



FOSTER

 Consulting Society

2021 – 2022 CASEBOOK

Editor's Note

Welcome first year students!

The Foster Consulting Society (FCS) is proud to present the official FCS 2021-2022 Casebook. This year we have included 15 brand new cases. The objective of this book is to help you prepare for your upcoming consulting case interviews. Case interviews are an integral part of the hiring process for consulting firms. These interviews give you the opportunity to showcase your communication, client, creative and analytical skills. This book was developed to complement the FCS Casing Roadmap curriculum. We hope that using both, along with practice will help lead you to success during the upcoming recruiting season.

We understand the journey you are about to embark on. Case interviewing, while intimidating, is a skill that can be learned with diligent practice regardless of your background prior to b-school. Additionally, cases give great insights into what a career in consulting may look like. If you truly enjoy working through cases, consulting may be the right career path for you.

A few changes have been made to enhance this casebook. First, we have included behavioral questions with each case. Through feedback it was communicated that structured responses to behavioral questions was lacking – the opportunity to practice these regularly should help. Second, while we cannot prepare you for everything you might encounter during your case interviews, we did our best to diversify case content. Current cases cover a wide variety of topics across all industries and problem types. Third, a grading rubric has been added at the end of every case. We strongly recommend using this when casing with second years and your peers. This casebook could not have completed without the help of the entire FCS board. We would also like to thank our friends at other MBA programs for sharing with us their old case books to supplement the cases herein.

We wish you luck with your preparation – please remember that your second years and FCS board members are here to help! Remember to case with us, as well as your peers to prepare for consulting interviews. Good Luck!

Foster Consulting Society
2021 Board

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Authorized Use of this Document

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Qualifications

The cases and case starts presented in this case book may be based on real organizations. Some may even incorporate real events or situations. However, all cases have been adapted for the purpose of preparing students for interviews and do not necessarily accurately depict organizations or the issues they are facing. Additionally, the advice and recommendations presented in this case book are the opinions of the authors based on their experiences and research. They do not necessarily reflect the opinions or realities of consulting firms and interviews. Any suggested responses to case questions represent one possible answer from the perspective of the authors – there likely exists other reasonable and possibly better responses.

How to Use This Book & Portal

This casebook and the FCS Portal [\(link\)](#) were designed to complement each other. The main goals of the Portal are:

- (a) Provide an easy way to book sessions
- (b) Contain all FCS resources in one place

About This Document

This document is property of the Foster Consulting Society and has been created for the sole use of its members.

Originally created by the Foster Consulting Society.

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What is Consulting?

Description

Consulting can mean many different things. It can range from providing strategic direction to senior executives at major corporations to providing a temporary workforce when clients lack the resources to run the necessary functions for their business. Often companies will hire consultants in order to get an outsider's perspective or to allow ideas to move past the politics inherent in many organizations.

Advantages

High impact: In many cases, consultants are asked to solve problems that are top of mind for senior executives.

Learning and training: Consultants have the opportunity to work on various types of cases in different industries, and learn

to think strategically and communicate with executives and team members, many of whom are experts.

Compensation: Typically, consultants are well paid and can get great perks.

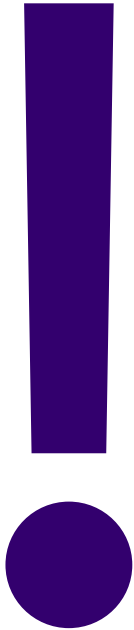
Exit opportunities: Many people spend a couple years as consultants and get offers to move into higher positions than if they were to go into those companies immediately after school

Disadvantages

Hours: Consultants are often expected to work long hours on a regular basis. Top firms will require 60 – 80 hour work weeks regularly.

Travel: Many consultants travel Monday through Thursday and are away from home and living in a hotel regularly.

Lack of ownership: Consultants do not usually have actual decision making authority or profit/loss responsibility.

