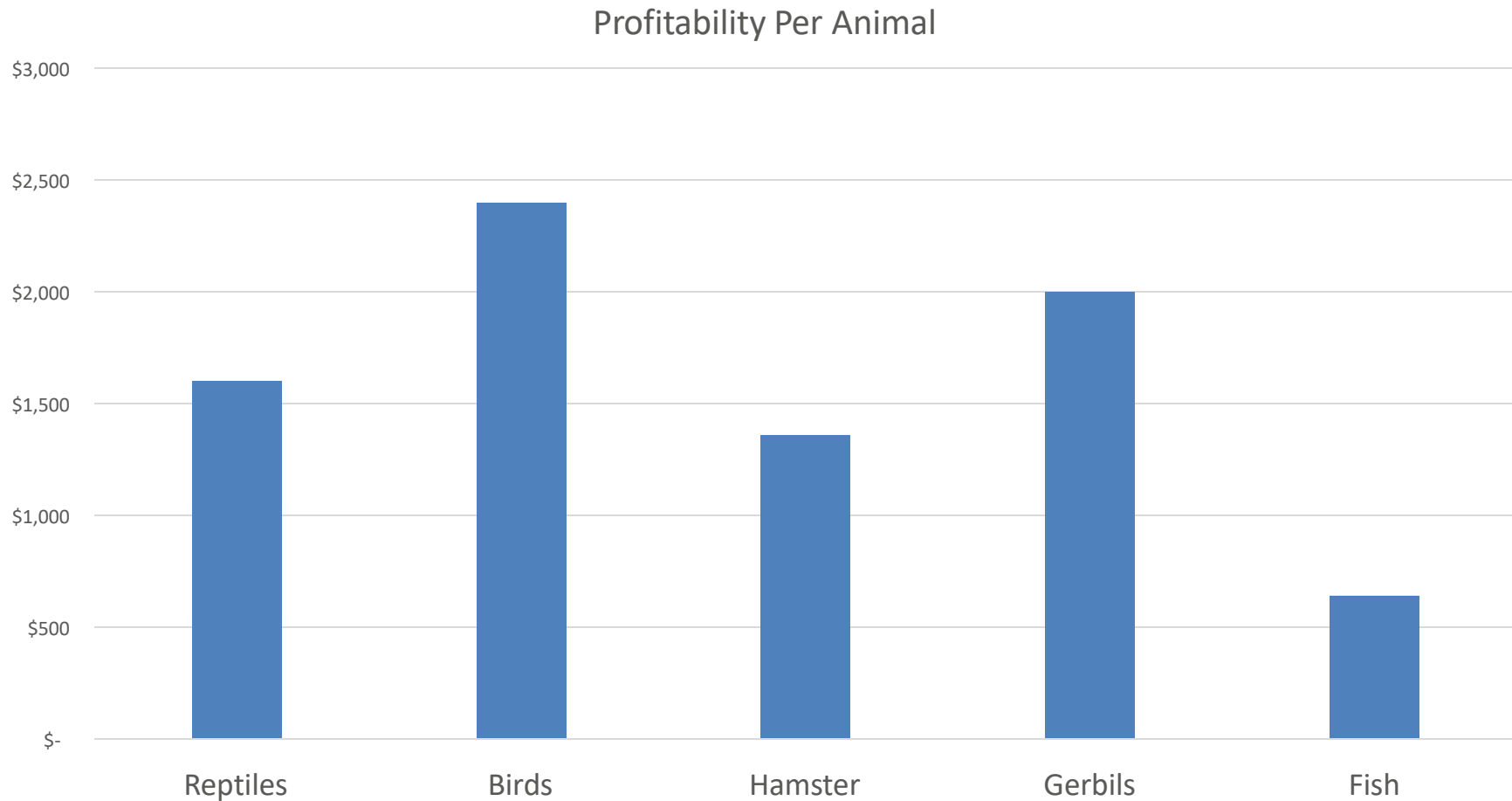
Task 2) Actively read and understand simple charts including foot notes:

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

Interviewer Guide

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

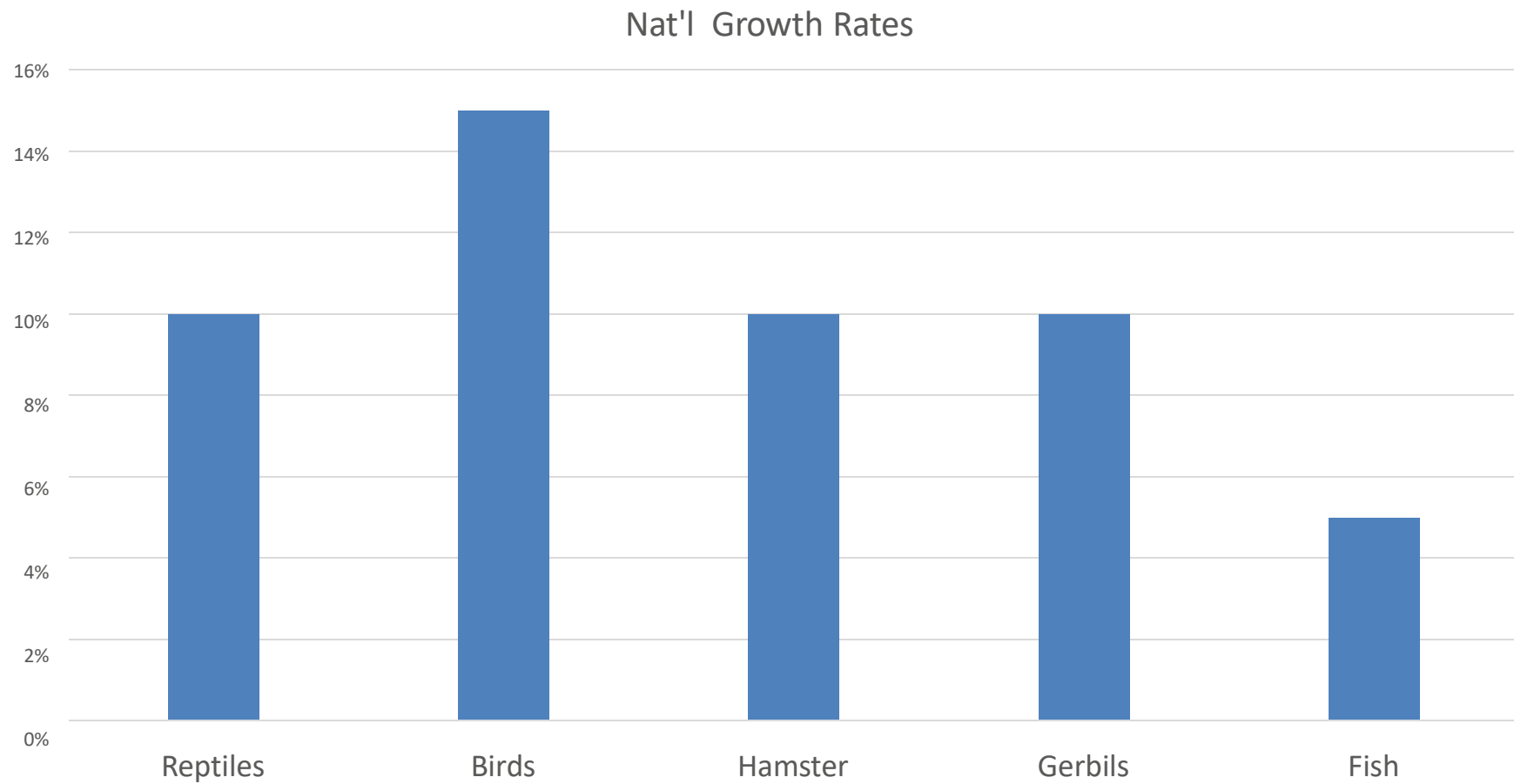
Case 9: Camilla's Pets: Handout 1



Footnote:

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

Case 9: Camilla's Pets: Handout 2



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

Suggested answer:

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

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

Case Feedback Form

Name of Case: _____

Case Book: _____

Behavioral answer _____:____ min
 Framework development _____:____ min
 Framework explanation _____:____ min
 TOTAL Case Time _____:____ min

Strong
So-so
Weak

Behavioral ☐ ☐ ☐ Impactful & well-communicated

Initial Structure ☐ ☐ ☐ Clarifying questions (if needed)
☐ ☐ ☐ Relevant framework
☐ ☐ ☐ Explanation and hypothesis

Analysis ☐ ☐ ☐ High-level summary of exhibits
☐ ☐ ☐ Stating approach → solving → so what
☐ ☐ ☐ Quantitative accuracy & comfort

Closing ☐ ☐ ☐ Answer first
☐ ☐ ☐ Structured recap of findings
☐ ☐ ☐ What's next

Consulting DNA ☐ ☐ ☐ Business intuition & creativity
☐ ☐ ☐ Structured & clear thinking
☐ ☐ ☐ Comfort with ambiguity
☐ ☐ ☐ Engaging style

Date: _____

Case Giver: _____



Feedback Criteria Key: Definitions of “strong” ratings

Behavioral

Impactful & well-communicated: begins with a one-sentence introduction that captures attention. Showcases behaviors/skills relevant to the prompt. Story is easy to follow as the actions/decisions progress. Includes the elements of Problem-Action-Result or Situation-Task-Action-Results/Reflect.

Initial Structure

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Relevant framework: Address the correct problem. Is MECE, showing interdependencies were relevant. Well-structured/easy to read.

Explanation and hypothesis: Summarizes primary “buckets” before diving into details. Includes case specific information, like “room bookings and event space rentals” for a hotel, instead of “revenue.” Drives towards a relevant place to start asking for data.

Analysis

High-level summary of exhibits: Focuses on most important take-aways before diving into math. Asks questions where needed. Connect to previously provided/solved info, where relevant.

Stating approach → solving → so what: Proactively lays out structure (formula or steps) before diving in. Drives towards answers, and then interprets answers for impact on overall case conclusion or next steps.

Quantitative accuracy & comfort: Arrives at correct or appropriately estimated answers. “Sanity checks” in order to verify orders of magnitude or solve for the same number a second way.

Closing

Answer first: Gives the “punch line” first, directly addressing the principal question of the case. This shows ability to communicate effectively with C-level clients and firm partners.

Structured recap of findings: Reviews “what we’ve learned,” referring only to the most important info for a C-level client to know.

What’s next: Goes beyond the prompt to provide appropriate recommendations on risks, contingencies and next steps in order for the client to solve their problem.

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Business intuition & creativity: Pulls on personal experience or recent news. Asks appropriate questions about the business model. Goes “beyond the book,” is not a “case robot” but rather can provide new ideas and be flexible when put on the spot.

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Comfort with ambiguity: Handles missteps with grace, takes pauses to collect thoughts when needed, reacts well to surprises.

Engaging style: Brings the case-giver along in multi-step processes, maintains good eye contact, shows interest in the case content.

Case 10: Hrdwr2Softwr

Behavioral Pre-Case Questions

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

Case Question

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

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

Case Overview

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

Interviewer Guide

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

Case 10: Hrdwr2Softwr

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

Additional Facts (provide if asked)

- **Company-specific:**

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

- **Computer networking market**

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

- **Competition**

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

Interviewer Guide

- **Tips**

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

- **Good candidate:**

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

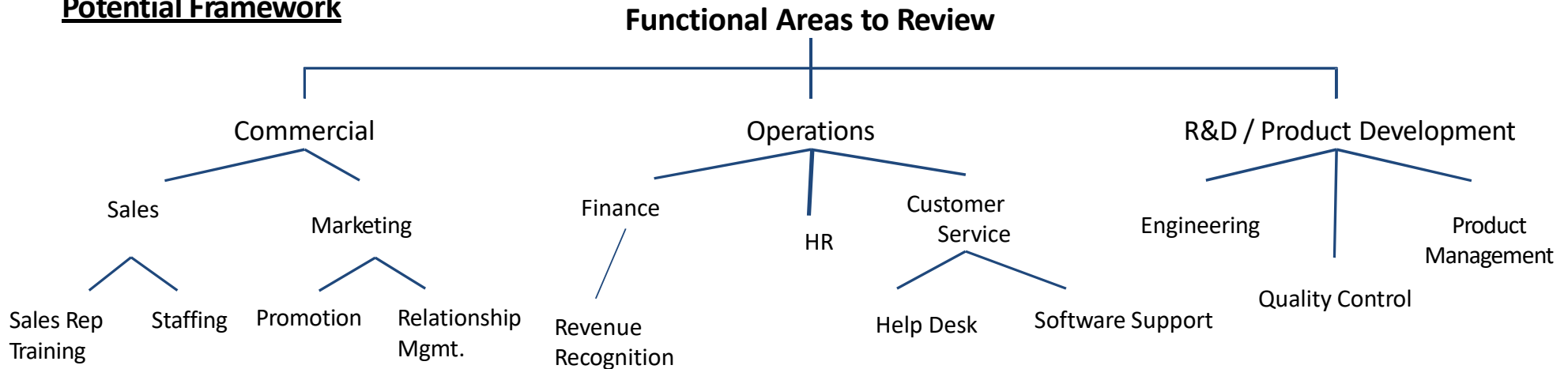
- **Better candidate:**

- Structures their thoughts
- Proposes a path forward

- **NEXT STEP:** Framework evaluation

Case 10: Hrdwr2Softwr

Potential Framework



Interviewer Guide

- **Intro:** “Why don’t you walk me through your thoughts about which department will undertake changes?”
- **Keys to section:**
 - Focus on the most significant areas changing
 - Suggest opportunities for growth or cost savings
- **NEXT STEP:** Prioritizing areas to change
- **Good candidate**
 - Presents non-canned framework in a structured manner
 - Able to talk through thought process while developing framework
- **Better candidate**
 - Unveiling hypotheses along the way and not afraid to disregard some of these
 - Thinks about “how” these will impact the existing org

Case 10: Hrdwr2Softwr

“Which product strategy should the client pursue?”

Sequence of events and required data

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

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

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

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

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

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

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

Interviewer Guide

- **Good candidate:**

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

- **Better candidate:**

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

Case 10: Hrdwr2Softwr: Handout 1

Which product strategy should the client pursue? Explain your logic.

Exhibit 1: Cloud Revenue

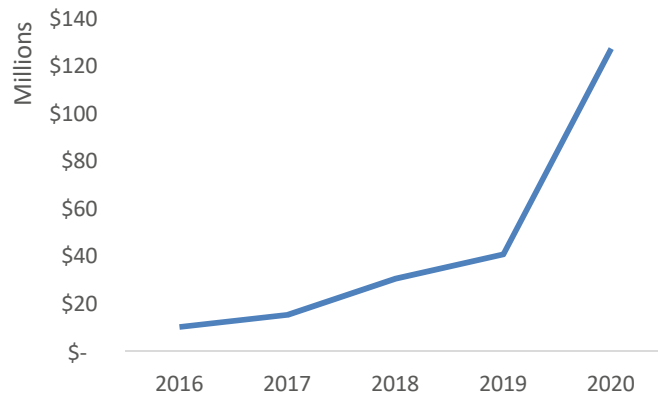


Exhibit 2: Big Data Revenue

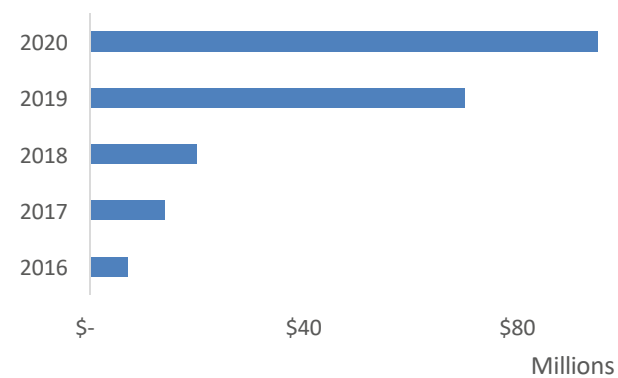


Exhibit 3: Mobile Revenue

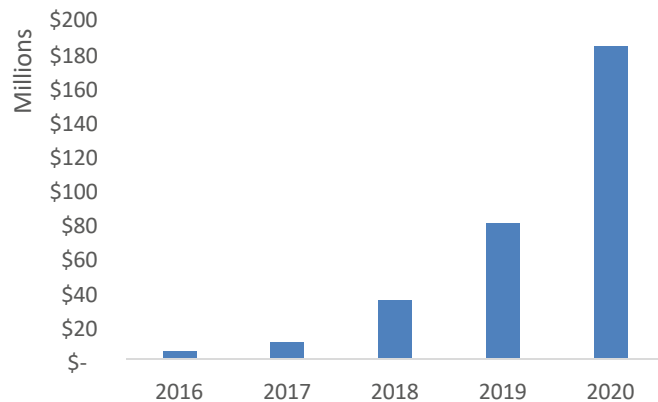
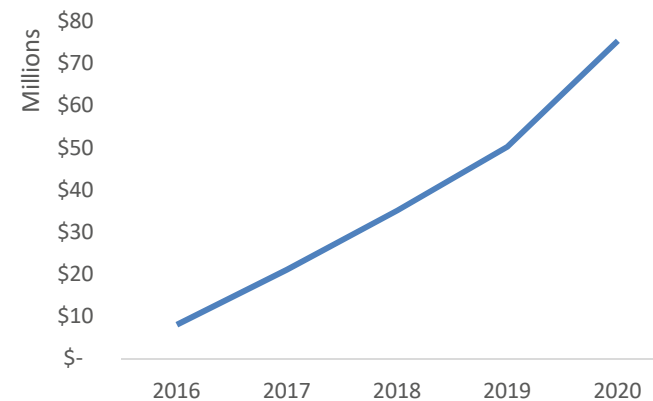
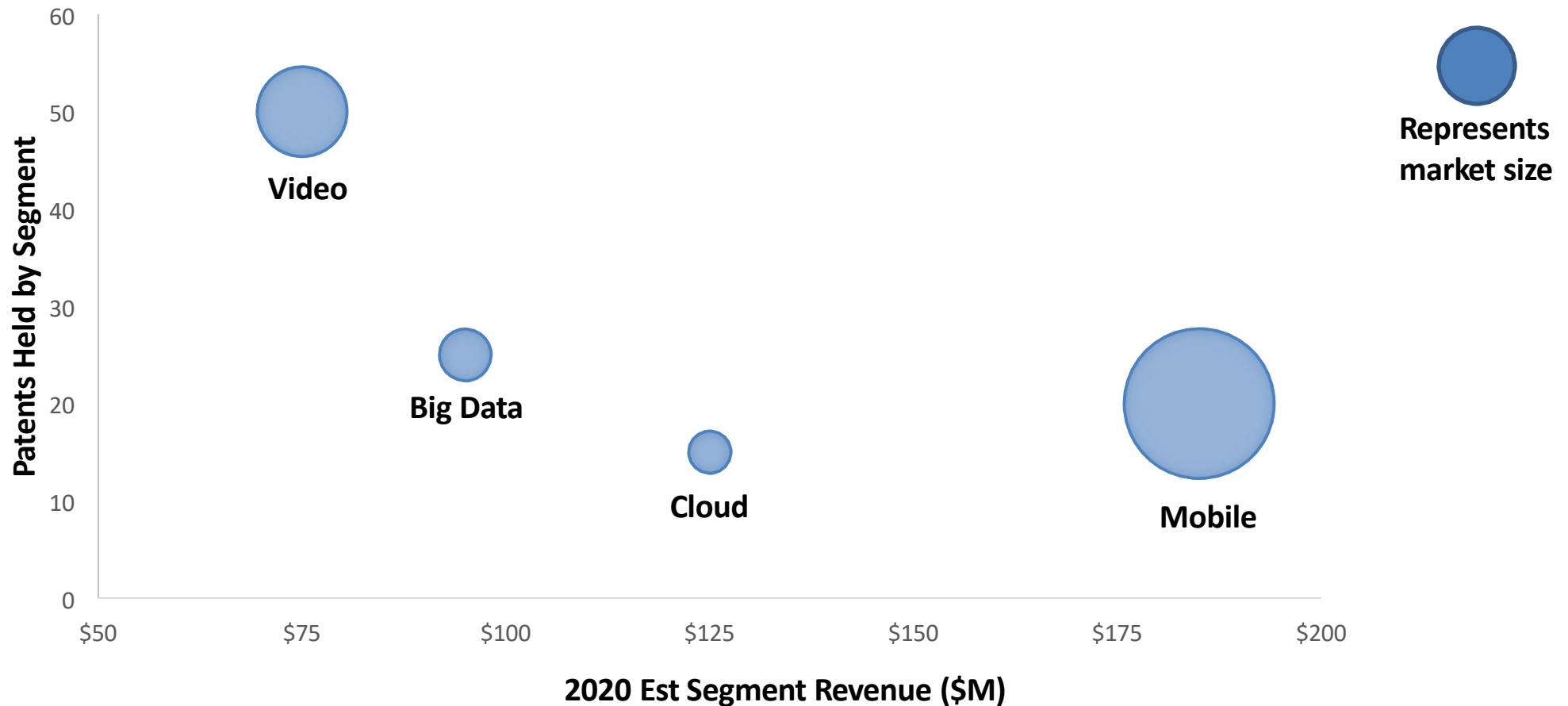