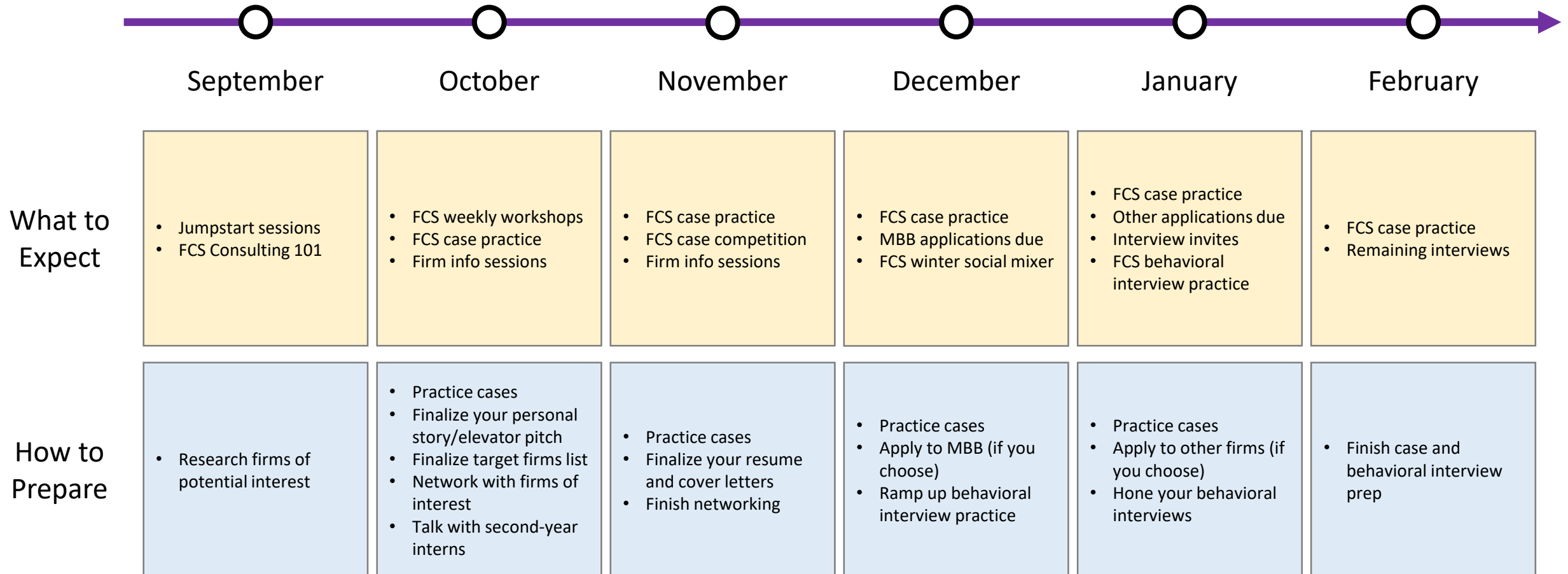


Warning Regarding Timeline

Due to the nature of the quarter system, preparing for consulting interviews needs to be done at an accelerated rate compared to those on the semester system.

Applications are due starting in **November** with interviews following shortly thereafter. You will get very busy with school and other commitments, so we suggest you commit to starting now.

The Consulting Timeline



Meet The Firms: Accenture Strategy

High Performance, delivered. Accenture brings strategic thinking, innovative approaches and the ability to make a difference to companies and governments around the world.

Firm overview

Accenture is one of the world's leading professional services companies, with capabilities in strategy, consulting, digital, technology and operations. It is a publicly traded company (ACN) headquartered in Dublin, Ireland and is the largest consulting firm by revenue worldwide.

Interview Overview

Round 1: Two 45-minute case interviews conducted by current Consultants, Managers, or Senior Managers, or Managing Director (Partner)
Round 2: Two 45-minute confirming interviews conducted by a current Consultant, Manager, Senior Manager, or Managing Director (Partner)

Interview Features

Cases - Cases are often based on real client experiences. Cases may or may not have a quantitative component, so listen for verbal clues. Cases are often very conversational and are an opportunity to showcase your interpersonal skills.

Behavioral/Fit - Fit is very important. The interviewer may have a "brief conversation" about your background and experience instead of a standard question & answer format. Also, in the first round at least one of the interviewers may focus much more heavily on behavioral/fit and place less emphasis on the case.