Exhibit 4: Video Revenue



Case 10: Hrdwr2Softwr: Handout 2

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



Case 10: Hrdwr2Softwr: Conclusion (2 minutes max)

Suggested answer:

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

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

Case 10: Hrdwr2Softwr

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Case Feedback Form

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Case 11: AlphaAuto

Behavioral Pre-Case Questions

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

Case Question

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

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

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

Case Overview

- **Format:** Interviewee-led
- **Difficulty level:** 4/5
- **Topic:** New product
- **Industry:** Automotive
- **Concept(s) tested:**
 - Market entry
 - Customer segmentation
 - Pricing

Interviewer Guide

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

Case 11: AlphaAuto

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

Additional Facts (provide if asked)

• Company-specific:

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

• US auto market

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

Interviewer Guide

• Good candidate:

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

• Better candidate:

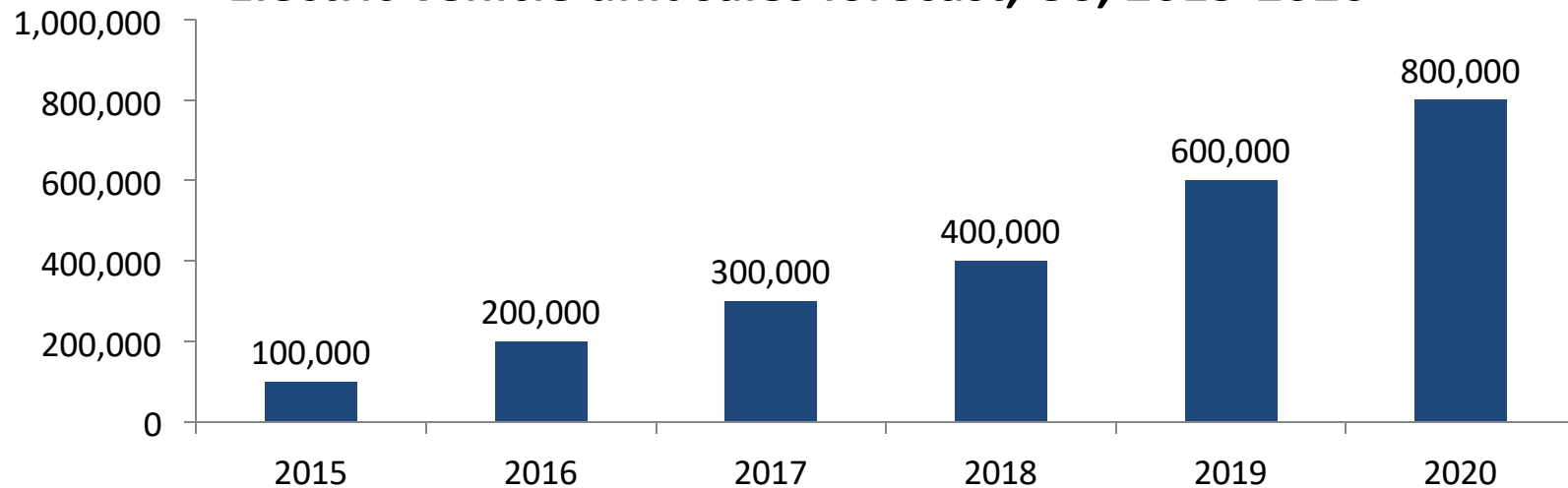
- Identifies that EV market is still very small and growth is subject to risks

NEXT STEP:

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

Case 11: AlphaAuto

Electric vehicle unit sales forecast, US, 2015-2020



Assuming -

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

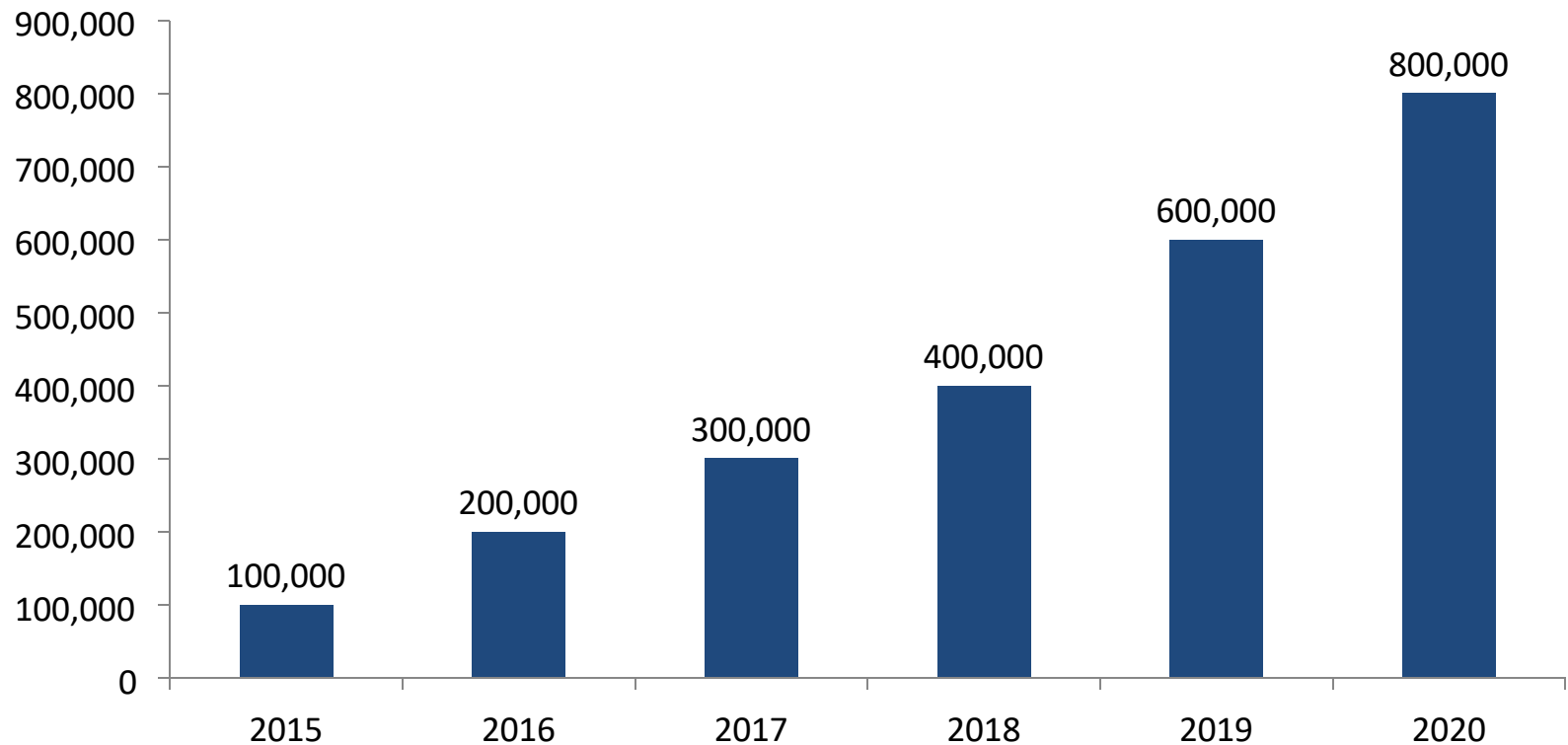
Interviewer Guide

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

NEXT STEP: PROVIDE EXHIBIT 2

Case 11: AlphaAuto: Handout 1

Electric vehicle unit sales forecast, US, 2015-2020



Assuming -

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

Case 11: AlphaAuto

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

Interviewer Guide

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

INTERVIEWER ONLY: Handout 2 next page

Case 11: AlphaAuto: Handout 2

Electric Vehicle Segments

% of EV market in 2014

Economy

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

75%

Luxury

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

24%

Sports

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

1%

Case 11: AlphaAuto

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

Interviewer Guide

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

INTERVIEWER ONLY

Case 11: AlphaAuto

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

Interviewer Guide

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

	Market share	2018	2019	2020
Total units sold forecast	100%	400,000	600,000	800,000
Sports segment units sold	1%	4,000	6,000	8,000
Luxury segment units sold	24%	96,000	144,000	192,000
Economy segment units sold	75%	300,000	450,000	600,000
Company units sold forecast	Segment share	2018	2019	2020
Sports segment (high price)	2.5%	100	150	200
Sports segment (low price)	5%	200	300	400
Luxury segment (high price)	5%	4,800	7,200	9,600
Luxury segment (low price)	10%	9,600	14,400	19,200
Economy segment (high price)	5%	15,000	22,500	30,000
Economy segment (low price)	10%	30,000	45,000	60,000

INTERVIEWER ONLY: Handout 3 next page

Case 11: AlphaAuto: Handout 3

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

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

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

Case 11: AlphaAuto

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

Interviewer Guide

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

INTERVIEWER ONLY

Case 11: AlphaAuto

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

Interviewer Guide

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

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

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

INTERVIEWER ONLY: Handout 4 and 5 next page

Case 11: AlphaAuto: Handout 4

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

Option 1

- Retrofit existing production facility

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

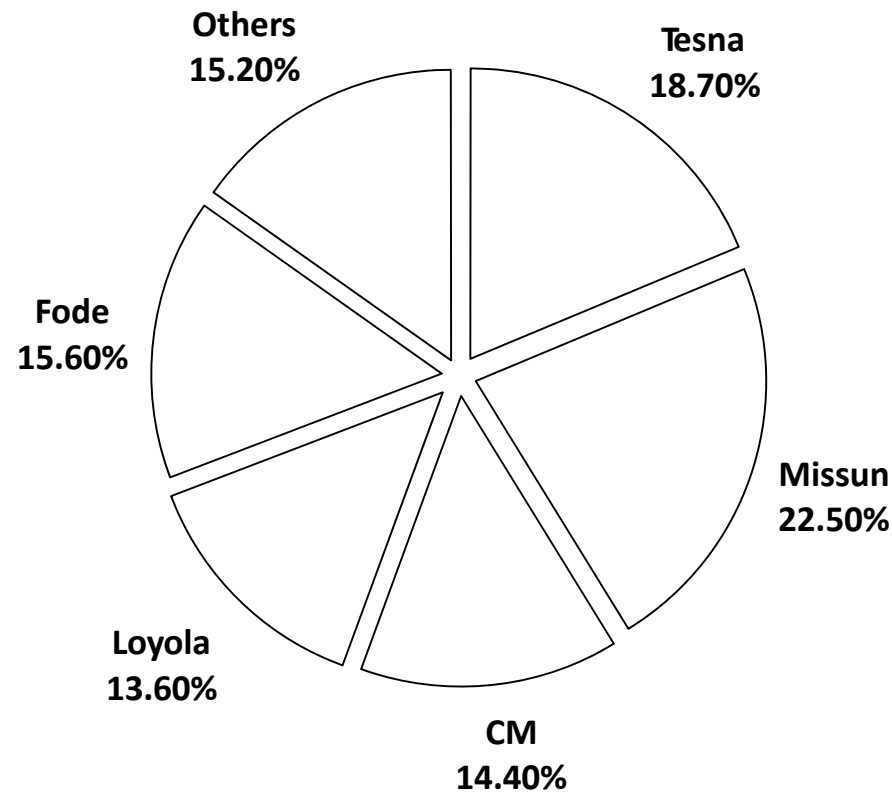
Option 2

- Set up new production facility

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

Case 11: AlphaAuto: Handout 5

Electric vehicle market share (US) in 2014



Case 11: AlphaAuto: Conclusion (2 minutes max)

Suggested answer:

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

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

Retrofit existing production facility to manufacture electric vehicles

Reasons to Support Recommendation

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

Risks, Caveats, and/or Next Steps

Risks

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

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☐ ☐ ☐ Comfort with ambiguity
☐ ☐ ☐ Engaging style

Date: _____

Case Giver: _____



Feedback Criteria Key: Definitions of “strong” ratings

Behavioral

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Analysis

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Comfort with ambiguity: Handles missteps with grace, takes pauses to collect thoughts when needed, reacts well to surprises.

Engaging style: Brings the case-giver along in multi-step processes, maintains good eye contact, shows interest in the case content.

Case 12: Jamaican Land Investment

Case Question

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

Information to be given upon request only

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

Case Overview

Format: Interviewee-led

Difficulty level: 2/5

Topic: Profitability

Industry: Agriculture

Concept(s) tested:

- Profitability
- Strategy analysis

Interviewer Guide

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

Case 12: Jamaican Land Investment

Information to be given upon request only (continued)

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

Interviewer Guide

Good candidate:

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

Better candidate:

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

Case 12: Jamaican Land Investment

Market Size/Est. Demand

Demand

Market Size x Client Penetration Rate

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

Supply

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

Margins Per Unit

P-C=Profit per unit

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

Profitability Per Acre

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

Possible follow-up and guidance to interviewer

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

Possible follow-up and guidance to interviewer

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

Possible follow-up and guidance to interviewer

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

Case 12: Jamaican Land Investment

Clarify the Problem

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

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

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

Determine If Investment Would Meet Client's Financial Target

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

Case 12: Jamaican Land Investment

Recommendation (Answer First)

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

Risks

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

Next Steps

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

Interviewer Guide

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

Case Feedback Form

Name of Case: _____

Case Book: _____

Behavioral answer _____:____ min
 Framework development _____:____ min
 Framework explanation _____:____ min
 TOTAL Case Time _____:____ min

Strong
So-so
Weak

Behavioral ☐ ☐ ☐ Impactful & well-communicated

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☐ ☐ ☐ Relevant framework
☐ ☐ ☐ Explanation and hypothesis

Analysis ☐ ☐ ☐ High-level summary of exhibits
☐ ☐ ☐ Stating approach → solving → so what
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Closing ☐ ☐ ☐ Answer first
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Case 13: Avicenna Health

Potential Behavioral Pre-Case Questions

- Tell me about a time you had to optimize two or more competing variables, what was the result? What would you have done differently?

Case Question

Our client is Avicenna Health, a major healthcare payer in the Chicagoland area. Avicenna Health recently purchased a large hospital system in order to compete with a former strategic partner, University Medical Center (UMC), one of the best hospital systems in the nation. The client believes that as a provider and payer, it will be better positioned for the future of healthcare which will focus on value of care, rather than volume. Nonetheless, our client is concerned about the profitability of its hospitals today and in the future, since the majority of patients are choosing UMC. What should the client do to position itself more successfully in the short and long-term?

Additional Information (if asked): Payer=healthcare insurance company, provider=hospital or healthcare setting, value=reimbursement based on quality and appropriateness of care, volume=reimbursement based on quantity of care.

Case Overview

- **Format:** Interviewee-led
- **Difficulty level:** 4/5
- **Topic:** Competitive Response
- **Industry:** Healthcare (Payer/Provider)
- **Concept(s) tested:**
 - Market Analysis
 - Opportunity Assessment

Interviewer Guide

- **Keys to the case**
 - Recognize that toe-to-toe competition with UMC is a losing strategy
 - Propose creative methods for driving patients into Avicenna
 - Evaluate most attractive non-hospital sites of care
- **Recommendation is to reduce value of hospital by driving members to non-hospital sites of care**

Case 13: Avicenna Health: Framework Development

What should the client do to position itself more successfully in the short and long-term?

Expect the candidate will make framework to structure relevant info.

Suggest framework and sequence of events

Market Landscape

Industry Trends

- Consolidation in payers and providers due to reduced reimbursement for high volume services

Local Competition

- UMC has world renowned physicians and cancer facilities
- 80% of population and 70% of Avicenna insurance members go to UMC

Regulation

- National and state focus is on value based care, reducing reimbursement for re-hospitalization and excessive care

Opportunities

Short Term

- Marketing Campaign
- Poach UMC Talent

Medium/Long Term

- Build Hospitals
- Cut UMC out of Network
- *Non-hospital services*
 - *Home Health*
 - *Hospice Care*
 - *Infusion*
 - *Nurse Facilities*
 - *Etc.*

Evaluation and Next Steps

Evaluation

- Criteria and scorecard for each opportunity in ST and LT
- Calculate most attractive non-hospital service
 - Needs to estimate population of Chicagoland (~10 million)

Next Steps

- Recommendation with risks associated with best options

Interviewer Guide

• Good candidate:

- Creates a framework that logically orders thinking
- Correctly applies healthcare and develop specific opportunities evaluated against meaningful criteria
- Asks for or makes reasonable estimates to calculate most attractive Non hospital service

• Better candidate:

- Supports each bucket with specific qualifying facts
- Generates specific opportunities that cover short and medium term opportunities
- Develops second level insights with exhibit calculation with minimal prodding (see exhibit calculation slide)

Case 13: Avicenna Health: Handout

Table of Non-Hospital Sites of Care

Site of Care	Target demographic	Relative Utilization	Hospital Replacement rate	Average cost of service
Home Health	Age 65+ chronically ill	High	60%	\$500
Hospice	Age 65+ terminally ill	Low	10%	\$800
Infusion	All	Very Low	5%	\$2000
Nurse Facilities	Age 65+ chronically ill	Medium	80%	\$1000

Case 13: Avicenna Health

Table of Non-Hospital Sites of Care

Site of Care	Target demographic	Relative Utilization	Hospital Replacement rate	Average cost of service	Calculation	Result
Home Health	Age 65+ chronically ill (20%)	High (100%)	60%	\$500	$20\% * 100\% * 60\% * \$500$	\$60/person
Hospice	Age 65+ terminally ill (5%)	Low (50%)	10%	\$800	$5\% * 50\% * 10\% * \$800$	\$2/person
Infusion	All (100%)	Very Low (25%)	5%	\$2000	$100\% * 25\% * 5\% * \\$2000$	\$80/person
Nurse Facilities	Age 65+ chronically ill (20%)	Medium (50%)	80%	\$1000	$20\% * 50\% * 80\% * \$1000$	\$80/person

Second Level Insight: Infusion is most attractive site of care since it is least capital intensive and represents the highest revenue per service

Case 13: Avicenna Health Conclusion

Suggested answer:

(GOOD) Avicenna should avoid competing directly with UMC by leveraging its insurance position and building non-hospital services

(BETTER) Avicenna should acquire high quality infusion capabilities to drive customers away from UMC in the short and medium term, while reducing the role of hospitals across all services in the long term

Reasons to Support Recommendation

- Infusion represents the least capital intensive and highest revenue per service
- Risks of reducing hospital traffic at owned facilities, may need to change the role
- Expect a competitive response from UMC, create long term strategy to loyalty to Avicenna

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Case 14: Down Under

Potential Behavioral Pre-Case Questions

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

Case Question

Our client is Down Under Apparel an Australian based swim wear and lifestyle company. The company unexpectedly missed its internal earnings target. The CEO has called on your firm to diagnose the problem

Case Overview

- **Format:** Interviewer-led
- **Difficulty level:** 3/5
- **Topic:** Business analysis/ strategy
- **Industry:** Retail
- **Concept(s) tested:**
 - Company Analysis
 - Increase in revenue

Interviewer Guide

- **Keys to the case**
 - identifying why Down Under missed it's earnings forecast
 - Understanding the client and industry
 - Ability to distinguish between concept forecast vs actuals
 - Data segmentation
 - Evaluate risks and challenges
- Solution: The client missed earning forecast due to selling 2m fewer surfboards/ surf equipment at surf shops

Case 14: Down Under

Information to be given upon request only (continued)

Competitors:

- The client competes against a different competitor set depending on the product. Maui is the largest rival in the surf and athletic swim wear, but offered lower quality products at lower price points.
- The client has no interest in growth through competitor acquisition

Customers:

- Surfers and Professional Athletes (30% of Revenue): Willing to pay for performance, yet low earnings for the average surfer suggests limits to what they will pay
- Luxury Seekers (70% of revenue): Fastest Growing segment, contributing to the explosive growth. These are casual users who enjoy the performance but not a key to buying process. Value the brand and ascetics. Brand offers legitimacy.

Channel:

- Surf Shops: Typically small independent retailers located in beach towns. Client has long standing relationships and entry point for any given market. Carry limited merchandise due to small locations, almost exclusively performance wear.
- Big Box Retailers: Products at targeted price points to appeal to their customers. Typically more price sensitive customers. Offers a wide variety of performance wear and equipment (boards, beach equipment etc.), some lifestyle products. Frequent Sales
- Department Stores: Least price sensitive customers. Offer variety of products focusing on lifestyle wear. Only channel outside online offering “resort collection”.
- Direct to Consumer (Online): Attracts repeat customers who are already familiar with brand and products. Never puts anything on sale.

Interviewer Guide

Good candidate:

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

Better candidate:

- Prepares a clear structure or framework to organize brainstorming
- Demonstrates executive presence, describes the problem, and proposes a solution

Case 14: Down Under

What should the client do to course correct and achieve its projected earnings forecast?