Career Path

Senior Consultant -> Engagement Manager -> Senior Manager -> Managing Director

 = MBA starting point

Meet The Firms: Bain & Company

Bain is a leading strategy consulting firm based in Boston, MA with many global offices. Part of MBB.

Firm overview

Bain follows the generalist model. There is no need to align with a specific industry or area before interviewing. One of the most prominent arms is their strategy arm. The firm has influential experts and deep expertise in dozens of industries, provides consultants with a broad foundation on which to build their own expertise

Interview Overview

Round 1: 2 interviews (~45 mins each) which include a few if any behavioral questions where the bulk of the time is focused on the case

Round 2: 1 dedicated fit interview (behavioral), 2 analytical case interviews (each ~45 mins)

Interview Features

Shorter prompts: Most cases feature shorter prompts. Candidates should feel free to ask additional questions before creating a unique framework

Charts and graphs: Bain has a few unique chart and graph formats that should be reviewed before interviews to become familiar

Second level insights: Candidates should focus on the business implications of information provided during the case (the “so what?”).

Career Path

Associate Consultant -> Consultant -> Manager -> Senior Manager ->
Associate Partner -> Partner

= MBA starting point

Meet The Firms: Boston Consulting Group

BCG is a premier strategy firm developing and implementing high-value opportunities for change for Private, Public and Not for Profit Organizations.

Firm overview

Generalist to start: can choose to focus on industry as one gains tenure

Regional staffing model: though each office values its own culture and network

Flat organization with a lot of transparency; communication is direct and feedback is highly valued

“Chart your own course” philosophy – you can specialize in a particular industry early or take on a variety of assignments across different countries or take a sabbatical to work for a non-profit for a year

Interview Overview

Round 1: Two analytical cases with 10-15 minutes dedicated to behavioral fit questions - 45 min each. There may be an online case component either instead of both live case interviews or instead of 1 of them.

Round 2: Two analytical cases with 10-15 minutes dedicated to behavioral/fit questions - 45 minutes each

Interview Features

Behavioral portion of the case can bleed into the analytical portion of the case. The break between the two is not always obvious and clear cut.

Highly quantitative – be prepared for complex math and complex charts that require you to apply math.

Partners look for driving the case and the application of common sense judgment. They look for creative thinkers who can structure their thoughts and come to a supported recommendation.

Career Path

Associate -> Consultant -> Project Leader -> Principal -> Partner -> Managing Director & Partner -> Managing Director & Senior Partner

= MBA starting point

Meet The Firms: McKinsey

McKinsey & Company is a global management consulting firm. We are the trusted advisor to the world's leading businesses, governments, and institutions.

Firm overview

McKinsey recruits students into generalist and practice areas (Business technology, Operations, Marketing) Students can express an interest to apply as a generalist and/or for a practice area

Interview Overview

Round 1: 4 Interviews, 20 min experience, 30 min case

Interview Features

The Personal Experience Interview- Unlike other firm's behavioral interviews, McKinsey asks candidates one question before each case to assess behavioral/fit. These questions are rooted in at least one of the following areas: personal impact, entrepreneurial drive, problem solving, personal achievement, and leadership. The interview will ask the initial question and then probe deeper by asking several follow up questions to understand your thought process in that situation. It's not uncommon to spend 20 minutes on one experience.

Highly Structured Cases- Cases often have discrete framework, brainstorming, and quantitative "sections" that focus on a question specific to that section. While the case is interviewer-driven, the candidate is expected to be proactive in delivering insights and looking forward to the next step in the case.

Career Path

Associate -> Engagement Manager -> Senior Manager -> Director -> Associate Partner -> Partner -> Managing Director

 = MBA starting point

Meet The Firms: PK

PK: the experience engineering firm. We combine great design and strong tech to build pioneering experiences that accelerate outcomes.

Firm overview

Students must directly apply to the website for:

- Strategy and Design

*Note: PK is only recruiting MBA consultants from UW Foster.

Interview Overview

Screening: 20-minute interview with Recruiter. Behavioral/why PK/Why Consulting?

Round 1: 1 case interviews (~45min) with 2 cases.

Round 2: 2 behavioral/fit interviews (~45min), 1 case presentation interview (~45min) based on a prompt given a week before. Total 2.5 hours.