Expect the candidate will make framework to structure relevant info. Redirect candidate that immediately requests data to learn more about the client.

Suggest framework and sequence of events

Analyze business performance

- Provided earnings data when asked
- Provide forecast details and sales information exhibits when candidate asks for a breakdown of either the sales or cost information
- If candidate does not, then direct to form a hypothesis: ***Missed surf equipment forecast at surf shops is the issue***
- Direct candidate to validate hypothesis through understanding cost information

Brainstorm solutions

If the candidate does not switch to “solutioning,” then guide with the following question: how could the client increase sales?

Good response considerations:

- Tailor to the customer experience instead of sales overall
- Acknowledge but not focus on other ways to increase sales (e.g., working with the vendor, product modification, etc.)
- Outline potential challenges, risk, or other considerations

Recommendation and Next Steps

- Propose options to increase sales (e.g., introduce surf equipment into new channels, developed actionable steps to increase sales with surf shops, increase product consideration, etc.)
- Identify other considerations/ challenges (lack of channel and consume awareness of product, movement away from core competencies, long term impact to brand)

Interviewer Guide

• Good candidate:

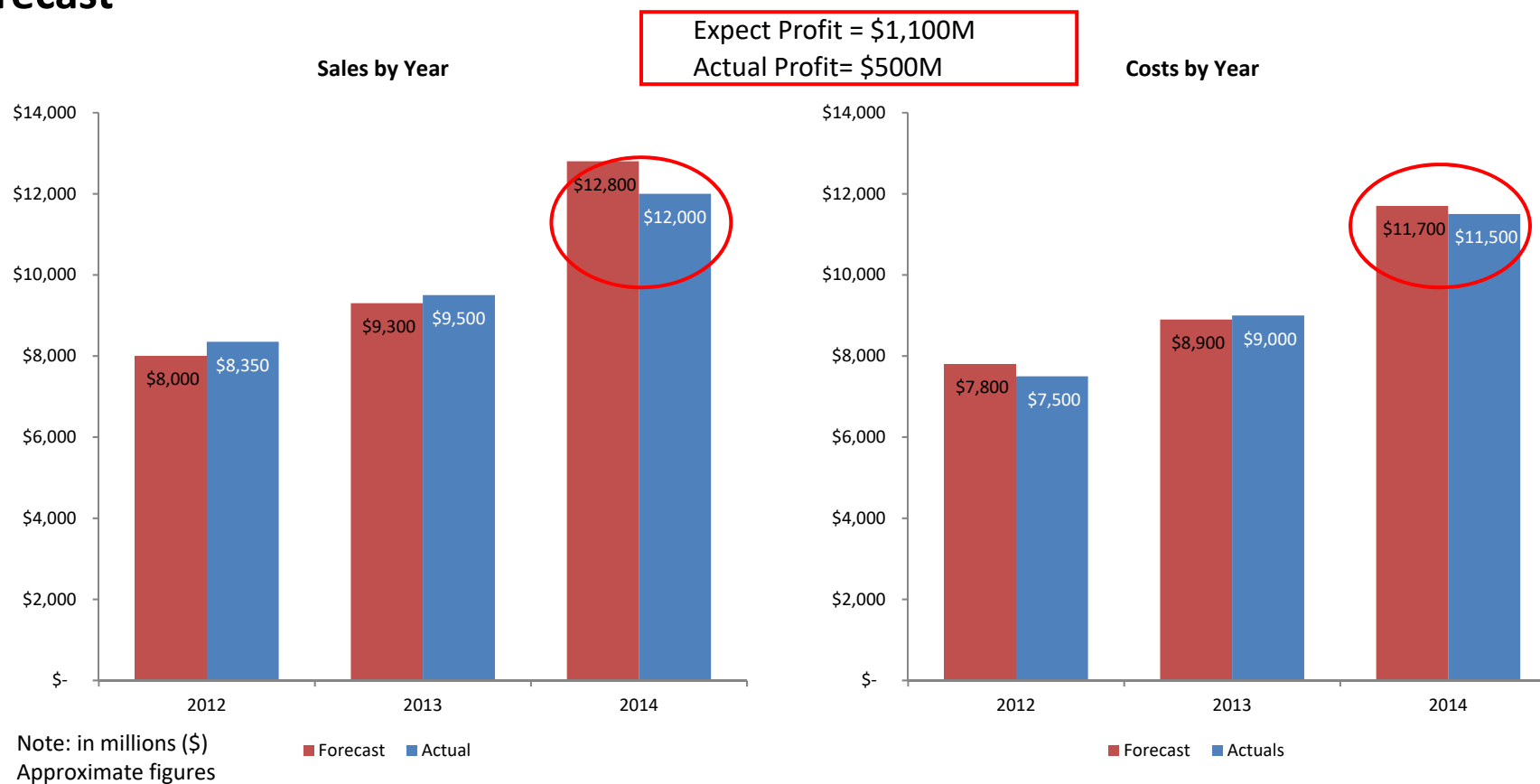
- Creates a framework that logically orders thinking
- Identifies the reason for missed earnings
- Recaps the case and delivers fact based recommendations on the best course of action for Down Under

• Better candidate:

- Supports each recommendation with specific qualifying risks and next steps
- Quickly draws insights between exhibits to identify the source of the problem

Case 14: Down Under

Forecast



Interviewer Guide

Always provide this exhibit before forecast details exhibit, even if the candidate asks for more specific information

Candidate should compare expected sales and costs to determine expected earnings = \$1,100 million

INTERVIEWER ONLY

Case 14: Down Under

Forecast Details

2014 Sales Forecast by Channel and Category

	Big Box	Department	Online	Surf Shops	Total
Beach Attire	\$1,000	\$800	\$480	\$400	\$2,680
Casual Swim	\$1,400	\$870	\$580	\$435	\$3,285
Professional Swim	\$400	\$0	\$360	\$800	\$1,560
Resort Wear	\$1,050	\$1,100	\$450	\$675	\$3,275
Surf Equipment	\$400	\$0	\$0	\$1,600	\$2,000
Total	\$4,250	\$2,770	\$1,870	\$3,910	\$12,800

2014 Projected Units Sold by Channel and Category

	Big Box	Department	Online	Surf Shops	Total
Beach Attire	8	6	4	3	21
Casual Swim	11	6	4	3	24
Professional Swim	3	0	2	4	9
Resort Wear	7	6	3	4	20
Surf Equipment	1	0	0	4	5
Total	30	18	13	18	79

Note: in millions

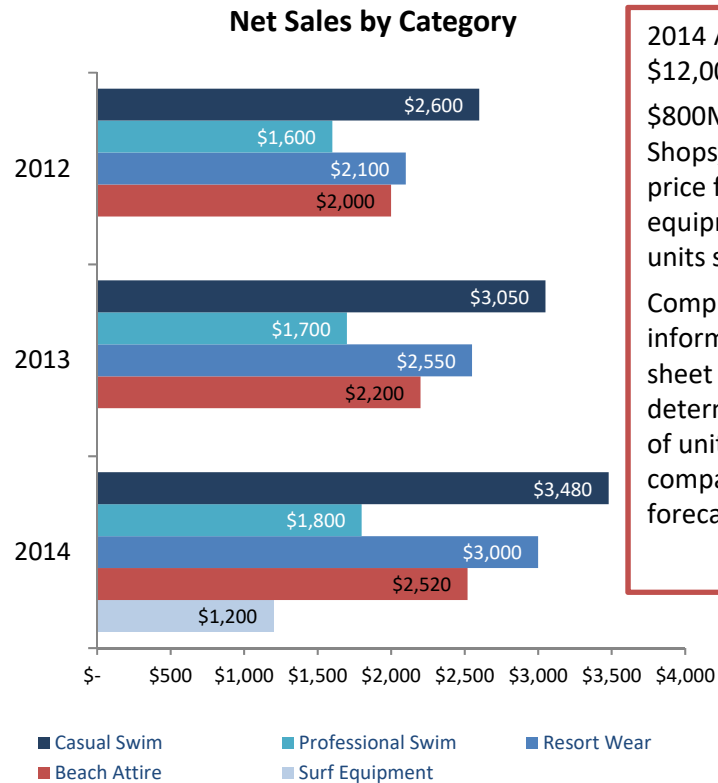
Interviewer Guide

- Only provide if the candidate proposes to break down the information on exhibit 1

INTERVIEWER ONLY

Case 14: Down Under

Sales by Category (actuals)



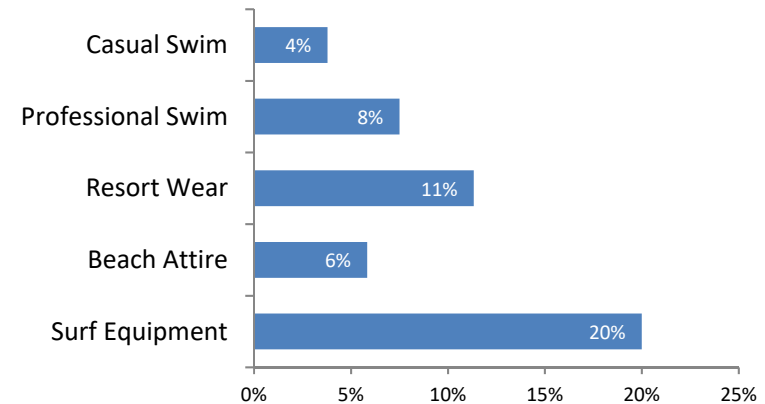
2014 Actual Sales = \$12,000 million
 \$800M sold at Surf Shops/ \$400 average price for surf equipment = 2M units sold
 Compares this information to data sheet 2 and determine only 50% of units sold compared to 2014 forecast

Note: in millions (\$)

Average Price by Category (2014)

Beach Attire	\$128
Casual Swim	\$134
Professional Swim	\$173
Resort Wear	\$163
Surf Equipment	\$400

Margin by Category



Interviewer Guide

The candidate should notice Surf Equipment is new. After making the observation, provide the following information:

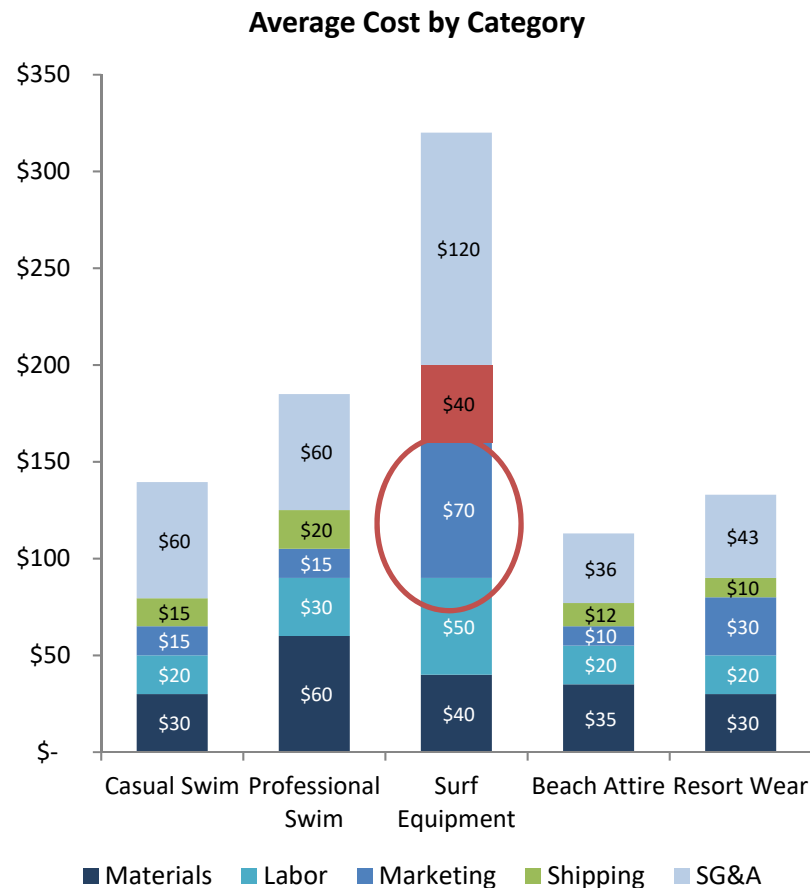
- Surf Equipment is a recently launched category
- Products include Surf Boards, primarily at Surf Shops
- **Sold \$800 million at Surf Shops this year**

Information confirms that costs are inline with expectations and costs are not a problem

INTERVIEWER ONLY

Case 14: Down Under

Cost Information (actuals)



Note: in millions (\$)

Other Information

- Down Under's offers free shipping for Direct to Customer sales due to competitive pressures
- Down Under is opening a new manufacturing and distribution center and considering 3 sites:
 - Southern California
 - Mexico
 - Guatemala
- Five years ago, Down Under relocated many of its manufacturing facilities to South Asia from Australia boosting long term profitability
- FY 2014 costs are approximately the same as FY 2013 costs

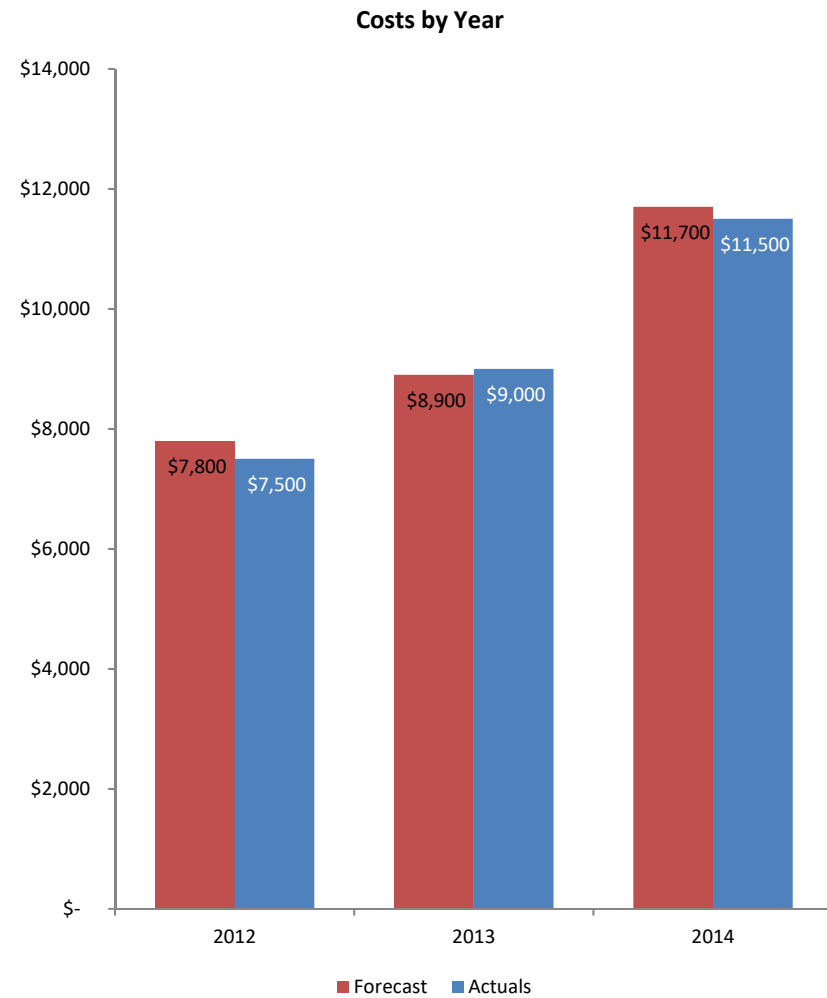
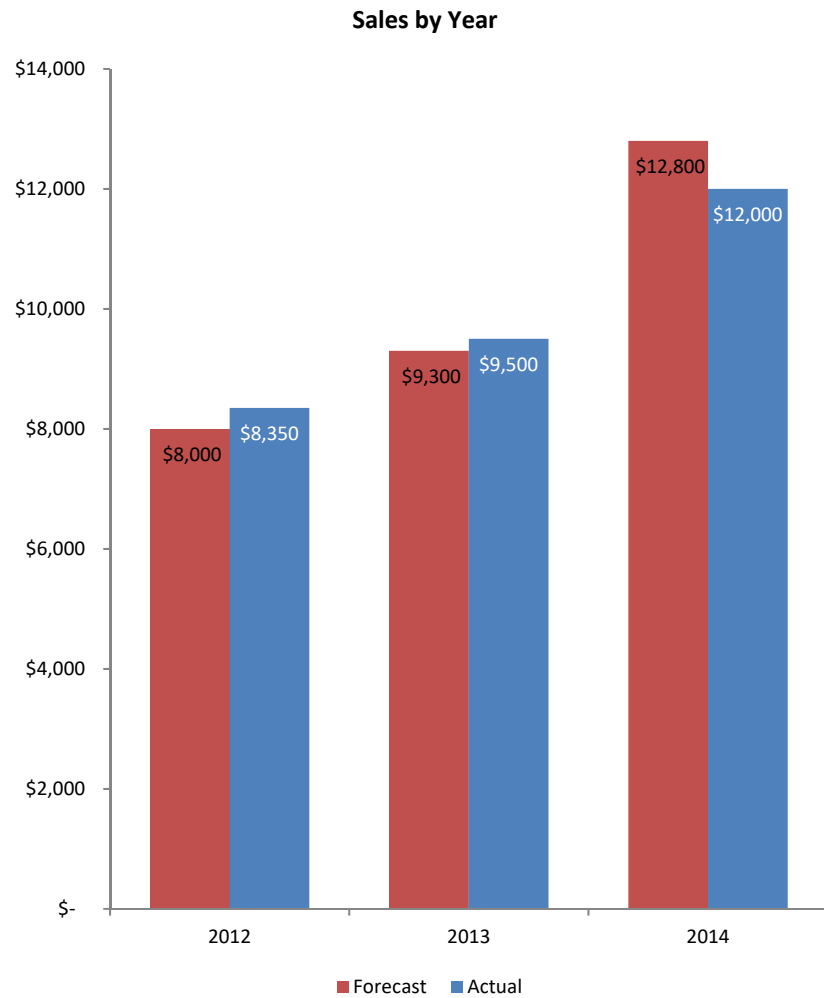
Interviewer Guide

- Candidate should identify the following from the provided data:
 - Higher marketing costs as a percentage of overall costs due to recent product launch
 - Costs are not the main issue

INTERVIEWER ONLY

Case 14: Down Under Handout

Forecast



Case 14: Down Under Handout

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Total	\$4,250	\$2,770	\$1,870	\$3,910	\$12,800

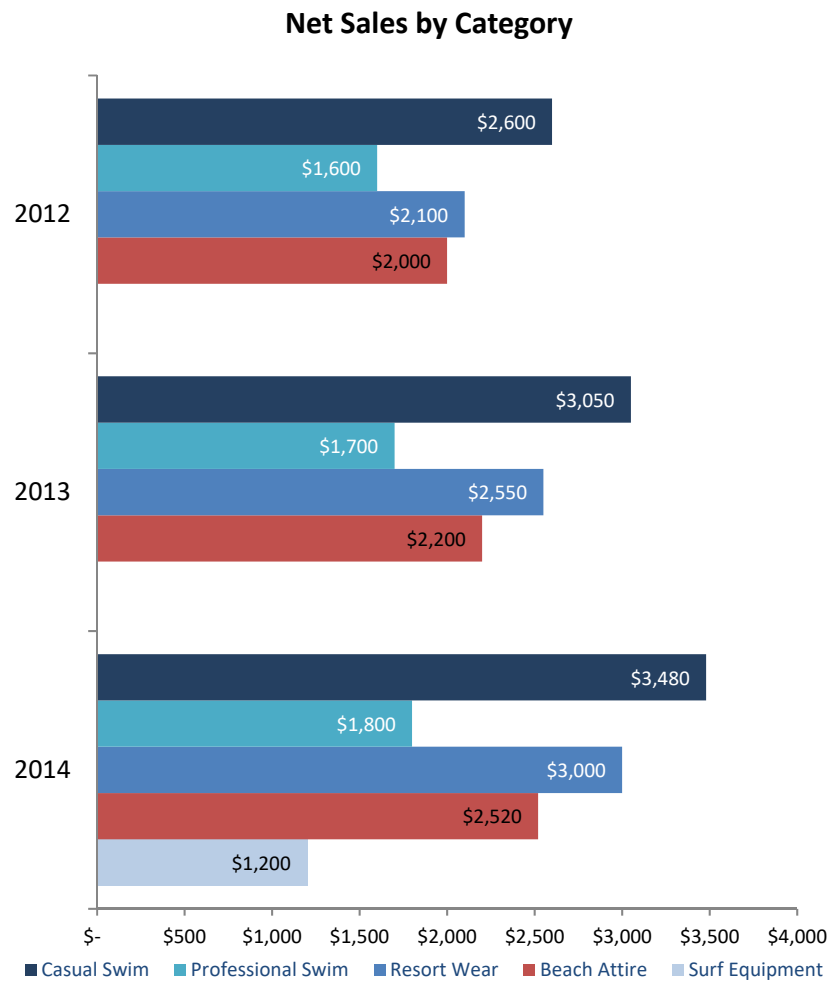
2014 Projected Units Sold by Channel and Category