Interview Features

All Behavioral Interviews - PK puts emphasis on your background and fit within PK. PK has an established relationship with Foster and enjoy people who approach problems differently.

Case Interview – *Round 1:* The case interview is a little different than other firms. The case is very conversational as the candidate and interviewer discuss a business situation. The first case interview is done live but is not traditionally super math heavy.

Round 2: Candidates will be given a case to prepare 5 - 6 days in advance (usually a choice between 2 prompts). On the interview day, candidates present for 20 minutes a PPT slide deck (7 slides) as if presenting to a client based on the prompt the interviewee selected to two higher level consultants within the firm. After the presentation, the interviewers will ask questions, both about the case, your process and PK.

Career Path

Consultant -> Senior Consultant -> Manager -> Director -> Partner

= MBA starting point

Meet The Firms: PwC

PwC Consulting helps clients build their next competitive advantage by improving clients' business processes, transforming organizations, and implementing technologies.

Firm overview

Students must directly apply to one of the following practice areas:

- Customer Transformation
- Deals Transformation (M&A)
- Financial Transformation

Interview Overview

Round 1: 2 behavioral/fit interviews (~45min), 1 case interview (~45min)

Interview Features

Behavioral Interviews - PwC emphasizes how your background fits with the PwC Professional Framework (5 principles) and values. Your first interview will also discuss which vertical (above) best fits with your work experience and career goals.

Case Interview - The case interview is a little different than other firms. The case is very conversational as the candidate and interviewer discuss a complex business situation. Typically, the cases are light on math, graphs, and charts. Rather they focus on business acumen, brainstorming, and presenting your ideas clearly and succinctly.

Career Path

Senior Associate -> Manager -> Senior Manager -> Director -> Partner

 = MBA starting point

Meet The Firms: West Monroe Partners

WMP is a Management and Technology consulting firm specializing in Technology, Financial services, Operations and Strategy, and Energy and Utilities practices.

Firm overview

WMP tends to hire specialists that align with their core practice areas, and then creates cross-functional teams composed of diverse groups to solve the needs of a given client. Promotion from Senior Consultant moves you into either Principle (Specialist), Architect (system/software specialist) Manager (akin to a traditional Partner) titles which dictate day to day tasks.

Interview Overview

Round 1: 2 interviews (~30 mins each) One behavioral interview, one case interview; both handled by different Senior Consultants or Managers
Round 2: 1 fit interview with Senior Director of the practice you interview for

Interview Features

Straightforward case: Interviewer will guide you and mostly just ask questions to gauge level of comfort, thinking style, and temperament during questioning
Down to Earth: WMP prides themselves on being great people and working well together, so if you can be charming, inquisitive, and genuinely interested in your interviewer and the practice, it will go a long way.

Career Path

Graduate Intern -> Consultant -> Senior Consultant -> Manager -> Senior Manager -> Director

= MBA starting point

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Interview Day Breakdown

Meet & Greet

Process

- Wait in hospitality suite with other candidates
- Interviewer asks for you by name
- Handshake / greeting
- Walk to interviewing room, more small talk

You should

- Appear warm, confident, and professional

The Fit

- Interviewer may give personal background
- Questions about your resume and work experience
- *Formally known as “The Behavioral Interview”*

- Convince interviewer that you are fit for the firm
- Pass the “airport test”

The Case

- Interviewer will start case
- Keep track of time so that you are aware of when you are expected to reach your conclusion

- Maintain confident, controlled, upbeat demeanor

Wrap-up

- Your chance to ask questions
- Walk back to hospitality suite with interviewer

- Not ask stock questions
- A good chance to get to learn about the interviewer

General Interviewing Tips

Make a great first impression

- Prepared
- Professional appearance

Come prepared with your own supplies

- Pens / pencils
- Plain and graph paper
- Foster leather portfolio

Confidence is key

- Relax
- Be yourself

The Behavioral Interview: What is it?

High Level Overview

Consulting firms use behavioral interview questions to learn more about a candidate's experience and working behavior and to test whether the candidate would be a good fit with the company. Behavioral questions typically begin with phrases such as "Tell me about a time when..." or "Can you describe when...".