	Big Box	Department	Online	Surf Shops	Total
Beach Attire	8	6	4	3	21
Casual Swim	11	6	4	3	24
Professional Swim	3	0	2	4	9
Resort Wear	7	6	3	4	20
Surf Equipment	1	0	0	4	5
Total	30	18	13	18	79

Note: in millions

Case 14: Down Under Handout

Sales by Category (actuals)

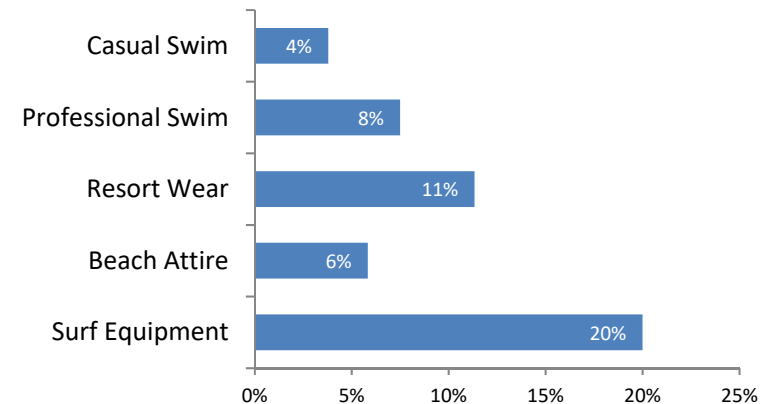


Note: in millions (\$)

Average Price by Category (2014)

Beach Attire	\$128
Casual Swim	\$134
Professional Swim	\$173
Resort Wear	\$163
Surf Equipment	\$400

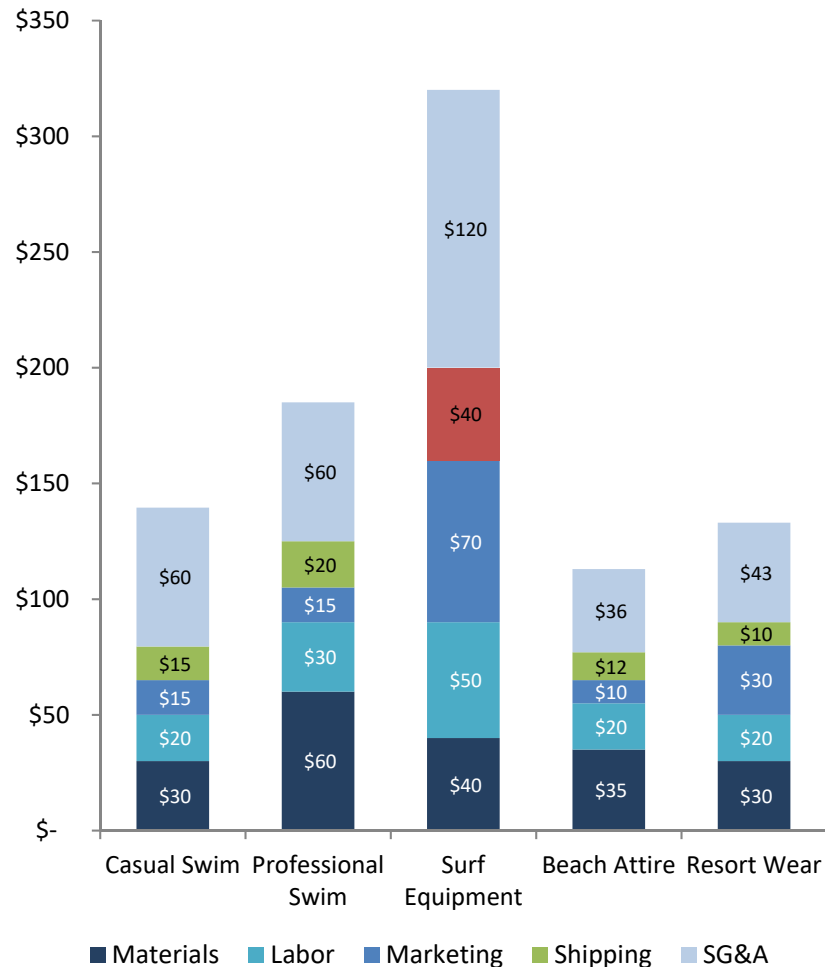
Margin by Category



Case 14: Down Under Handout

Cost Information (actuals)

Average Cost by Category



Note: in millions (\$)

Other Information

- Down Under's offers free shipping for Direct to Customer sales due to competitive pressures
- Down Under is opening a new manufacturing and distribution center and consideration 3 sites:
 - Southern California
 - Mexico
 - Guatemala
- Five years ago, Down Under relocated many of its manufacturing facilities to South Asia from Australia boosting long term profitability
- FY 2014 costs are approximately the same as FY 2013 costs

Case 14: Down Under Conclusion

Suggested answer:

(GOOD) Down Under missed its earnings forecast due to lower than expected sales of Surf Equipment at Surf Shops.

(BETTER) Down Under missed its earnings forecast due to lower than expected sales of Surf Equipment at Surf Shops. The new product launch into a tangential category proved challenging for down under. The candidate should summarize strategies to increase sales and identify considerations/ challenges to proposed strategies

Case Feedback Form

Name of Case: _____

Case Book: _____

Behavioral answer _____:_____ min
 Framework development _____:_____ min
 Framework explanation _____:_____ min
 TOTAL Case Time _____:_____ min

Strong
So-so
Weak

Behavioral ☐ ☐ ☐ Impactful & well-communicated

Initial Structure ☐ ☐ ☐ Clarifying questions (if needed)
☐ ☐ ☐ Relevant framework
☐ ☐ ☐ Explanation and hypothesis

Analysis ☐ ☐ ☐ High-level summary of exhibits
☐ ☐ ☐ Stating approach → solving → so what
☐ ☐ ☐ Quantitative accuracy & comfort

Closing ☐ ☐ ☐ Answer first
☐ ☐ ☐ Structured recap of findings
☐ ☐ ☐ What's next

Consulting DNA ☐ ☐ ☐ Business intuition & creativity
☐ ☐ ☐ Structured & clear thinking
☐ ☐ ☐ Comfort with ambiguity
☐ ☐ ☐ Engaging style

Date: _____

Case Giver: _____



Feedback Criteria Key: Definitions of “strong” ratings

Behavioral

Impactful & well-communicated: begins with a one-sentence introduction that captures attention. Showcases behaviors/skills relevant to the prompt. Story is easy to follow as the actions/decisions progress. Includes the elements of Problem-Action-Result or Situation-Task-Action-Results/Reflect.

Initial Structure

Clarifying questions: Only asks questions clearly relevant to the problem that has been presented. Does not try to solve case by asking questions that go beyond clarifying.

Relevant framework: Address the correct problem. Is MECE, showing interdependencies were relevant. Well-structured/easy to read.

Explanation and hypothesis: Summarizes primary “buckets” before diving into details. Includes case specific information, like “room bookings and event space rentals” for a hotel, instead of “revenue.” Drives towards a relevant place to start asking for data.

Analysis

High-level summary of exhibits: Focuses on most important take-aways before diving into math. Asks questions where needed. Connect to previously provided/solved info, where relevant.

Stating approach → solving → so what: Proactively lays out structure (formula or steps) before diving in. Drives towards answers, and then interprets answers for impact on overall case conclusion or next steps.

Quantitative accuracy & comfort: Arrives at correct or appropriately estimated answers. “Sanity checks” in order to verify orders of magnitude or solve for the same number a second way.

Closing

Answer first: Gives the “punch line” first, directly addressing the principal question of the case. This shows ability to communicate effectively with C-level clients and firm partners.

Structured recap of findings: Reviews “what we’ve learned,” referring only to the most important info for a C-level client to know.

What’s next: Goes beyond the prompt to provide appropriate recommendations on risks, contingencies and next steps in order for the client to solve their problem.

Consulting DNA

Business intuition & creativity: Pulls on personal experience or recent news. Asks appropriate questions about the business model. Goes “beyond the book,” is not a “case robot” but rather can provide new ideas and be flexible when put on the spot.

Structured & clear thinking: Clearly shows and explains logical steps towards conclusions, uses paper to create structure around conversation. Speaks at an appropriate pace and volume.

Comfort with ambiguity: Handles missteps with grace, takes pauses to collect thoughts when needed, reacts well to surprises.

Engaging style: Brings the case-giver along in multi-step processes, maintains good eye contact, shows interest in the case content.

Case 15: Otobea Furniture Company

Potential Behavioral Pre-Case Questions

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

Case Question

Our client is Otobea Furniture Company. Otobea is based in Europe and designs luxury furniture for homes. Otobea's design studio, showroom and manufacturing center are all located in Germany. They are the 2nd largest player in the Eurozone, with 39% market share. Otobea is currently considering entering the Indian market.

- Based on market analysis, there is a growing market in India for similarly designed furniture. There is another European competitor that is also preparing to enter the Indian market
- Otobea's goal is to get the same market share in terms of volume as in Europe with 25% lower market prices
- There are 3 possible expansion options:
 - Ship (continue to manufacture in Germany but sell in India),
 - Build (manufacture and sell in India),
 - Acquire (acquire a local Indian company that is 50% the size of European operations)

KEY QUESTION: SHOULD OTOBEA FURNITURE CO. ENTER THE INDIAN MARKET?

- How profitable is Otobea? What is the profit potential of the Indian market?

Case 15: Otobea Furniture Company

Sample Framework				
	Economics	Time	Customer Relationships	Risk
Ship	<ul style="list-style-type: none"> Cost to ship from Germany to India Cost of setting up sales and distribution center in India 	<ul style="list-style-type: none"> How long to get to the 28% target market share? Is there a viable path to the target? 	<ul style="list-style-type: none"> How well can you meet Indian customer needs? 	<ul style="list-style-type: none"> Does the distance create quality issues (e.g. breakages)
Build	<ul style="list-style-type: none"> Cost of investing on a plant and distribution center 	<ul style="list-style-type: none"> How long does it take to become relevant? 	<ul style="list-style-type: none"> How well can you meet Indian customer needs? 	<ul style="list-style-type: none"> Can you find the right resources in India to be successful?
Acquire	<ul style="list-style-type: none"> Base line economics? Cost of acquisition premium? 	<ul style="list-style-type: none"> Is there a target? How fast can it be acquired? 	<ul style="list-style-type: none"> How does acquisition affect customer relationships 	<ul style="list-style-type: none"> Risks associated with integration and culture clashes

STEPS OF A CASE INTERVIEW

1. Structuring the problem:

- Understand the case situation and complication
- Ask clarifying questions
- Use a simple and relevant framework to guide the discussion
- Confirm/formulate key question(s)

Guidance for Interviewer:

The best candidates will focus on the calculations but also weave in qualitative concerns, e.g.

- How fast can they enter the market?
- Relative riskiness of the three options
- Effect on customer relationships

Case 15: Otobea Furniture Company

KEY DATA (to be provided based on clarifying questions)

Otobea market data

- Otobea sells 350K pieces of furniture per year
 - Average price of furniture is \$900
 - Profit (EBITDA) margin is 30%
- European market is \$800M in annual revenues; Otobea has 39% market share (OK to round to 40%)
- Indian market is the same size but prices are 25% lower
- If Otobea enters the market, they can get to full potential within 2 years (350K pieces) and halfway there in 1 year (175K)

Acquisition Costs

- Furniture market in India is highly fragmented but there is one large target called Hatil that can be acquired
- Hatil currently sells 200K furniture with ~\$40M EBITDA... but can grow to 350K pieces. (Purchase price is 3-5x EBITDA)

Manufacturing / distribution costs

- Cost to ship within Europe is \$100 per piece. Cost to ship outside Europe is \$150 and takes 2 weeks
- Cost to build sales / distribution operations in India has one time cost of \$5M
- Cost to build a manufacturing facility is \$5M

Otobea is planning a 1 year time frame on any investment due to market pressure

STEPS OF A CASE INTERVIEW

2. Solving the problem:

Develop hypothesis
Demonstrate quant skills
Refine hypothesis

- Drive the discussion via your hypothesis
- Break the complex problem into its component parts
- Share your assumptions out loud
- Identify and dig into drivers that matter
- Use a simplified analytic approach to quantify values and solve the case

Case 15: Otobea Furniture Company

PROFIT POTENTIAL OF INDIAN MARKET (CALCULATION KEY):

Number of pieces of furniture sold (same as U.S.) = 350K

Prices in the U.S. = \$900 per piece

European Revenue = \$315M

Margin (30%) = \$94.5M (round to ~\$95M)

Prices in India (25% lower)

Indian market profit potential ~ $\$95 \times 0.75 = \70M

STEPS OF A CASE INTERVIEW

2. Solving the problem:

Develop hypothesis

Demonstrate quant skills

Refine hypothesis

- Drive the discussion via your hypothesis
- Break the complex problem into its component parts
- Share your assumptions out loud
- Identify and dig into drivers that matter
- Use a simplified analytic approach to quantify values and solve the case

Case 15: Otobea Furniture Company

Sample hypothesis-driven discussion

Hypothesis: Indian market is attractive; best long term option for entry is likely to build, but the acquisition allows Otobea to be relevant now

Ship

- Shipping will be costly and come out of margin (not price)
- Customer needs can't be met as efficiently given longer shipping times
- Not a viable option relative to building if building isn't too expensive, which it doesn't seem to be (only \$5M despite run rate profits of \$54M)
- Slow start for sales, will take time to develop distribution channels

Build

- Start-up costs of \$10M (\$5M + \$5M) are low relative to the "prize" \$54M of run rate EBITDA
- No impact on margin (like ship)
- Shows commitment and responsiveness to market
- Speed is important but worth it to go slower
- Some execution risk, as there is the risk of not understanding the market (customers, distribution)

Acquire

- The acquisition premium must be recouped
- Premium is likely much higher than the cost of distribution (\$5M) and manufacturing (\$5M)
- While you start selling immediately, you are only able to generate incremental profits that come from the difference of your ultimate market share (~30%) and their current market share.
- Very high integration risk
- Changes the balance sheet (debt)

STEPS OF A CASE INTERVIEW

Guidance for Interviewer:

- The best candidates will touch on at least 2/3rds of these insights or bring up additional insights not captured in this sample

Case 15: Otobe Furniture Company

Calculations related to each option:

Hypothesis: Indian market is attractive; best long term option for entry is likely to build, but the acquisition allows Otobe to be relevant now

Ship

of pieces sold over 2 years
175K, 350K

Margin over two years:
\$35M, \$70M

Incremental shipping costs:
\$50 per piece

Shipping cost over 2 years:
\$9M, \$17.5M

Up-front costs (Sales/dist)
\$5M

Total costs over 2 years:
\$14M, \$17.5M

Build

of pieces sold over 2 years
175K, 350K

Margin over two years:
\$35M, \$70M

Up-front cost (Plant + Sales)
\$10M

Total costs over 2 years:
\$10M

Acquire

Hatil EBITDA:
\$40M

EBITDA multiple (3-5x)
Assume 4x

Acquisition price:
\$160M

Margin over 2 years:
\$40M, \$70M

STEPS OF A CASE INTERVIEW

Guidance for Interviewer:

- The best candidates will identify that the numbers are most attractive for the build option but also discuss the qualitative concerns around speed

Case 15: Otobea Furniture Company

For the recommendation, refer back to the original framework

	Economics	Time	Customer Relationships	Risk
Ship	<ul style="list-style-type: none"> Shipping eats ~25% of margin 	<ul style="list-style-type: none"> Still needs to build distribution / customers which will take time 	<ul style="list-style-type: none"> Build your relationships but always be "European" Issue with being responsive due to shipping time 	<ul style="list-style-type: none"> Does the distance create any quality issues?
Build	<ul style="list-style-type: none"> Best economics since startup costs are low 	<ul style="list-style-type: none"> Still needs to build dist / customers which will take time May be easier than "ship" since you are local 	<ul style="list-style-type: none"> Build relationships from scratch Can say company is truly an Indian company 	<ul style="list-style-type: none"> Starting with a manufacturing facility is difficult... could fail or cost more
Acquire	<ul style="list-style-type: none"> Premium is high, given 5 year timeframe Very fast 	<ul style="list-style-type: none"> Immediate revenues and relevance 	<ul style="list-style-type: none"> Brings relationships, but some issues transitioning them to the new company 	<ul style="list-style-type: none"> Big integration / culture risk People could leave and take customers with them

STEPS OF A CASE INTERVIEW

3. Recommend a solution

- Proactively get to an answer
- Tie together the pieces of analysis into a coherent answer
- Recommend a practical course of action to achieve results
- Demonstrate understanding of business sensitivities

Guidance for Interviewer:

The best candidates will refer back to the original framework to form their recommendation

Case 15: Otobea Furniture Company

KEY RECOMMENDATIONS:

- Build sales and manufacturing capability in India and don't acquire Hatil; the much greater profit opportunity and lower upfront costs with building outweigh the speed constraint
- Is the speed constraint even real? Many companies feel the need to go fast but is unclear what the risk / cost is of going slower
- Be willing to "overspend" to grow market faster, since there is so much profit potential
- Consider much smaller acquisition if you can't get a foothold with European distribution or customers

STEPS OF A CASE INTERVIEW

3. Recommending a solution

- Proactively get to an answer
- Tie together the pieces of analysis into a coherent answer
- Recommend a practical course of action to achieve results
- Demonstrate understanding of business sensitivities

Guidance for Interviewer:

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Case 15: Otobea Furniture Company

Other ideas / topics / creative solutions:

- Possibility of doing a smaller deal than Hatil to get access rapidly but also preserve the long-term economics of building
- Should we use the same brand in Europe and India?
- Do we use the same go to market strategy in India as in Europe? Maybe it is less/more distributor based?
- What if we go to low cost manufacturing outside of Europe/India?
- Should we think about attacking other segments?
- Does it make sense to acquire the other European competitor?
- Since there is a “fashion” element, does this make the whole expansion much more risky?
- What happens if Hatil gets aggressive to prevent us from entering the market?

STEPS OF A CASE INTERVIEW

Guidance for Interviewer:
Challenge the interviewee with additional creative questions after they present their recommendation. This can be used to test the interviewee’s ability to think on her feet and react to unexpected questions.

Case Feedback Form

Name of Case: _____

Case Book: _____

Behavioral answer _____:_____ min
 Framework development _____:_____ min
 Framework explanation _____:_____ min
 TOTAL Case Time _____:_____ min

Strong
So-so
Weak

Behavioral ☐ ☐ ☐ Impactful & well-communicated

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☐ ☐ ☐ Explanation and hypothesis

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☐ ☐ ☐ Stating approach → solving → so what
☐ ☐ ☐ Quantitative accuracy & comfort

Closing ☐ ☐ ☐ Answer first
☐ ☐ ☐ Structured recap of findings
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☐ ☐ ☐ Structured & clear thinking
☐ ☐ ☐ Comfort with ambiguity
☐ ☐ ☐ Engaging style

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Case Giver: _____



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TheBerkeleyMBA
Haas Consulting Club



2006 Case Book

Selected Cases Provided by:

Deloitte.

ATKEARNEY

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Introduction

The Haas Consulting Club is proud to present the 2006 Haas Consulting Club Case Book! The book is divided in two parts: Part 1 contains information relevant to case preparation and Part 2 contains four cases provided directly by Deloitte and A.T. Kearney. In addition, part two contains practice cases distilled from actual interviews of Haas MBA students. We would like to thank A.T. Kearney, Inc. and Deloitte Consulting, LLP for their case contributions.

In general, consulting firms look for several qualities in a student: analytical ability, problem solving skills, communication skills, ability to work in a team, and demonstrated leadership potential. In addition they evaluate candidates for fit with their particular firm culture. Some of these qualities are inherent, while some of them can be acquired. However, one needs to practice extensively to effectively demonstrate all of these qualities.

In addition to practicing cases from this Case Book, we strongly recommend working with the Haas Career Center, which offers workshops, materials and coaching sessions to complete your preparation. Additionally, sufficient case practice should entail practicing cases not contained in this book as diversity of cases truly is important in preparing for interviews. We hope that this Case Book will help you in your preparation to obtain the consulting position you are looking for.

This case book was prepared by the officers of the Haas Consulting Club, with help from consulting firms, and students (present and past – particularly class of 2001). The Haas Consulting Club thanks everyone for their efforts.

Good luck practicing!

PART 1: PREPARATION

1. Consulting Industry Trends and FAQ's

1. *How is the industry performing?*

The industry is growing at a fast clip. Twenty Haas students worked in Consulting in the summer of 2006, and approximately forty graduating 2006 MBAs were hired into full-time Consulting jobs.