This portion of the interview process is sometimes referred to as "The Airport Test", in which interviewers are trying to gauge how tolerable sitting in an airport for hours with the potential consultant may be. They want to make sure you have a relatable and easy to deal with personality.

Every year, many interviewees overlook this portion of the interview because it's only "talking about yourself". Don't fall into that thinking. You may crush the case and not get the offer because you didn't think through your stories.

How to Prepare?

Produce 5 – 10 well thought out stories that will address most if not all of the sample questions seen in this section.

How to Approach The Behavioral Interview

The STAR methodology is the most commonly taught approach for how to answer behavioral questions. STAR stands for **Situation**, **Task**, **Action**, and **Result**.

Situation: First, you want to describe the relevant background of what happened in order to make sure the interviewer understands the context. This might include where the experience is from (job, school, etc.) when it occurred, what your role was, and the team with which you were working.

Task: Next, describe what you were supposed to accomplish. What did you personally have to do in the situation? This part can be intermixed with the situation portion of your response and these first two aspects should be a concise discussion.

Action: Describe for the interviewer what you did to accomplish the task you just talked about. Did you have to do certain analyses, interview/meet certain people, manage a team. Remember to describe what you did, not your team. As much as possible, use “I” language unless the question is specifically asking you about a team assignment.

Result: End your response by telling the interviewer what happened as a result of your action. Was it a success (i.e., did sales increase, did you get promoted, etc.)? For questions regarding negative situations, what did you learn from this event? Don’t try to hide negative outcomes, be prepared to discuss how you grew from the situation.

Sample Behavioral Questions

- What accomplishment are you most proud of?
- Tell me about a time when you had to influence someone.
- Describe a time when you failed or made a mistake.
- What is your biggest professional mistake?
- Tell me about a time when you worked on a team that didn't perform well with a difficult team member.
- What role do you typically take on a team?
- Tell me about a team project that you worked on.
- Describe a rewarding team experience.
- Tell me about a project that required input from many different people.
- Describe a situation where you were leading or managing a team.
- Talk about a time when you demonstrated leadership skills.
- When have you coached or mentored someone else?
- Tell me about a time when you disagreed with a teammate? Your manager?
- Describe a situation where you solved a complex problem.
- Tell me about a time when you had to use data to solve a problem.
- Talk about a time when you produced a creative or innovative solution to a problem.
- Describe a situation when had to analyze information to make a recommendation.
- Give me an example of a time you had to respond to a difficult customer or client.
- Tell me about a time when you took a risk.
- Tell me about a time when you took initiative.
- What is the most impact you've had in your career?
- If we asked your manager or team what you could improve, what would they say? What would they say are your best qualities?
- What kind of leader are you? What are your best leadership qualities?

The Case Interview: What is it?

High Level Overview

The case is a business situation. You are given a question to answer, some background information, and roughly 30 minutes.

Imagine the interview is like an Easter egg hunt. When you start, you have no idea where to look for the key information, so you must plan a search path to avoid haphazardly digging for clues in various different places. As the interview progresses, you will gain a clearer and clearer picture of the business problem and will be able to steer your line of questioning towards the key facts of the case. You are looking for the egg in the case – a sort of “aha” moment – that puts into focus the key problem faced in the case. Once you finally feel that you have enough information (or if you are within five minutes of running out of time), you need to bring the case to a close by **directly answering the question posed** and providing logical support for your answer based upon the facts discovered during the case.

During the interview process, each interviewer will see a dozen or more candidates, but will only advance a couple to the next round. You may have been polished, confident, and likeable, crushed the analytics of the case, and answered every question posed by the interviewer with ease, **but if you didn't address the problem of the case you are not likely to stand out as one of the one or two stars that the interviewer is going to recommend that day. Note that you don't necessarily need to have the “right answer.”**

Case Interview Sample Questions

“The CEO of the gum manufacturing company is concerned because his company is experiencing declining margin. My questions to you are: (1) what are the reasons behind declining profitability (2) your suggestions for improving profitability.”