2. *What is the competition like?*

It is very intense! That said, consulting firms have more rigid hiring targets for their offices and do not necessarily set quotas from each school. This implies that you are not competing against your fellow Haas student but are competing against all the other business school students, Ph.D.'s and grad students nationwide!

3. *What's a case interview?*

A case interview is an interview format in which a business problem is presented to the candidate by the interviewer. The candidate is expected to structure the problem, ask follow up questions to get more information, and solve the problem.

Consulting firms have been using case interviews for years, but we see that many other companies are using this format either explicitly or subtly. Therefore case practice is likely relevant and beneficial to many job interviews outside of Consulting. More information on case interviews in the next section.

4. *When should I start practicing and what format should I use?*

It is very essential that you practice in revolving teams and try to simulate a real interview situation when you practice.

Summer internship applicants: The ideal time to get started is in Fall B. Ideally, you should practice once a week in Fall B and ramp up to twice or three times per week in Spring A (right after you come back from your winter break). Make sure to leverage second-year students, as they can share some of their tips and experiences.

Full-time applicants: Since interviews start in November, we recommend weekly practice in September and a ramp up to twice or three times per week starting in October.

The Consulting club will host several events to help you practice your case technique. Many events will leverage the experience of full-time consultants, such as the Consulting Panel event at the Career fair between Fall A and Fall B, sponsored case competitions in Fall A, and mock practice sessions throughout the Fall semester.

5. *What if I don't get a summer internship?*

There are fewer summer internship positions than there are full-time positions. So if you don't get a summer internship, don't despair. Just make sure to continue to prepare as you target a full-time position next year. This also means that it is a good

idea to have a backup plan in case you do not achieve the ideal consulting position you were initially targeting.

6. *Why should I apply for a Summer Internship? Will I blow my chances of securing a full-time offer if I don't succeed in securing a Summer Internship?*

If you are seriously considering a Consulting career you should consider applying for a summer internship for several reasons:

- a. A summer internship is a low risk opportunity for you to test if consulting is something you really want to do
- b. If you do get a summer internship, there is a good chance that you will receive a full-time offer from your employer at the end of the internship, which will be a huge stress relief going into the second year. Some firms also pay for the second year's tuition for returning interns!
- c. Even if you don't get a Summer Internship, but manage to perform reasonably well in interviews, your full-time application will be looked upon more favorably. Often firms like candidates they see in the summer internship process but cannot make offers to them due to limited summer positions. Firms are known to keep track of these candidates in anticipation of seeing them again for full-time interviews.

7. *Final words of advice*

- a. Stay calm! Most interviewers are not villains trying to grill you. They want you to do well and will work with you to solve the case.
- b. Be empathetic to fellow applicants. If you get the right offer, and you are satisfied, don't continue interviewing for spots that someone else really wants.
- c. Be prepared for homeruns and for rejections.

2. Overview of Personal and Case Interviews

Interviews with consulting firms can be broken into two basic areas: the personal or “fit” portion and “the case” portion. They are both important and you should be prepared to do well on both.

2.1. Personal Interview

Although case interviews require more preparation than do the personal interviews, **don't neglect the personal interview**. To the firm, these interviews are as important as the case interviews. In personal interviews, also known as behavioral interviews, consulting firms typically look for demonstrated leadership and also assess your fit with the company. Try and get to know as many people as you can from the company you are interested in. Company presentations, mixers, and the Firm Night are excellent opportunities to network and get a sense for the company's culture and values.

2.2. Case Interview

Case interviews are usually sanitized versions of real client problems on which the interviewers themselves have worked. They are usually 20 to 40 minutes in length and test your analytical and problem solving skills.

The interviewer should help guide the interviewee and keep them on track. Your goal as the interviewee is to sort out the key issues, put together a logical approach to solve the problem, and offer a solution if possible.

Solving the problem is not as important as rigor in the process: the interviewers are observing things like the way you think, how confident you are with your conclusions and how quick you are with back of the envelope arithmetic.

What are the firms looking for?

Case interviews test more than your ability to analyze and figure out a problem. The interviewer wants to see how you would perform on a team and is also checking for poise and confidence. We heard one consultant say “ I want to know if this is person I can leave alone for 10 minutes with a senior client at a bar while I take a break “

Some tips on solving a case:

1. Listen: Take notes while you do so.
2. Structure the problem: Come up with a framework for analysis that is MECE (mutually exclusive (no overlap between issues) and collectively exhaustive (no possible contributing issue is left unsaid))
3. Ask questions: Clarify issues and Prioritize using the 80/20 principle-80% of the problem is accounted for by 20% of the issues/factors. Listen carefully. The interviewer will give you hints on the key issues he/she would like you to pursue
4. Hypothesize: Be ready to explain the logic behind the hypothesis

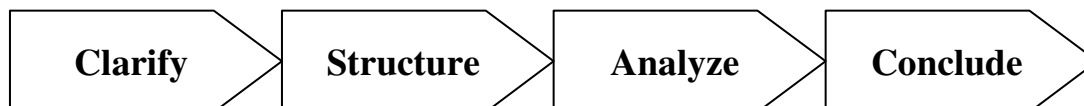
5. Think Creatively: Can you come up with issues/points that are not obvious? This could help you differentiate your response.
6. Explain your thinking to the Interviewer throughout
7. Remain calm
8. Show Enthusiasm

What not to do when solving a case:

- Jump to conclusions without first coming up with a framework for analysis. The process is more important than the solution.
- Apply canned frameworks to problems. In our experience, 2-3 frameworks (e.g., Porter's, 3Cs and profitability) are all you need for 80% of the cases. Sometimes, no standard frameworks will fit the problem, so don't be afraid to come up with your own simple frameworks.
- Get stressed out: Remember the poise and confidence test we spoke about earlier?
 - At some point, an interviewer may make you feel uncomfortable (sometimes even on purpose.) Now that you know it's coming – try not to worry about it.
 - Yes, you will be asked to multiply $7 * 13$ or other random numbers. Don't panic! Talk out loud, do your best to pick easy numbers when you have options and let the interviewer know that you are going to be rounding the numbers off. You can use scratch paper for calculations
 - It is okay to ask the interview for 20-30 seconds in the beginning to come up with a framework or a few seconds to regroup in the middle of the interview.

3. How to Approach a Case

Most successful case interviews follow a basic four-part structure — clarify, structure, analyze and conclude.



Clarify: When you are given the case, listen closely, take notes, and make sure you understand what you are being asked for. Does the interviewer want a set of recommendations, a simple yes/no answer, a number or a process description? Make sure you note down the questions asked. If something is unclear, ask a clarifying question. And before you move forward, paraphrase the question back to the interviewer to confirm the problem statement

Structure: Now, tell the interviewer you would like to take a moment to develop an approach to the problem. Your interviewer expects you to do this and you should not worry about taking a silent minute or two to think before you begin speaking. Use this time to choose an appropriate framework for analyzing the case and to develop a set of questions based on your framework (frameworks are discussed in the next section.)

Analyze: Once you have a framework, walk your interviewer through it, pointing out key questions you will ask and stating any initial hypotheses or assumptions. After you do this, your interviewer may give you additional information. Otherwise, begin asking your questions and working through your framework.

Start broad and try to work through a range of issues methodically. When you have worked through an issue, briefly state your findings and move on to the next point. Don't focus on a single point and forget the big picture. As you work, note any key findings so you remember to mention them in your wrap-up.

Use new information you gather to form new hypotheses and ask additional questions. Listen carefully to everything the interviewer says. Interviewers will often give you hints and attempt to help you if you appear to be getting off-track. While it is important to use your framework, don't allow it to constrain you. It is important to not force-fit a case to a framework! If the facts of the case take you in unexpected directions, be willing to explore new issues. If you get to a point where you feel stuck, feel free to ask for a moment to gather your thoughts. Sometimes it helps to summarize what you have found so far back to the interviewer.

Finally, it is very important that you describe your thought process as your work. This can seem uncomfortable and artificial, but remember that describing your thought process is the only way the interviewer can know what (and if) you are thinking.

Conclude: Sometimes it can be hard to know when to conclude a case. Some cases have natural endpoints and some interviewers will tell you when to wrap-up. But with others, you will need to look for signs from the interviewer, *pay attention to the time* and choose a point when you have enough findings to make useful recommendations.

When you conclude, summarize your key findings and synthesize them into one or more overall recommendations. Depending on the case, you may also want to discuss any trade-offs or implications of your recommendation or explain why you ruled out other possible solutions. The purpose here is not to use up time - it is to show that you have a big picture view of the case and your analysis. And above all, relate your conclusion back to the original problem statement and make sure you have answered the questions that were asked.

4. Case Frameworks

A framework is a structured approach to solve a case. Frameworks allow the candidate to think and communicate in a structured manner, and ensure that important aspects of the problem are not left out. Depending upon the general business problem posed, one of the frameworks below will likely work in 80% of the cases you will encounter.

Frameworks are not replacements for analytically thinking through the problem however, and one has to be intelligent about applying a framework and rejecting parts of it that are not applicable. A “cookie-cutter” approach to force fit a case into a framework will likely not impress the interviewer. Also, be aware that there are many frameworks and many modifications of the frameworks. The section below describes a representative set of important frameworks, and is not comprehensive.

4.1. Kotler’s Four P’s

Product

- Features and capabilities
- Positioning decisions and market segmentation
- Differentiated versus commodity
- Reliability, brand name (quality, reputation)
- Packaging, size
- Service and warranties
- Future strategy

Price

- Retail and discounts
- Strategy: MC = MR, skim, penetrate
- Volume or profits
- Perceived value or cost plus margin
- Economic incentives to channel
- Establishing barriers to entry
- Overall Strategy – relation to market size, product life cycle and competition

Placement (Distribution)

- Channels (consider level of desire and margins desired)
- Coverage (trade off between coverage and costs)
- Inventory – levels, turnover, carrying costs
- Transportation – alternatives, efficiencies, costs

Promotion

- Buying process:
- Consumer awareness
- Interest

- Trial
- Repurchase
- Loyalty
- Select sales (Pull versus Push) Pull = advertising / Push = discounts to merchandisers
- Promotional efforts
- Advertising medium (reach and frequency)
- Direct selling
- Sales promotions – incentives to consumers, sales force and channel members
- Public relations

4.2. Profitability Analysis

Profitability equation: Profit = Revenue – cost

Revenue = $P \times Q$

Cost = f (Fixed Cost + Variable Cost)

How do you increase revenue?

- Increase prices
- Increase volume
- Decrease costs

Increasing price (can one really increase price?)

- Market power
- Demand elasticity
- Differentiated product
- Higher prices of substitutes
- Additional benefits – customer service

Increase Sales Volume

- Increase market share
- New products to new customers
- More products to current customers
- Increase growth
- Improve technology
- Promotion
- Find more efficient channels

Decrease Costs

- Cost structure of firm / Evaluate value chain
- Improve utilization of equipment
- Outsource manufacturing
- Consolidate purchasing
- Reallocate to lower cost areas

- Partner with distribution
- Strategic IT
- Identify cost drivers
- Consider Fixed versus variable costs
- Which costs can be decreased
- What are the competitors cost structures
- How have costs changed over time
- Direct costs (materials, labor, factory overhead) vs. indirect costs (SG&A, overhead, depreciation, capital costs, R&D)

4.3. Capacity Constraints

Benefits of increased capacity

- Necessity for market growth
- Productivity enhancement
- Decreased per unit costs
- Introduction of new technology
- Alternate uses of capacity

Costs and Dangers of increased capacity

- Consider firm and industry excess capacity
- Impact on prices and industry balance
- Opportunity cost

Factors to consider in capacity analysis:

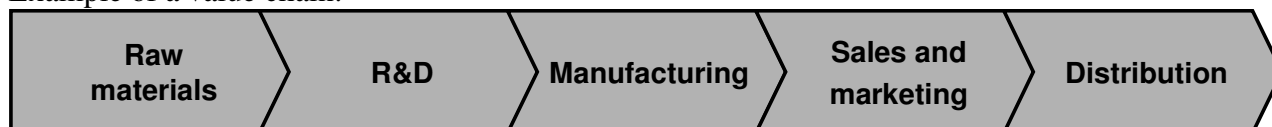
- NPV / IRR
- Breakeven analysis
- Payback period

Alternatives to increasing capacity

- Outsource
- Lease
- Subcontract

4.4. Value Chain Analysis

Example of a value chain:



Use the value chain framework for cases about operational efficiencies, margin analysis and integration opportunities.

Primary Activities of the firm:

Inbound Logistics – Receiving, storing, materials handling, warehousing, inventory control, vehicle scheduling and returns to suppliers

Operations – Transforming inputs to final product form (machining, packaging, assembly equipment, testing, printing and facility operations)

Outbound Logistics – Distributing the finished product (finished goods warehousing, material handling, delivery operation, order processing and scheduling)

Marketing and Sales – Induce and facilitate buyer to purchase the product (advertising, sales, quoting, channel, channel relations and pricing)

Service – Maintain and enhance value of product after sale (installation, repair, training, parts supply and product adjustment)

Support Activities:

Procurement – Purchasing of raw materials, supplies, and other consumable items as well as assets

Technology Development – Know-how, procedures and technological inputs needed as every value chain activity

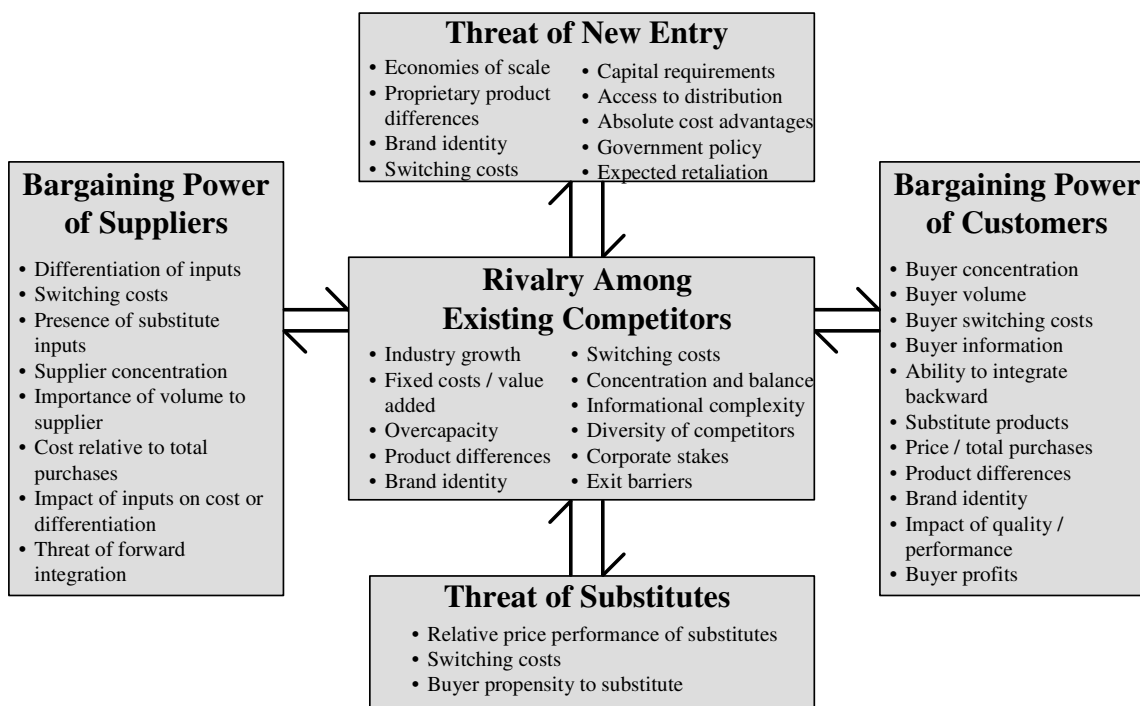
Human Resources Management – Selection, promotion, placement, appraisal, rewards, management development and labor/ employee relations

Firm Infrastructure – General management, planning, finance, accounting, legal, government affairs, and quality management

4.5. Three C's: Customer, Competition, and Company

Customer	Competition	Company analysis
Individual Customer Perceptions Loyalty Switching costs Profitability of customer Purchase behavior Market Size/ Share Growth Segmentation Maturity Trends Product Price Differentiation Life Cycle Technology Substitutes	Industry Size, number of competitors, market share Competitive response Current strategy Capabilities Economies of scale/ scope Experience curve Resources: Financial Channels Organization Intangibles Competitive response	<i>Economics</i> Costs Profitability Capacity to develop and produce Channels <i>Fit</i> Strategy and vision Core competencies Culture Resources Brand equity Org Structure (incentives, compensation issues) <i>Tools</i> Break-even analysis Financials Org structure Experience Curve

4.6. Porter's Five Forces¹



4.7. Income Statement Analysis

Gross Revenues

Revenues and allowances

Net Sales

- Cost of Goods Sold
- Direct Labor
- Direct Material Sales
- Overhead (allocation)
- Delivery costs

= Gross Margin

- Selling, General & Administrative

- Depreciation

= **Operating Profit**

- Interest Expense

= Profit before Taxes

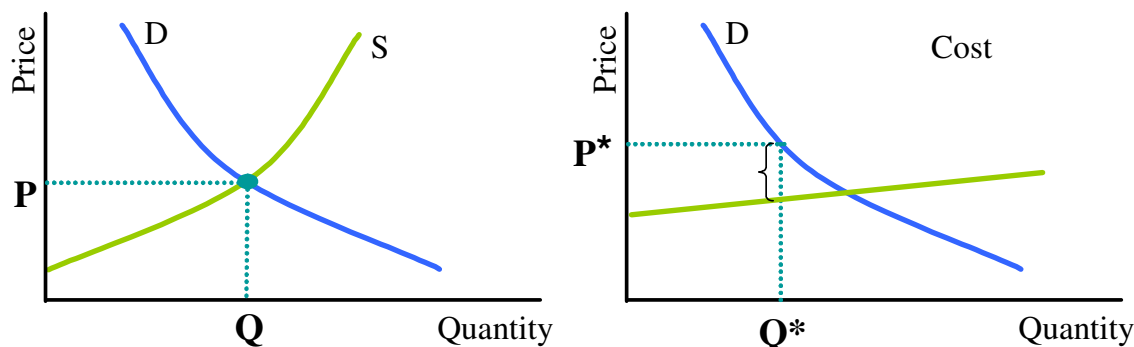
4.8. Economic Analysis Framework

Use for cases about: market analysis, pricing strategies, industry analysis, market power. This framework is more of a tool box. Concepts you should use while applying this framework are:

- Supply/Demand Curves

¹ Source: Michael E. Porter, Competitive Advantage (New York: Free Press, 1985)

- Profit maximization given a demand curve and a cost function
- Learning Curve and Experience Curve
- Marginal Cost
- Pricing Models (Monopoly, 2-Part, Discrimination)



4.9. Applications of Frameworks

Market Entry and expansion cases

These test your ability to evaluate viable markets and opportunities and prioritize factors that make it easy or difficult to enter the market.

Example case: Should a Hollywood production house start producing French movies? How would you go about analyzing this ?

Suggested Tools:

Porter's Five Forces

Three C's

Profitability

Profitability cases

These cases test your ability to determine the most important factors that contribute to a firm's revenues and profits and an understanding of cost dynamics.

Example case: A giant retailer's profits are down 10% since last year. What would you do?

Profitability

3 C's for revenue analysis

Investment cases

These cases ask you to focus more heavily on finance and to think of the scenario in terms of long-term payoff.

Example case: Should Microsoft get into the I-Pod business?

NPV. You need to figure out whether the discounted cash flows that will be received in the future as a result of this investment will exceed the investment needed today. It just takes a tiny bit of work to figure out what the cash flows actually are and how they change over time.

Wild cards and brainteasers

These are rare so don't spend too long practicing them but be prepared nevertheless. They could be woven into the business cases described above. Four brain teasers are included at the end of this case book.

None of the above frameworks obviously apply here. The interviewer is not looking for a RIGHT answer. They are looking at your ability to logically and creatively derive an **estimate**. Make logical assumptions and be sure to do a sanity check in the end to make sure your answer is reasonable.

PART 2: PRACTICE CASES

5. Practice Cases

We would like to thank our firm sponsors and student interviewees for their contributions to this section of the Case Book.

5.1. Private Equity Portfolio Strategy

Source: A.T. Kearney 2006

Length: Medium (30 Minutes)

Problem:

Our client is a private equity firm which operates primarily in the automotive industry. They want us to investigate whether they should increase their portfolio in the sensor market? Also what criteria should be used by the client to identify target companies?

Information To Be Provided:

- **Market potential :**
 - Electronics content in automobiles will keep growing and is expected to represent 17% of total purchased materials in an average vehicle by 2006.
 - Sensors will become a more and more important part of the automotive electronics content — according to a previous study conducted by us, we estimate they will represent approximately \$150 on average per vehicle by the year 2005
 - Global growth potential beyond automotive e.g., aerospace, semiconductors, medical devices and consumer electronics. Automotive and Aerospace being the biggest growth areas
 - NPV analysis: To operate a company in sensor market requires an recurring investment of \$10M, \$11M and 12M resp. starting in year 0,1, 2. Our client has done back of the envelope cash flow analysis that show that they can expect a cash flow of \$12M after the first year growing at a rate of 5%. Assume a three year outlook is sufficient to make a decision if the client should go ahead with the investment. Using this data, determine if the client should go ahead with the idea of investing in the sensor market. Assume cost of capital=10%
- **Key demand drivers:** Increasing consumer demand; government regulation for safety, environmental, and comfort in automotive.
- **Customer buying criteria:** The OEMs are the customers of sensor manufacturers and they place a high value on leading-edge technology as electronic systems are seen as a source of differentiation.
- **Competition:** The sensor market is extremely fragmented — leading sensor companies are aggressively using acquisitions and partnerships to grow by expanding their product, industry, geographic footprints and/or acquire promising technologies.
- **Cost Structure:** Being in the sensor business requires significant continuing investments in terms of infrastructure and technology. However it is high margin business and is likely to remain so for the next 4-5 years.

Solution:

The data provided in this case clearly presents a very positive picture of the sensor market. The real answer lies in articulating and structuring the decision criteria for an acquisition target for our client. The interviewee should be able to quickly highlight 2

success factors for sensor companies i.e. Profit growth potential of a company and the fit with existing portfolio

Profit/Margin Growth Potential:

- What market segments is the company playing in? What is the growth potential of these market segments?
- What geographies and product and services are being addressed by the company and the future growth potential of each?
- Does the company have strong existing customer relationships?
- Technology Leadership: What is the technology focus of the company? What are the R&D investments? How many patents are owned by the company? Etc.
- Present Value estimation using the due diligence done by the client on a representative company in the sensor market revealed a positive return at the end of three years.

Year	0	1	2	3	PV
Investment(\$M)	10	11	12	0	29.92
Cash flow (\$M)		12	12.6	13.23	31.26
Net(\$M)					1.34

Assumptions	
Growth rate=	5%
Cost of capital=	10%

- **Fit with portfolio:** To what extent can we add value to this company given the companies in our portfolio

A better answer will also highlight the advantages and disadvantages of moving into this market to the client in terms of the following:

Advantages:

- Access new technologies that can be potentially used by other portfolio companies
- Expand beyond automotive industry to garner higher buy-out multiples upon exit
- Diversification of existing portfolio (currently only in automotive)
- Potential to establish industry leadership since the market is fragmented currently
- Enlarging size of entities dealing with OEM customers

Disadvantages:

- Likely expensive acquisition
- Likely significant investment required to stay competitive (continuing R&D to invent latest sensor technologies for differentiation with competitors)
- Learning curve on managing sensor business
- Higher risks (i.e., relatively long lead time from R&D to market)

5.2. Manufacturer of Ball Bearings

Source: Deloitte Consulting, LLP

Length: Short, 10-15 minutes

Case Scenario

Our client has had flat sales and declining profits for the last 3 years. The CEO believes that high margin service businesses built on existing core competencies are the answer to his problem.

Key Questions

From a Value Chain perspective, how would you assess whether or not there are opportunities to build sustainable new service businesses? Develop some potential business models based on your assessment.

Possible Recommendations / Approaches

Candidate should be able to dissect the value-chain and identify procurement as a core competency.

One core competency of the company is the procurement department with its world-class processes and personnel. It also has access to 2000 buyers that work for its parent company.

The company has strong customer relationships with large manufacturing companies such as Caterpillar, John Deere, etc.

Large manufacturing companies usually buy several hundred components (from around 500 suppliers), but build strategic relationships including electronic linkages with the top 20 suppliers.

Significant cost savings have been realized through these strategic relationships, but extending them beyond the top 20 suppliers is not cost-effective.

Case Wrap Up

In this scenario Deloitte Consulting recommended a new business model based on the client's procurement competency in which it will manage suppliers that fall below the top 20 for its major strategic customers. The client leverages its web-enabled electronic linkages to reduce costs and streamline the procurement process for components purchased from the less-than-top-20 suppliers. The business is currently in the planning phase.

5.3. Growth Strategy Case (Specialty Chemicals)

Source: Deloitte Consulting, LLP

Length: Long (30-45 minutes)

Case Scenario

The client is a \$250 million Performance Chemicals division of a \$7 billion Specialty Chemicals Company.

The CEO of the parent company has set a “growth agenda”. He believes that his company can become the fastest growing chemical company (moving from 3-4% historical growth to 10-15% growth) and has asked the business units to develop and present growth strategies to him.

Performance Chemical’s business manager, like many other managers in the company, does not believe that there is significant untapped potential in the markets served by his unit. He has approached Deloitte Consulting for strategic advice.

Key Questions

How would you go about building a case for whether or not Performance Chemicals division can grow at a 10%+ per annum rate? How will you approach this problem? Develop potential growth strategies and recommendations for the Performance Chemicals management team.

Possible Recommendations / Approaches & Key Issues That Should be Covered

Consider Market Issues (Market Size, Customers, Competitors)

What is the expected growth rate of the existing business? *All the 6 businesses have been growing at 3-4% for the last 5 years. This is the same as the average growth rate of the markets served.*

What are some of the products sold by this division? *Performance Chemicals division sells asphalt additives, sodium chemicals, paper pulp bleaching solutions etc.*

How would you describe the competitive environment? *All the products have limited intellectual property protection and are being threatened by global competition. Commoditization and pricing pressures are constraining the growth of these businesses. It is clear that the company has to look beyond traditional product strategy to generate the warranted growth. What are some of the trends you would look for? E.g. outsourcing, solutions vs. products, product-service bundles etc....*

Understand Company Capabilities (i.e., Feasibility)

Are there any cultural impediments to growth? *The company has like any other chemical company focused solely on selling products and has not been seeking growth ideas. Quote from the Client “We make it by the ton and sell it by the carload” describes the business thinking at the client.*

Probable Growth Strategies

Develop a simple framework to explore growth opportunities. E.g. Growth Spectrum may include Product Enhancements, New Products, New Markets, New Channels, New Business Models.

Alternative growth strategies for Performance Chemicals division – e.g.,

- Sell a solution not a product
- Become indispensable to strategic customers
- Become one-stop shop for specialty chemicals
- Vendor managed inventory system as a service to customers

Case Wrap-Up

The Deloitte team performed a growth diagnostic to understand the culture and infrastructural impediments to growth. It conducted 2-day workshops with each of the niche businesses to develop alternative strategies using the Valuable Formula methodology of the strategy practice. Some of the strategies included product-service bundling, outsourcing, and new markets for the existing technological capabilities. The preliminary projections indicated the potential of quadrupling the size of Performance Chemicals group to \$1 Billion in 5 years. The client agreed with Deloitte Consulting's recommendation and has implemented a subset of the strategies.

5.4. Wealth Financial Advisory Services to Affluent Individuals

Source: Deloitte Consulting, LLP

Length: Long (30-45 minutes)

Case Scenario

The client is a provider of wealth advisory services to high-net-worth individuals. Typical wealth advisory services include: investment strategy and portfolio management, estate and trust planning, tax planning and preparation, insurance planning, family office services (e.g., bill payment services) and the like. The client started out as a professional services specialist to corporate clients, but over time, has successfully expanded into individual wealth advisory services. Over time, the revenues generated from the wealth advisory services component of the company grew to over \$400M worldwide.

Traditional players in this market are high-end private banks (e.g., JP Morgan), and boutique financial planners. These players do not offer their own products, but typically have close partnerships or affiliations with those who do (e.g., mutual fund companies, insurance companies and brokerage houses).

Within the last 12 months, several disruptive events have occurred in the marketplace. Large and diversified financial services players are launching aggressive national marketing campaigns around their wealth advisory services businesses, and the results are paying off as they begin to capture an alarming share of the market in a short period of time. In addition, a new, completely different type of competitor has announced its presence and intent to enter the wealth advisory services market, offering a value proposition very similar to the client's. This new concern is well funded, and has some of the most successful venture capitalists of the day filling the seats on its board of directors. This new competitor is also causing significant problems for the client; within the past 3 months, the top five producing partners have left to join this firm, taking their clients with them, and leaving the client's geographic presence in a strategically critical growth area significantly weakened. In addition, the client is finding that its revenues are decreasing significantly in certain types wealth advisory services they offer.

The client has retained the services of Deloitte Consulting to help them understand what their strategic response options are, and to recommend the best course of action to follow.

Key Interview Questions

Assume you have just joined the Deloitte Consulting team for this project and today is the project kick-off meeting. What would be your hypothesis around the root cause of the client's issues and what information would you want to look at to determine the best recommendation for the client? What information do you need to arrive at your hypothesis? What do you feel are the strategic options facing the client?

Possible Recommendations/Approaches & Key Points/Issues Candidate Should Cover:

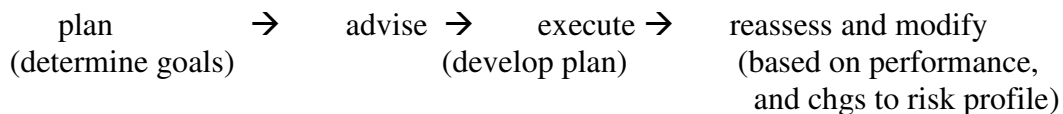
Suggested framework: 3 C's approach: company, customer (market) & competition

Understand the Client's capabilities and position in the marketplace: (value chain analysis)

The company differentiates itself in the wealth advisory market by offering independent and objective advice to its clients, recommending only those products and services warranted by the investment strategy and the client's particular risk profile. The client does not form formal partnerships or alliances with product suppliers (e.g., investment banks and fund managers).

The Client is known worldwide for its expertise in its legacy businesses: corporate tax preparation & advisory services, as well as audit services. About 75% of its business is in tax preparation and services, the remaining is in wealth advisory services, but both its market share and the market itself is growing. As tax preparers and auditors, independence and objectivity is not only critical, it is required and monitored by the SEC. The company offers its wealth advisory services using the same model as for tax preparation (e.g., fee per hour).

While its position as independent and objective differentiates itself vis-à-vis the product players, it limits the areas it can control in the value chain:



Due to SEC restrictions, the client is not allowed to execute transactions (e.g., the purchase of securities, taking custody of funds, etc.); it must advise and recommend only. Other players, many of them competitors, such as banks, mutual fund companies, insurance companies, are the ones who are ultimately able to execute. As a result, the client cannot control who develops relationships with their customers. The key part of the value chain to control is link between “advise” and “execute” in that controlling the relationship with the customer is controlling the execution and the quality of the execution, and blocking or limiting the role of these other players who execute services.

While the client offers and sells a vast portfolio of services to its customers, the amount of revenues generated from services other than tax preparation and advice has been declining. (the customer is retreating to purchasing services that the client is branded and well-known for, seeking investment advisory services from better known names (e.g., investment banks) who have entered the market and have aggressive marketing campaigns).

Understand Competitive shifts: Which competitors are entering the market?

During the past few years, the number of players entering the wealth advisory services space has grown considerably. Investment banks, mutual fund companies and brokerage firms have all entered this realm, and many are targeting the affluent segment.

The New Economy is disrupting this market. In addition to investment banks and private banks entering the market, pure online players such as e*Trade are aligning with traditional high-end banks (e.g., Northern Trust) to offer their affluent clients online trading and account monitoring capability. Finally, a new entrant, myCFO.com is a pure internet play that competes directly with the client in the independent and objective advice category, but does so without being burdened with the restrictions of being a public accounting and audit firm (e.g., they are able to strike alliances, partnerships, and can offer its customers access to invest in venture capital funds).

Why are they entering the market?

Investment banks, mutual fund companies and other diversified financial institutions (Schwab, AmEx) have heavily invested in IT to support the Internet brokerage and trading business. They are now leveraging their IT capabilities by expanding into wealth advisory services, bolstered by offering online customer accounts, where customers can access their accounts and advisors 24/7. Many are entering into this area because margins for these services are higher than commissions on trades (brokerage fees), which are shrinking due to downward pressure brought about by discount online trading options such as e*Trade. Launch of these premium online customer accounts is being bolstered by aggressive national advertising campaigns.

Understand Market (and Customer) shifts:

The tremendous wealth creation occurring in the mid to late 90s has created a growing number of affluent individuals in the United States (“Affluent” = net worth exceeding \$1M). While the market for wealth advisory services to affluent individuals is growing, the market for independent and objective advice is unclear, because the value placed on independence and objectivity in this space is unclear. Competitors who are clearly not objective (e.g., investment banks and mutual fund companies), are positioning its wealth advisory services as independent and objective. The major question is whether or not the customer appears to appreciate the difference between a true provider of objective advice, and those positioning themselves as “pseudo-objective”. Is this critical, single differentiating factor that separates our client from its larger, better funded and more IT enabled competitors – valued enough to sustain the business?

Evaluate the Strategic Options available to the client:

Option 1: Exit the wealth advisory services portion of the business (about 25% of overall revenues, the remainder comes from tax and audit services); Option 2: stay with the current strategy of offering objective and independent advice but invest to develop an IT platform to offer an online offering to its clients; Option 3: assess the market for “independent and objective advice” (e.g., evaluate whether this attribute is strategically sound as the core differentiating attribute).

Case Wrap-Up

STRATEGIC OPTIONS: The Deloitte Consulting Team recommended several options:

- Exit the business;
- Stay in the business and invest incrementally to remain competitive (e.g., expand existing practices, bring in more experienced hires);
- Stay in the business and aggressively invest to develop an IT-based customer channel
- Spin off the business from the core business of tax and audit and pursue more aggressive alliance and JV strategies.

Choosing the option involves addressing the central key issue: what is the market for independent and objective advice? We recommended the client address this issue before making a decision on the option to pursue:

Deloitte Consulting recommended that the client initiate a conjoint analysis study to determine the relative value placed on this attribute vs. cost and other attributes.

In addition, Deloitte Consulting examined how, as a public accounting firm, is it possible to exert more control over the execution portion of the value chain.

Deloitte Consulting recommended that the client initiate a developmental program in house to mentor and develop client service professionals to become “Most Trusted Advisors” – deepening the relationship with current clients to sell the full scope of wealth advisory services (not just tax services). In doing so, the client became a more customer-centric organization, focusing on serving the specific and evolving needs of its customer base.

5.5. Technology Product Warehouse

Length: Medium (30 Minutes)

Problem:

The client is a warehouse that purchases a range of telephony technologies (simple and complicated) from original manufacturers, and then sells them to a group of resellers, who in turn sell them to end consumers.

Manufacturer → CLIENT → Reseller → End Consumer

The reseller market can be divided into Corporate (largest), Value-Added (medium), and E-tailer (smallest) segments. Our client has experienced eight quarters of declining profit. Attempt to answer why and provide recommendations to reverse this trend.

If Asked for Market Information:

The client is the largest company in the industry, with a number two competitor almost as large and several smaller players. There have been no new market entrants in recent years and all firms sell at industry-wide prices. The industry can be divided exclusively into three segments, for which the following data exist:

2000	Market Size (\$ MM)	Client Unit Sales (\$)	Industry Avg. Price (\$)	2002	Market Size (\$ MM)	Client Unit Sales (\$)	Industry Avg. Price (\$)
Corporate	20	1,000,000	5,000	Corporate	15	1,000,000	3,000
Value-Added	45	1,500,000	10,000	Value-Added	40	1,250,000	8,000
E-tailers	10	2,500,000	2,000	E-tailers	5	2,000,000	1,000

Solution:

The calculations from the above table should lead the interviewee to the following conclusions:

- The overall industry has shrunk, both on a price and volume basis (“it’s a bad business to be in”)
- The client’s overall market share has shrunk from roughly 33% to 25%
- Value-added is the largest segment and client has lost the most market share in it

The falling prices can be interpreted to mean that a price war has begun in the industry, perhaps due to short-sighted competitive responses to new technologies. The falling volume can be interpreted to mean that the client and its competitors are getting cut out of the value chain, as manufacturers have begun to sell directly to resellers and end consumers.

Based on the available data, deteriorating metrics across the board suggest that the industry is mature and rapidly approaching obsolescence. Absent novel opportunities for differentiation, there is little that the client can do to return to profitability under these market conditions. Recommendations should recognize this reality and likely address options for exiting the industry via diversification, firm sale, and/or closure.

5.6. Bus Operator

Length: Short (15 Minutes)

Problem:

Our client is a US bus transport operator maintaining routes between cities. The company has lost money for the past several years and over-operated routes as well as recent route additions are suspected to be responsible. A new CEO has now taken charge and determined that the company needs to aggressively cut costs in order to return to profitability. How would you approach the problem?

Information To Be Provided If Requested:

1. Routes are of three types: short, medium or long. More than half of the revenue comes from long distance trips
2. The company has a substantial real estate investment in terminals
3. The prior CEO focused on top line; instituted plans like anywhere pickup
4. Cash position is tight – the company had a recent brush with bankruptcy
5. Its equipment is quite old
6. The largest cost for a bus company is fuel

Solution:

The candidate is expected to use a profitability framework, and focus more on costs than other aspects because of the nature of the problem.

Costs can be divided into Fixed and Variable Costs.

Fixed Costs: Buses, stations and other buildings, salaried employees, etc.

Variable Costs: Gas, hourly employees, maintenance (debatable whether variable)

Costs could be cut on possibly all of the above areas. Here are some specific suggestions:

- Determine which routes are profitable and cut back on the unprofitable routes – a good metric to use would be the load factor
- Change routes in a way that can improve the load factor
- Think about oil contracts to protect against oil price fluctuations
- Lease new equip. to decrease maintenance costs, downtime, and fuel efficiency
- Reconsider “anywhere pickup” and utilize more freeways to improve schedules and utilization of equipment (bonus point)

The other part of cost cutting would be to compare the services provided to customers with what they really want. For example, there may be costs involved with extra terminal services or increasing leg room on new seats that are not valued by consumers. Essentially, the offering must be realigned with customer needs.

Follow-Up Question: If the company figures out 25 new routes that may be profitable, how one would go about starting service on those routes.

Possible Response to Follow-Up Question:

The company would need to look at the operating costs per route, competition on each route, whether the company’s infrastructure could support the new routes, and what potential customers on these routes want (they are likely not riders on the company’s existing routes.)

5.7. Apparel Retailer

Length: Medium (30 Minutes)

Problem Statement:

Your client is a premium brand apparel retailer. In recent years it has noticed a consistent decrease in market share. How would you structure your analysis?

Information To Be Provided If Requested:

Industry and Market Share:

- Market share has fallen from 15% to 7%
- Competitors consist of premium retailers in the same business segment. There is growing competition from substitutes and mid-range brands as well
- The market size has been growing steadily
- There have been no recent major consolidations in the industry

Marketing, Sales, and Distribution:

- There have been no substantial changes in the company's marketing mix or distribution
- Prices have remained constant
- Competitor marketing / pricing / product mix has remained unchanged
- Distribution is primarily through large retail outlets that stock multiple products (70%). The balance (30%) is distributed through self-owned outlets and smaller merchants
- Distributors have recently launched their own premium product brands
- Currently there is no online sales channel

Cost: No recent changes in cost structure or profit margins

Customers

- Customers are not price sensitive
- Customer recognition of the company's brand is low

Solution:

The company is not diversified enough in terms of its distribution channels. The company's principal distribution channel has launched its own set of products in direct competition with our client's products. The distributor has control over shelf space and earns a higher margin on its own products than by selling our clients' products. Thus it has been pushing sales of its own products at the cost of our client's products. To counteract this, our client must consider diversifying its distribution channel. Possible options include:

- More self-owned stores
- Creation of an online store

In each case, the client must consider the possible impacts of these new channels on the company's brand. In addition, the company must work to strengthen customer pull through a significant branding program. This would encourage customers to demand client products through both old and new distribution channels.

5.8. Toothbrush Wars

Length: Medium (30 Minutes)

Problem:

Your client is the division of a global consumer products company that produces toothbrushes. Its product portfolio consists primarily of a “manual” toothbrush that retails for \$3 and an electric “rechargeable” toothbrush that retails for \$50. One year ago, a new competitor introduced a battery-powered electric “spinbrush” that retails for \$5 and now controls 1% of the worldwide toothbrush market. Your client currently lacks a comparable offering and would like to know whether it should develop a similar product.

Hint: (to be provided only if interviewee struggles significantly with the initial structuring of the problem)

The client typically views the market in terms of margins and “per customer per year” metrics.

Information To Be Provided If Specifically Requested:

One year ago, the worldwide market was made up of 80% manual and 20% rechargeable toothbrushes. The spinbrush’s 1% market share gain has come mostly at the expense of rechargeable toothbrush sales.