“A widget manufacturer in Brazil has a 60% national market share and has a leadership position in South America. However, it only has a 5% international market share. The top 20 clients buy 80% of its products and the manufacturer is concerned with increasing margins and exploiting new sources of revenue. Their CEO has asked you to gather data and brainstorm potential ideas for increasing margins and market share.”

“A bank based in a developing country in Southeast Asia has hired us to determine how it can grow in the local market, specifically in retail banking. What are the factors you would look at to assess the situation? What is your recommendation for our client?”

CASE INTERVIEWS

A case interview is used to understand how you think and communicate and to simulate problems you may face as a consultant

Bain website

"The interviewer takes you through a series of steps to see how you tackle the various levels. The steps can range from identifying a critical issue, to breaking a problem into component parts, to finally identifying one or more solutions."

Boston Consulting
Group website

"The case study will feature a business problem that you and the interviewer will seek to solve together. It will not require extensive knowledge of specific industries or processes, and often our cases have no right or wrong answers. Your questions and thought processes are more important to us than coming up with an actual solution."

Crack the Case

"Case problems are showing up in all kinds of interview situations, and solving them is now considered a basic skill for entering many businesses. Companies like giving cases because they are a great way to test your skills and get a feel for what it's like to work with you."

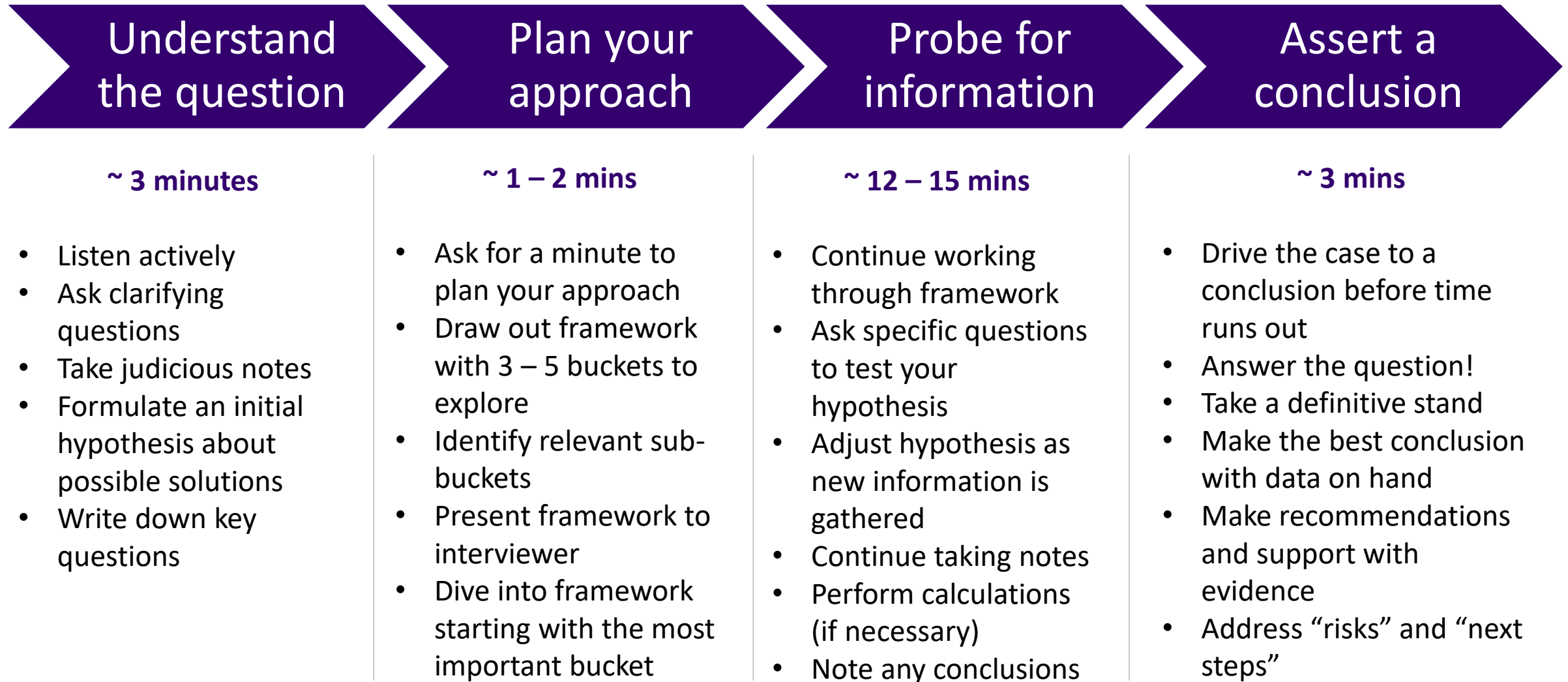
Deloitte website

"You'll be asked to demonstrate your problem-solving skills, your analytical ability, as well as your strategic and logical thinking. These case interviews can also help us assess your common sense, creativity, and comfort with ambiguity. At the same time, you'll gain insight into our approach because these cases represent real client projects."

McKinsey website

"Case interviews are two-way conversations that demonstrate an ability to think creatively in unfamiliar businesses. Your interviewer will describe a strategic or operational challenge, and using the available facts, you'll structure your thinking and reach defensible conclusions in a short period of time. Among others, these skills are common to successful consultants."

Flow of Case Interview



Case Interview Methods

Interviewee Led

The interviewee led is the most common casing method. It is driven by the interviewee (you!) in the sense that you ask all the questions and the interviewer will respond with additional data.

Firms that use this method:

- BCG
- Deloitte
- PwC
- West Monroe
- Bain

Interviewer Led

In this format, the interviewer leads the case. They will begin in a similar fashion to the interviewee led interview but will be in charge of asking most of the questions. The interviewers will propose a situation, followed by a snippet of data or a new finding, and ask you how to approach the problem or your thoughts.

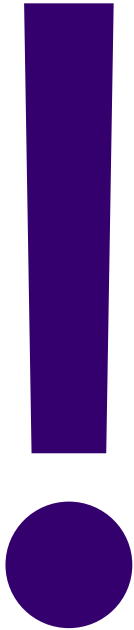
Firms that use this method:

- McKinsey
- Point B

Frameworks Overview

Having a frameworks memorized and at your fingertips is essential to doing well in cases. The framework allows you to quickly pull up areas for questioning and exploration without having to think. You should use a framework that you can remember and that makes sense to you. It is essentially a starting point for your planning that you can use to help you through the initial moments of panic as you start the case. The overarching goal is to use these “cookie cutter” frameworks as a starting point to build unique frameworks to answer to main question presented.

Think of the framework, then, as a mental checklist that you can run down to be sure that you are covering all of the bases. You will want to pick **the 3 to 5 most likely areas for exploration** based on your initial assessment of the problem. Some of them will likely be unimportant. You also may discover other areas that are important once you get into questioning. Your initial plan is therefore not set in stone and your interviewer will not think less of you because you included an irrelevant topic. But if you leave out an important area for investigation, it is likely that you will miss the point of the case and not be able to come to a conclusion.



Warning Regarding Frameworks

A framework is **not** a map of how to solve any particular case. It seems that many people get caught up trying to fit a framework to a case and completely miss the point of the case. You need to practice using the framework as a guide throughout your practice cases, so that when you get to the real thing, it is second nature.

If you try jam a case into a cookie cutter framework such as the “Five C’s” or “Four P’s”, you are almost guaranteed not to pass on to the next round.