Manual:

- The client’s net profit margin on sales of manual toothbrushes is 66%
- The average manual toothbrush user goes through 4 toothbrushes per year
- On average, 2 toothbrushes per year are given to manual toothbrush users free of charge by their dentists

Rechargeable:

- Rechargeable toothbrushes are sold as two separate components: a “base” that retails for \$50 (with a 60% net profit margin) and an associated “head” that retails for \$5 (with a 90% net profit margin)
- 1 base and 1 head are needed at all times for the device to work; no other components are compatible
- The average base last 10 years
- The average rechargeable toothbrush user goes through 2 heads per year and purchases bases as needed

Spinbrush:

- No specific cost data is known for the competitor’s spinbrush offering
- Client product development believes it could produce a spinbrush “knockoff” at a cost of \$3 per brush

Analysis:

The most effective approach should begin by calculating figures in terms of profit per customer per year.

Manual:

[2 toothbrushes purchased] x [\$3 retail] x [66% profit margin] = [\$4 profit per customer per year]

Rechargeable:

$([2 \text{ heads purchased}] \times [\$5 \text{ retail}] \times [90\% \text{ profit margin}]) + ([1/10 \text{ base}] \times [50 \text{ retail}] \times [60\% \text{ profit margin}])$
 $= [\$12 \text{ profit per customer per year}]$

Spinbrush:

Assuming production costs would be the same for the client and its competitor:

$[2 \text{ toothbrushes purchased}] \times ([\$5 \text{ retail}] - [\$3 \text{ cost of production}]) = [\$4 \text{ profit per customer per year}]$

Solution:

At this point the analysis becomes more qualitative in nature. While the manual and spinbrush products are similar in terms of profitability, the manual toothbrush addresses the mass market (80% market share at a \$3 retail price point) and is unlikely to lose share to the spinbrush. However, the rechargeable segment is most profitable for the client and is clearly threatened by the introduction of the spinbrush. If the client were to respond with a “knockoff” spinbrush, it would likely hasten the demise of its profitable operations. Therefore, the client should consider alternative means to respond to the spinbrush “disruptive technology”.

5.9. Newspaper Start-Up

Length: Short (15 Minutes)

Problem:

As an established consultant with McKinsey, you have volunteered your time to critique business plans at a local entrepreneur's forum. One plan calls for establishing door-to-door distribution of an already existing online newspaper in Cologne, the fourth-largest city in Germany. Without detailed knowledge of how the process would work in practice, how might you evaluate the feasibility of the proposed distribution plan?

Information To Be Provided If Requested:

No external capital has been provided, and resources only allow for the hiring of 6 newspaper carriers on bicycles, each of whom will be responsible for one square kilometer within the downtown area of the city.

You should use simplifying assumption that the city is in the shape of a square and the population is evenly distributed in homes that are an equal distance apart from each other. Also ignore non-residential areas and assume no "stacking" of homes.

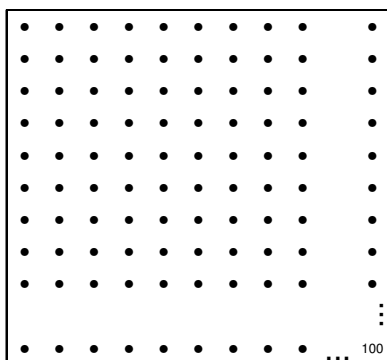
The newspaper is scheduled to be printed and ready for distribution by 4AM each morning, and must be delivered by 6AM to meet customer requirements.

* Key assumption the interviewee must make (reorient them if they assume something far from this figure): subscriber homes within the proposed distribution area are on average 10 meters apart from each other.

Analysis:

One way to assess the feasibility of the plan is to calculate how quickly the newspaper carrier must deliver a single newspaper, and evaluate whether that sounds like a reasonable figure.

If the interviewee has difficulty conceptualizing the problem, sketch a rough estimation of this graph to guide his/her thinking:



By assuming that homes are 10 meters apart from each other on average, each side of the square must contain 100 homes ($[1,000 \text{ meters}] / [10 \text{ meters between each home}]$). Therefore, a square kilometer contains 10,000 “stops” for the newspaper carrier ($[100 \text{ “stops” per row}] \times [100 \text{ rows of homes}]$). Given only 7,200 seconds to complete the job ($[2 \text{ hours}] \times [60 \text{ minutes per hour}] \times [60 \text{ seconds per minute}]$), the newspaper carrier would need to deliver more than one newspaper per second, which is likely impossible.

Solution:

Due to the budget constraints of the business plan, hiring more newspaper carriers is not a valid option. Two potential solutions include the following:

- 1) Reduce distribution area – Pare back distribution to reach only the most profitable potential subscribers
- 2) Change distribution method – Co-distribute with other publications and/or locate alternative channels

5.10. CD Stockouts

Length: Medium (30 Minutes)

Problem:

Your client is a large music company that developed via a merger several years ago between an American and a European business. It is currently the #2 player in the market with 25% market share and \$75 billion in revenue. During the last holiday season, the company suffered an abnormally large degree of stockouts, causing its retailers to be unable to replenish the CDs on its shelves. What went wrong and what should the company do to prevent this in the future?

Information To Be Provided If Requested:

The “music industry supply chain” can be structured as follows:

Artists & Content → Physical Production → Distribution → Retailers

Time, communication, and transportation costs must be factored into each “handoff” in the supply chain.

Supply chain phase descriptions:

- Artists & Content: Typically the longest phase, with a wide range of variability in length
- Physical Production: Typically the shortest phase, often a few seconds, managed in-house by the client
- Distribution: Storage and transportation via distribution centers between manufacture and retail locations
- Retailers: Store shelves, hot-selling items have lead times that are short, but not unreasonable

Supply chain relations:

- Artists & Content: No standard operating procedures in place to deal with music content providers
- Physical Production: In-house
- Distribution: Good relations and variability management mechanisms with 150-200 distributor network
- Retailers: Strong relations, good communications, and information sharing with end retailers

Artists & Content Process Detail (if requested):

- Content relationships are often contractual arrangements with recording studios and independent artists
- There are no guidelines to manage “the creative process”, which rarely conforms to set timetables
- There are no standardized decision-making procedures for how and when contacts come up for review
- The above factors contribute to the extremely high rate of variability in this phase of the supply chain

Analysis:

Detailed probing of the “music industry supply chain” should reveal bottlenecks in the Artist & Content phase and resulting handoff, even when the rest of process is generally marked by best-in-class procedures. The interviewee should demonstrate understanding that high process variability and front end delays can lead to supply chain disruptions and ultimately product stockouts. These factors are particularly likely to cause problems during periods of high demand, such as the retail holiday season. A detailed supply chain management process needs to address the unusual circumstances and variability of “the creative process.”

5.11. Test Equipment Manufacturer

Length: Long (30-45 Minutes)

Problem:

Your client is a manufacturer of test equipment for electronics companies. This is a high complexity, low volume business, where products range from \$10,000 to \$1 million. Products are built from sets of standard subassemblies, which the manufacturer holds in stock. When customers order a product, the Sales department determines customer requirements and configures the product using these subassemblies.

Currently, the client holds 183 days worth of inventory on average. Best-in-class companies hold 39 days. The client would like you to help reduce inventories to 85 days or less. How would you go about achieving this?

Guidelines for Building the Supply Chain:

The candidate should begin by trying to understand the supply chain. The following information can be provided as the candidate works through the supply chain model:

1. After the order is received, the client assembles the product out of subassemblies and base units
2. Subassemblies are essentially circuit boards, which are designed by the client. Manufacturing of these circuit boards is outsourced, with a cycle time of approximately 1-2 weeks
3. Components used to manufacture subassemblies are purchased and maintained by the client, and sent to the outsourced manufacturer for assembly. These components fall in two categories of approximately equal dollar value:
 - a. A large number of “standard” off-the-shelf components are purchased from distributors as needed. Lead times for standard components are approximately 1-2 weeks
 - b. A smaller number of “custom” components are designed by the client and manufactured in low volumes by large semiconductor manufacturers. Lead times for custom components are approximately 9 months, with little opportunity for improvement
4. For a typical subassembly, 33% of the cost is made up of standard components, 33% of the cost is made up of custom components, and 33% of the cost is assembly at the outsourced location

Additional Information:

1. The client currently guarantees 4 weeks delivery time to the customers upon order receipt
2. Inventory is comprised mainly of base units (little dollar value) and subassemblies (high dollar value). Although there are only a few base units in the final offering, the total number of product configurations with different features and subassemblies is as high as 26,000
3. Some subassemblies move very fast, while some others move slowly, and occasionally have to be scrapped because a new version of the product is offered

Solution:

There is no “aha” to this case, however, the candidate is to be tested on developing an understanding of the supply chain, and asking the right questions to extract all the above information. A few key points:

- Has the client looked into reducing the number of subassemblies? One way to do this could be making subassemblies that do a large set of functions, but enabling only a smaller set requested and paid for by the customer. This would allow for pooling of the demand and reduce its variation, which would in turn lead to lower inventories
- Standard components can be procured by the outsourced manufacturer if they have demand for these components for their other customers. This would reduce the inventory being carried by the client, again because of pooling
- Given that the client promises 4-week delivery, it might be possible to hold inventory in raw components rather than subassemblies and have it manufactured on demand. If feasible, this could reduce the cost of inventory by one third

5.12. Disaster Remediation

Length: Medium (30 Minutes)

Problem:

Your client is a US-based provider of fire and water remediation services, which primarily provide extensive cleaning in the aftermath of damages related to burning and flooding. The company is typically hired by insurance companies on behalf of consumers and businesses. While this existing business is quite profitable, your client has asked for counsel on whether to enter the US residential cleaning market (traditional housecleaning, which typically takes place 2-4 times per month.)

Pre-Case (Market Sizing Exercise):

How would you go about estimating the size of the residential cleaning market?

Potential Answer to Pre-Case:

- The population of the United States is roughly 300 million people, or about 100 million households
- These households can be roughly split in half according to whether they earn more than \$75,000 per year
- Estimate the willingness to pay for housecleaning services at 40% of households making more than \$75,000 per year and 10% of households making less than \$75,000 per year (interviewer to confirm)
- $[50 \text{ million households}] \times [40\%] + [50 \text{ million households}] \times [10\%] = [25 \text{ million purchases per year}]$
- Assumed annual housecleaning fees of \$2,000 (interviewer to confirm) = market size of \$50 billion

Information To Be Provided If Requested:

The US market for housecleaning services is roughly \$50 billion (see pre-case), with stable growth of 4%.

Competition:

- National Players (10% of market) – Includes national housecleaning companies such as “Dial-A-Maid”
- Regional Players (20% of market) – Includes regional services such as “Joe’s Chicago Cleaning Service”
- Individuals (60-70% of market) – Includes individuals who are often not part of a formal organization

Customers:

- Customer purchase criteria generally range along a spectrum with “price” and “quality” on each end
- Buyers from National Players typically rate “quality” as most important, buyers from Individuals typically rate “price” as most important, and buyers from Regional Players consider a mix of both

Profitability:

- The average price for a 5-hour housecleaning job is \$75 (based on data from National Players)
- Client labor costs are roughly \$10 per hour and one job consumes roughly \$5 worth of cleaning supplies

Synergy Considerations:

- While significantly “lower impact”, the household cleaning process is similar to the remediation process
- The client could leverage its client contacts and customer service ratings in the cleaning market
- However, the sales process for cleaning services is quite different (no sales via insurance companies)

Solution:

The US market for housecleaning services is large and attractive, and the client has transferable skills, client contacts, and customer service capabilities that would facilitate a relatively smooth market entry.

A preliminary margin analysis suggests that the client could operate profitably against the National Players for the quality-conscious customer segment:

$$([\text{\$75 price}] - [5 \text{ hours} \times \$10 \text{ hourly labor costs}] - [\text{\$5 cleaning costs}]) / [\text{\$75 price}] = 27\% \text{ profit margin}$$

Despite these favorable indications, the client will need to develop a tailored value proposition to quality-conscious customers and anticipate likely competitor reactions before proceeding with full market entry.

5.13. Bicycle Manufacturer

Length: Long (45 Minutes)

Problem:

- Your client is a manufacturer of bicycles
- They have been in business for 25 years
- They manufacture and sell three categories of bicycles:
 - Racing bikes: High end, high performance bikes for sophisticated cyclists
 - Mainstream bikes: Durable, but not overly complicated bikes for everyday riders
 - Children's bikes: Smaller, simpler versions of their mainstream bikes for children
- Profits at your client have decreased over the past five years

Question:

- What is driving the decline in overall profits?
- What recommendations might correct the situation?

Analysis:

The first question is to determine what has caused overall profits to decrease. To accomplish this, the candidate must first understand what has transpired in each of the three product categories over the past five years during which profitability has slipped. The following are questions and answers that would be provided in an interview scenario.

- What are the client's margins for a bicycle in each of the three segments?
 - Racing: Cost = \$600/unit, Profit=\$300/unit
 - Mainstream: Cost = \$250/unit, Profit = \$75/unit
 - Children's: Cost = \$ 200/unit, Profit = \$50/unit
- What has happened to the market size of each of the three segments over the past five years?
 - Racing: Has remained constant at its present size of \$300MM
 - Mainstream: Has increased at 2% growth rate per year to its present size of \$1.0B
 - Children's: Has increased at 3% growth rate per year to its present size of \$400MM
- What has happened to our client's market share in each of these segments?
 - Racing: Market share has decreased from 60% to 30%
 - Mainstream: Market share has increased from 0% to 5%
 - Children's: Market share has increased from 0% to 3%
- Who are the client's major competitor's in each market segment? What has happened to their market share in each segment over the past five years?
 - Racing: There is one main competitor and a host of small firms. Your main competitor has increased market share from 30% to 50%

- Mainstream: There exist many, large competitors, none of which holds more than 10% of the market
- Children's: As in the mainstream segment, there are many competitors, none with more than 10% of the market

The above information provides enough information to put together a picture of why profits have decreased over the past five years : Your client, with a commanding position in a flat market segment (racing), expanded into new segments (mainstream and children's). As this occurred, market share decreased dramatically in the most lucrative segment (racing), creating an unfavorable mix.

The extent to which profits have decreased can be deduced from some quick math : profits have slipped from \$60MM five years ago ($= 60\% \times \$300\text{MM} \times 33\%$ racing margin) to \$44MM today ($= (30\% \times \$300\text{MM} \times 33\%$ racing margin) + $(5\% \times \$1\text{B} \times 23\%$ mainstream margin) + $(3\% \times \$400\text{MM} \times 20\%$ children's margin)).

The dramatic decrease in market share in the racing segment is at this point still unexplained. Questions that would help formulate an explanation include:

- Have there been any major changes in product quality in your client's racing product? Or in its main competitor's racing product?
 - No
- Have there been any major price changes in your client's racing product? Or in its main competitor's racing product?
 - No
- Have there been any major changes in distribution outlets for your client's racing product? Or for its main competitor's racing product?
 - Yes
 - Previously your client and its main competitor in the racing segment sold exclusively through small, specialty dealers. This remains unchanged for the competition.
 - Your client, however, began to sell its racing bikes through mass distributors and discount stores (the distribution outlets for mainstream and children's bikes) as it entered the mainstream and children's segment.
- How do the mass distributors and discount stores price the racing bikes relative to the specialty stores?
 - Prices at these stores tend to be 15 to 20% less.
- What percent of your client's racing sales occur in mass distributors and discount stores?
 - Effectively none. This attempt to sell through these distributors has failed
- How has the decision to sell through mass distributor's and discount stores affected the image of the client's racing product?

- No studies have been done.
- How has the decision to sell through mass distributor's and discount stores affected your client's relationship with the specialty outlets?
 - Again, no formal analysis has been performed.

Although some analysis and/or survey should be performed to answer more conclusively the last two questions, a possible story can be put together. There has been no appreciable change in either quality or price (or any other tangible factor) of your client's racing product relative to its competition. It is not the product that is the problem, but rather its image. As your client came out with lower end, mainstream, and children's products and began to push their racing segment through mass distributors and discount outlets, their reputation was compromised. Additionally, the presence of the racing products in the discount outlets has put your historic racing distributor (the specialty shops) in a precarious position. The specialty shops must now lower price to compete, thereby cutting their own profits. Instead, they are likely to push the competition's product. Remember, your client has no direct sales force at the retail outlets. The specialty shops essentially serve as your client's sales force.

The above analysis offers an explanation of what has affected the top side of the profitability problem. Still to be examined is the cost, or bottom side, of the profitability issue. Questions to uncover cost issues would include:

- How does the client account for its costs?
 - The client has a single manufacturing and assembly plant. They have separate lines in this facility to produce racing, mainstream and children's products. They divide their costs into the following categories: labor, material and overhead. Overall costs have been increasing at a fairly hefty rate of 10% per year.
- What is the current breakdown of costs along these categories for each product segment?
 - Racing: Labor = 30%, Material = 40%, Overhead = 30%
 - Mainstream: Labor = 25%, Material = 40%, Overhead = 35%
 - Children's: Labor = 25%, Material = 40%, Overhead = 35%
- How has this mix of expenses changed over the past five years?
 - In all segments, labor is an increasing percentage of the costs.
- Does the basic approach to manufacturing (i.e. the mix of labor and technology) reflect that of its competition?
 - Your client tells you that there is a continuing movement to automate and utilize technology to improve efficiency throughout the industry, but it is his/her opinion that their approach, maintaining the "human touch", is what differentiates them from the competition. (Unfortunately, he's right!!)

- Is the workforce unionized?
 - Yes
- What is the average age of the workforce?
 - 52 and climbing. There is very little turnover in the workforce.
- What is the present throughput rating? How has it changed over the past five years?
 - Presently the plant is producing at about 80% of capacity. This has been decreasing steadily over the last several years.
- What is the typical reason for equipment shutdown?
 - Emergency repair
- Describe the preventive maintenance program in effect at the client's facility?
 - Preventive maintenance is performed informally based on the knowledge of senior technicians.
- How often has equipment been replaced? Is this consistent with the original equipment manufacturer's recommendations?
 - The client feels that most OEM recommendations are very conservative. They have followed a philosophy of maximizing the life of their equipment and have generally doubled OEM recommendations.

The above information is sufficient to add some understanding to the cost side of the equation. Your client has an aging workforce and plant that is behind the times in terms of technology and innovation. This has contributed to excessive breakdowns, decreased throughput, increased labor rates (wages increase with seniority) and greater labor hours (overtime to fix broken machines).

In proposing recommendations to improve the client's situation, there is no single correct approach. There are a number of approaches that might be explored and recommended. The following are some possibilities:

- Abandon the mainstream and children's segment to recover leadership in the racing segment

Issues to consider in this approach:

- How much of the racing segment is "recoverable"?
- What are the expected growth rates of each segment?
- How badly damaged is the relationship with the specialty outlets?
- Are there alternative outlets to the specialty shops such as internet sales?
- How will this move affect overall utilization of the operating facilities?

- Maintain the mainstream and children's segment, but sell under a different name

Issues to consider in this approach:

- Is there demand among the mass and discount distributors for bicycles under their name?

- What additional advertising and promotions costs might be incurred?
- What are the expected growth rates of each segment?
- What is driving the buying habits of the mainstream and children's market?
- Reduce costs through automation and innovation
Issues to be considered:
 - What technological improvements are to be made?
 - What are the required investments?
 - What are the expected returns on those investments?
 - How will these investments affect throughput?
 - To which lines are these investments appropriate?
 - Are the mainstream and children's segments potentially "over-engineered"?
 - What impact will this have on the required workforce levels?
 - If layoffs are required to achieve the benefits, what impact will this have on labor relations?
- Reduce costs through establishing a formal preventive maintenance program
Issues to be considered:
 - What organizational changes will be required?
 - What analysis will be performed to determine the appropriate amount of PM?
 - What training is required of the workforce?
 - What technical or system changes are required?
 - How will the unionized workforce respond?

Key Takeaways:

This case can prove to be lengthy and very involved. It is not expected that a candidate would cover all of the above topics, but rather work through selected topics in a logical fashion. It is important that the candidate pursue a solution that considers both revenue and cost issues to impact profit. Additionally, a candidate's ability to work comfortably with the quantitative side of this case is important. The above recommendations for improving profitability are just a few among many. The candidate may come with his/her own ideas.

5.14. Private-Label Cookies

Length: Long (45 Minutes)

Problem:

- Your client is a US-based manufacturer of branded cookies (cookies that carry the name of the manufacturer)
- Recently private label cookies (those carrying the name of the retailer) have emerged and threatened branded cookies
- Private label cookies emerged five years ago
- Two and one-half years ago they made up 10% of the overall cookie market (brand being the other 90%)
- Today they make up approximately 20% of the overall cookie market (i.e., there has been a steady, linear increase of private label portion of the overall cookie market during the past five years)
- The overall cookie market has been relatively flat over the past five years
- Private label cookies are made by the same manufacturers who make branded cookies, they are just sold under the name of the retailer
- There are essentially three major competitors to consider:
 - Your client, who makes only branded cookies
 - A second major player, that makes both branded cookies and supplies cookies for private labelers
 - A collection of small outfits, that make both branded cookies and supply private labelers
- Distribution occurs primarily through one of two types of outlets:
- Grocery outlets: all grocers sell branded cookies, most also carry their own private label cookies. This represents approximately 90% of total cookie sales
- Mass merchandisers (ex. Walmart, Sam's, etc.): sell only branded cookies

Question:

- How large would you estimate the overall U.S. cookie market to be in terms of \$?
- How large of a threat do you believe the trend in private label cookie sales to be to your client?
- Based on your assessment, what is an appropriate strategy for your client to follow?

Solution:

The first question, estimating the size of the U.S. cookie market, has no right or wrong answer. It is a test of a candidate's ability to make reasonable assumptions and work quickly with numbers on an "order of magnitude" level. One acceptable response would be to estimate the number of U.S. households, estimate household consumption over some period of time, estimate the average cost of a bag of cookies, and project out for one year. In this case, after an estimate has been made, the candidate would be told to assume the market size is \$1Billion to simplify any future calculations. As stated in the upfront information, the market is assumed to have been flat for the past five years.

The second question is more involved. It involves determining to what extent your client is threatened by the increasing percent of the overall cookie market represented by private label sales. To better answer this question information should be gathered pertaining to what is driving the demand for private label cookies, to what extent this has already affected your client's sales, and what the likelihood is for the trend to continue. The following are questions and answers that would be provided in an interview scenario.

What are the sales trends for the client over the past five years?

Your client's sales have been flat at \$600M for the time frame of five to two and one-half years ago. Over the past two and one-half years, sales have decreased steadily down to a present level of \$560MM.

How has market share of the private label segment been split over the past five years between your client's main competitor and the other smaller players?

The smaller players combined had 100% of the private label sub segment five years ago. Two and one-half years ago your client's main competitor began supplying private labelers. Today, this main competitor owns 40% of the private label sub segment, the smaller players own the remaining 60%

How has market share of the branded segment been split over the past five years?

Your client held 60% of this segment five years ago, 67% two and one-half years ago and 70% today. Its main competitor held 30% five years ago, 25% two and one-half years ago and 23% today. The combined smaller players owned 10% five years ago, 8% two and one-half years ago and 7% today.

Analysis of the above information tells a very important story. The private label segment was launched five years ago by the smaller players. As private label first cut into the branded segment, it came at the expense of your client's main competitor and the smaller players, not your client. In response to this, your client's main competitor entered into the private label segment two and one-half years ago. This further hurt their own sales and those of the smaller players, but also began to hurt your client's sales. Additional information is required to understand what is driving the demand for private label cookies

How does the quality of a private label cookie compare to that of a branded cookie?

Consumer studies have shown that there is a noticeable difference in taste, texture and quality in favor of the branded cookies

At the manufacturing level, what is the difference in cost of production and price between branded and private label products?

It costs approximately \$1.50 to manufacture a bag of private label cookies which will sell for \$2.00 to retailers. It costs approximately \$2.00 to manufacture a bag of branded cookies which will sell for \$2.75.

How do the same numbers translate at the retail level?

A retailer, paying \$2.00 for private label cookies can sell that product for \$2.50. The \$2.75 bag of branded cookies can be sold for \$3.50.

The key finding is that from a cost-price-margin perspective it is advantageous for both the manufacturers and the retailers, with all else equal, to sell a bag of branded cookies. Other factors must be contributing to the demand for private label cookies. Think about the incentives at each level in the chain (manufacturer, retailer, consumer). The following questions can help fill in details

Have any of the manufacturers been able to gain additional shelf space for branded products by supplying grocers with private label products?

No

Has there been excess capacity at your client, its main competitor or the smaller competitors that has been used up through the manufacturing of private label products?

There was some excess capacity at the smaller competitors and your client's main competitor (your client is unsure as to how much).. There is little excess capacity anywhere in the industry today.

Has your client's relationship with its retailers suffered as a result of it not supplying private label products?

Not noticeably

Are grocery stores using private labels in other food categories?

Yes, there has been a major push by grocery stores to populate shelves with private labels

Is competition increasing or decreasing among grocers?

Generally increasing. Grocer chains are expanding and the number of grocers to be found serving a given area has generally increased over the past five years

What general macroeconomic trends have occurred over the past five years?

The economy has been slowing over the past five years. There is concern about recession

The above information begins to expose a clearer story. A number of factors have contributed to the emergence of the private label segment: manufacturer's interest in utilizing excess capacity, grocer's desire to sell products with their name on it (they may believe this creates return customers in an increasing competitive environment), consumers concerns about a troubled economy (price vs. quality tradeoffs).

At this point the candidate would be encouraged to state what they believe the magnitude of the private label threat to be to the client. There is no right answer. One can argue either way.

If the threat is seen as high, the likely recommendation is for your client to begin supplying private label products. The candidate should recognize that in competing in the private label segment, the basis of competition is primarily cost. At the same time, the client's branded product should be protected. The following tactics might prove appropriate:

- Seek to wring costs out of all phases of the operation
- Utilize all existing excess capacity
- Gain maximum product knowledge as quickly as possible
- Understand low cost positions on product ingredients and mix
- Review process improvement/ manufacturing efficiency opportunities
- Undertake overhead reduction efforts (Any of these points could be discussed in great detail)
- Ensure there is no customer confusion between private label offering and branded product
- Seek partnering agreements with retailers
- Joint advertising and promotions
- Explore deals with mass merchandisers to enter private labels (remember, mass merchandisers presently sell no private label)

If the threat is seen as low, the likely recommendation is for your client to stay with branded cookies only. The candidate should recognize that in competing in the branded segment the basis of competition is one of differentiation. Additionally, your client should do all it can to halt or reverse the momentum of the private label segment. The following tactics might prove useful:

- Pursue a maximum differentiation strategy
- Invest in brand image to support premium price
- Make it difficult to copy product: innovate wisely through product advances, smart product line extensions, frequent changes to the product
- Manage price gap: explore price increases where appropriate (Again, any of these points could be discussed in great detail)
- Explore exclusive partnering with mass merchandisers
- Consider alternative distribution channels
- Seek partnering agreements with grocers regarding branded products
- Educate grocers as available
- Customers who buy private labels are the most price sensitive. They also tend to be the least loyal customers and spend less per store visit.
- Grocers' financial stake in private label products extends beyond the product margins. There is lost profit from branded products that could occupy the same shelf space, advertising costs of the private label products, etc.

Key Takeaways:

This case has no right or wrong answer. It forces the candidate to take a stand in a “grey” situation and defend it. It also provides a large amount of data upfront which the candidate must quickly sort through and determine what is important and what is not. The key is to understand the story behind the data. How did the private label segment emerge? What is driving it? How has it affected manufacturers, retailers and consumers?

5.15. Water Utility Company

Length: Medium (30 Minutes)

Problem:

Your client is a German owned water utility that is headquartered in the Northeast United States. The water utility serves the majority of the northeast area and is the exclusive provider of water in the region. Internally, the client measures its performance using a version of the EVA (economic value added) financial valuation technique. This technique emphasizes the corporate return as a function of profits and a capital charge (essentially the return that capital assets produce). The EVA function can be written as:

$$\text{EVA} = \text{Net Operating Profits} - (\text{WACC} * \text{Capital Asset Base});$$
 which essentially is “un-levered” operating income (after tax) less the fair return on invested capital.

Currently the client is operating at a negative EVA level. How would you go about getting EVA to the value of zero and eventually turning it positive? What are the various ideas you would explore:

Solution:

When I first got this case, I was only vaguely familiar with EVA based on some work in corporate finance, and I made sure to ask a couple of questions about the formula to ensure I understood it. It was not critical to the case to be an EVA expert, but you needed to understand what the equation was saying. The key part was recognizing that the weight of the equation resides with the first term (meaning Operating Profits have a larger effect on EVA because the other component of the equation is the WACC (a percentage figure multiplied by the capital assets of the firm). A candidate should come to this conclusion on his/her own. If not, then the interviewer should point it out if the candidate struggles.

Once you understand that Operating Profits drive a large portion of EVA, you need to explore what effects operating profits, but don't completely ignore the capital asset base as you want to be comprehensive in your analysis. A good place to start would be exploring top line revenue implications, and then to explore the cost elements (or vice versa). The candidate should also explore what assets are driving the capital asset base. Lastly, a solid candidate cannot ignore regulatory issues in this case, and should mention them in the course of the discussion.

The case had no real answer per say, but was more about exhaustively testing ideas. A good interviewer should be creative in challenging the candidate to go in multiple directions beyond the information provided below.

Information To Be Provided If Requested:

- Revenues have been relatively flat over the past 12 to 18 months. Majority of revenue comes from residential and commercial water usage (billed on a consumption basis per month)

- Pricing is based on usage, and is not really capable of being altered significantly due to regulations
- There have not been significant changes to the capital base, which is primarily made up of machinery and equipment for water filtration and delivery
- Costs have been relatively stable on the whole.
- The water utility has the capacity to serve more customers

Essentially, what you have is a situation where the company needs to grow to increase its revenue base. An ability to add additional customers would be a good idea, as the company effectively has additional capacity. The candidate should explore potential growth scenarios and should rebound when he/she hits a dead end. Some potential growth ideas might include:

- What about providing bottled water (e.g. a different channel?)
 - Good idea, but likely difficult to implement without incurring additional costs for distribution, packaging, branding, etc
- What about expanding into other regions?
 - Possible barriers could be regulatory concerns and other competitors
 - Past history dictates local people and businesses are not supportive of expansion by this company
 - Candidate should ask why?
 - Recall it is a German company, and there has been a bit of resentment on the socio-political front for this company to expand based on its history of acquiring other local US companies in the past.
- Based on past history, merging with another entity and dropping the German name might be a good idea

5.16. Airline Company

Length: Medium (30 Minutes)

Problem:

Our client is a major airline company and the CEO contacts you (a BCG partner) and said that he wanted to put one more passenger on each of his company's flights. We will go to a meeting with him now and we need to prepare two things:

- The financial return of one more passenger per flight. Is it worthwhile to do so?
- The marketing strategy to attract these new passengers.

Solution:

First element of the solution: The financial return

To calculate the financial return, the candidate should look that the revenue and cost side of bringing one more passenger per flight.

On the revenue side, we need:

- Average cost of a ticket;
- Number of new passengers.

The candidate should also briefly ask about if he can assume that there is enough capacity to put one more passenger onboard.

Second element of the solution: The average cost of a ticket

The candidate should ask about the kind of routes, the market share, and then price of each of them.

In this case, we were talking about the Brazilian market and this airline has only domestic flights. The interviewer simplified the numbers a lot to make the calculations easier. You should adapt the numbers to US domestic airline market or any other you would like. For Brazil, the interviewer gave the following information:

- 60% of the flights are between two major cities (Sao Paulo and Rio de Janeiro), which are 45 minutes apart and the ticket costs US\$100.00;
- 20% between other major capitals which are 1 hour and a half apart from each other and the ticket also costs US\$100.00;
- 20% between other cities which are 3 hours apart and cost US\$ 300.00.

So the average ticket price is: $(80\% * 100 + 20\% * 300) / 100 = \$ 140.00$

Third Element of Solution: Number of new passengers

There are several ways to come up with the number of new passengers. I proposed two:

1. Calculate the number of flights: estimate the number of airplanes that the company owns and then estimate the number of flights each airplane does.
2. Calculate the number of cities (average) in which the company makes flights and the average number of flights per city.

The interviewer said that I should use the first approach since he had looked at the company's website and he found out that they have 100 airplanes.

I asked if I could assume that 80% of the planes were used for the 1 hour flights and 20% for 3 hour flights. He answered that this was not 100% true in practice because depending

on the city, we could have more frequent flights than others, but he agreed that I could do this approximation. The interviewee can come up with other reasonable assumptions.

The candidate should also notice that normally the company spends a lot of money and time performing maintenance on its airplanes. If the candidate forgets to mention this and starts using all 110 airplanes, you should ask what assumptions he made to use the all the planes at once. For this company, the interviewer mentioned that this company had a little less than 10% of its airplane in maintenance.

So, assuming 100 airplanes available, we have:

- $100 \times 80\% = 80$ airplanes doing 1 hour flights
- $100 \times 20\% = 20$ airplanes doing 3 hours flights

To estimate the number of flights per airplane per day, we need the range of hours of flights during a day and the interval of time in which an airplane stays on the ground.

What the interviewer wants to hear is not the right number, but what are your assumptions to get to the numbers, for example:

Fourth Element of Solution: Flight time

- The first airplane departs at 6:00 am because the executives must arrive at its client's at 8:00 am, for example.
- There will be no flights after 10:00 pm, so we will assume that the last flight will arrive at midnight.

So, there is no flight between midnight and 6:00 am.

Fifth Element of Solution: On the ground time:

- Taxing – 10 minutes
- Passengers going out – 15 minutes
- Cleaning / food supply – 10 minutes
- Passenger going in – 15 minutes
- Taxing – 10 minutes

Total: 60 minutes → 1 hour.

Therefore, based on the above we have:

- $18h / 2h = 9$ short flights per day
- $18h / 4h \sim 4$ long flights per day
- 80×9 short flights per day = 720 flights
- 20×4 long flights per day = 80 flight
- Total = 800 flights per day

So, the extra revenue in one month is $800 \text{ flights / day} \times 30 \text{ days} \times \$140 = \$ 3,360,000$

On the cost side, the candidate should realize that the cost of one extra passenger is only the marginal cost, which can be ignored. Therefore, the extra profit is the extra revenue.

The interviewer asked why was it important to have this row estimation about the extra profit before going to meet the client. I said that it was important to have a sense of the size of the clients' issue and the interviewer agreed.

5.17. Military Aircraft Industry

Length: Medium (20-30 minutes)

Problem:

A military aircraft client is worried that their stock price is falling. How would you go about investigating the cause of the decline and help them improve their share price.

Suggested Approach:

Recognize that share price is based on expectations of future profits. This insight will lead directly to a profitability (revenue/cost) framework. You should mention both the revenue side and the cost side as potential reasons why profits (and share price) might be falling. Good questions to hone in on a particular area are: Have prices been falling? Has the client been selling fewer planes? Have component costs risen? Have there been significant capital expenditures or maintenance expenditures? There are many similar questions one could ask

The interviewer should mention that the military aircraft industry has been contracting due to cutbacks in military spending. This environment would limit prospects for improving revenue and focus discussion on costs.

There are a variety of ways to cut costs: cutting fixed costs by closing plants, automating more of the operation, using more common parts among plane models, managing inventory better, training operators to be more efficient. The main point here is to think broadly. Remember that costs are not only a function of the materials and equipment, but also of the work practices, available technology, and skill of the workers.

In this particular case, the recommendation to the client was to try to merge with a weaker player to realize some economies of scale. When told that there were five players in the market, it was easy to see that not all would survive a market contraction. The client acquired a smaller player and six months after the acquisition, the share price started rising again.

5.18. Fast Food Restaurant Chain

Length: Medium (20-30 minutes)

Problem:

A fast food chain was experiencing rapid growth. They had acquired several new locations and reapplied their business model in those new stores. They were disappointed that some of the stores seemed to do well, while others were barely breaking even. How would you go about investigating this problem?

Information to be divulged if asked:

- The firm's older stores were in predominantly lower income neighborhoods.
- The underperforming stores were actually selling more product per customer, but were attracting far fewer customers.

Suggested Approach:

First try to understand the specific nature of the problem at the poor performing stores. Specifically, compared with other stores are revenues lower or costs higher?

Revenue

- Fewer customers
- Lower sales per customer (i.e. less or cheaper food purchased)

Costs

- Labor
- Real estate and facilities
- Food inputs and other variable costs

Then focus on why the new stores are attracting fewer customers.

Price: Are prices too high? Too low?

Customers

- How are they segmented?
- Are the different stores serving different segments?
- What are the demands of the different segments?

Location

- Where are the old/new stores located? Part of town? In malls, drive-thrus or freestanding shops?

Product

- Do the stores all serve the same food?
- Are different products selling better in the new/old stores?

Competition: Is the firm facing the same competitors in both locations?

Analysis should reveal that location as a key

The firm's old stores were in predominantly low-income areas where the firm faced few competitors. The new stores were primarily in upscale malls where the firm faced more competition and suffered from its image as a low-price brand.

This ultimately was the reason

5.19. Airlines and the Channel Tunnel

Length: Medium (30 minutes)

Problem:

A few years ago, the Channel Tunnel opened connecting Britain and France by train. The airlines covering the London to Paris route then faced a competitive threat from a train service covering the same route. How should the airlines have reacted to this threat, specifically the threat to business passengers who had been their most lucrative market? How would you see the competitive situation sorting itself out —specifically, would trains or planes win or will there continue to be a market for both?

Suggested Approach:

A good answer will cover the following points:

- Service differentiation
 - Time taken overall from point to point
 - Comfort at any stage from point to point
 - Frequency of planes/trains
- Convenience (ease of reaching stations/airports, boarding, etc.)
 - Ease of working on board
 - Customer segmentation: e.g., commuters, transit passengers from other routes
- Price
 - Price sensitivity of business travelers
 - Price advantage/premium of one form over the other
- Cost structure of both industries
 - Both industries have high fixed costs
 - Implication of a price/fare war
- Capacity/operations
 - Change in capacity
 - Relative capacity
 - Ease of changing capacity (i.e. different size planes)
- A strong answer might also include one or more of the following:
 - Changes in the regulatory structure in Europe and effects the rail and airline industries
 - How individual airlines might react based on fare structure, route system, financial situation or size.
 - How the relative mix of leisure and business passengers (and the ease with which that mix can be changed) might effect competition.
 - Game theory and/or macroeconomic discussion
 - Effects of passenger loyalty
 - Effect of possible future events (air or tram. accident, changes in. fuel prices)
 - Changes in business purchasing habits

5.20. Law Firm Economics

Length: Short (15 minutes)

Problem:

Consider a law firm. They hire in associates right out of law school at \$100,000 a year. Is this a good deal?

Suggested Approach:

This is a good case for a basic profit = revenue - costs analysis.

First, step through marginal revenue associated with adding a new lawyer. Start simple - does the firm have work for the new lawyers to do? Assuming the answer is “yes,” then assume an hourly rate for the new associate's work, the number of hours billed per day and the number of days worked per year to get an estimated revenue figure for the year.

Now look at additional costs. In addition to salary, you should estimate taxes, overhead, training and benefits and any other expenses you can think of. Don't forget recruiting costs (amortize these over the average gm. e a new associate will stay with the firm.)

Once you have this basic framework, it can be expanded with other details (time permitting.) Other possible factors include the quality of lawyers you get for \$100K (is this above or below market?), the need to give raises in subsequent years, the option of hiring experienced lawyers or cheaper legal assistants instead, etc....

5.21. Brain Teasers

1. Calendar Cube

You have two cubes with 6 sides each (total 12 sides). You want to be able to show all the days of the month with these two cubes (i.e. from 01, 02, 03, ... to 31). What digits would you put on each cube?

Sample Answer:

0,1,2,3, 4 and 5 go on the one 0, 1, 2, 6, 7 and 8 go on the other. You will notice, that 9 is missing...oh the suspense...the six can be flipped over to act as a nine as well.

2. Chopped Cube

You have a large cube made up of small cubes. Each side of the large cube is 10 small cubes wide. How many small cubes make up the outside of the large cube?

Sample Answer:

Each side of the large cube has 100 small cubes. Remove two opposing sides of the large cube, and you are left with four identical 9 x 8 sides. This gives you 288 small cubes. Now add the small cubes from the two removed sides: $288 + 200 = 488$ small cubes.

3. Exporting ping-pong balls:

How many ping pong balls can you fit in a Boeing 747 airplane?

Sample Answer:

First, approximate the size of the 747 as a large cylinder; let's say it is 200 feet long and 20 feet in diameter. Calculate the volume of this cylinder – $\pi r^2 \times l$. Then estimate the volume of a ping pong ball (1 inch sphere, for example) and calculate it's volume ($1.33 \times \pi r^3$). A division should give an answer. In addition, one could estimate the air space left when ping pong balls are packed in a cylinder and correct the answer (let's say 25% space is wasted). To get to more accuracy you could also ask if there are seats in the plane or if the wings could also be filled with ping pong balls. Don't stop here – you can always question why we are trying to fit ping pong balls in a 747 in the first place. Or: Is it possible to pack a ping pong ball machine and lots and plastic raw materials so that many more balls can be made at the destination?

4. How many people fly in and out of JFK everyday?

Sample Answer: To answer the above question, you might say there are 5 runways at JFK, a plane leaves/arrives every 15 minutes per runway and planes don't fly out and land between 11:00 P.M and 5:00 A.M. So you get $5 \times 18 \times 4 = 360$ planes per day. Assuming there are approximately 200 passengers per flight, we get 72000 passengers per day or 26 million passengers per year. Note how the analysis used assumptions and kept the numbers simple.