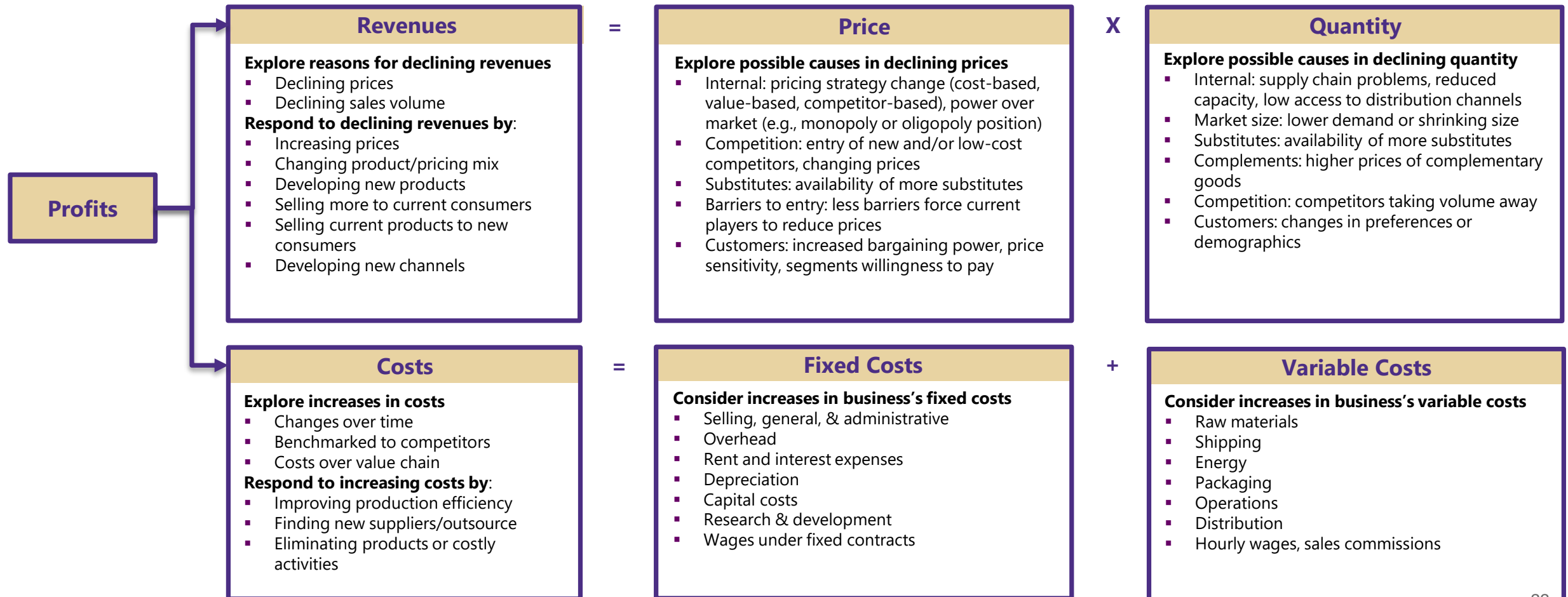
Most Common Frameworks

Description

Profitability	Very simple framework used to assess profitability issues. Will most likely see some form of this in every single case.
Five C's	Useful in performing a situational analysis. Typical usage: market entry, new products, industry analysis, new business, growth strategies, and turnarounds
Four P's	Standard marketing framework. Typical usage: new product intros, growth situations, new market development, responding to competitors.
Porters Five Forces	Standard business framework used to analyze industries as a whole. Will go into depth in Spring Strategy class but crucial to know well beforehand.
M&A	Used to determine whether it makes business sense to move forward with a merger or an acquisition from the acquirer's perspective.
Value Chain	The Value Chain follows a company's activities over the complete product processes.

PROFITABILITY

The profitability framework is essential and a form of it will be used in almost every case interview dealing with a for-profit business. In consulting, profits are typically the end goal of most business decisions. Even when it's not the focus of the case, profitability/economic value can often be a bucket within another structure. This is one of the only frameworks where it is appropriate to draw out this structure. In addition to profits, some profitability frameworks incorporate a market-based or macro-economic element which could include things like interest rate changes, market size, political and regulatory environment, technological advances, and industry dynamics.



FIVE C'S

The 5 C's framework is useful in performing a situation analysis. These buckets are relevant to many case types, including but not limited to market entry, new products, industry analysis, new business, growth strategies, turnarounds, etc. These buckets do not have to be used together, but can be combined with other buckets and other frameworks. These are great buckets to consider to get you started in case if you get stuck, as they are applicable in many situations.

1 Company

- Capabilities and expertise: resources, competitive advantages, track record, management
- Intangibles: brand image, public perception, intellectual property, goals
- Financial status: cash flow, strength of balance sheet, profitability, investors, shareholder relations, cost structure
- Organizational structure: product or functional focused, hierarchy, culture

2 Customer

- Segmentation: identify customer segments (e.g., gender, geographic, age, B2B v B2C) and their size, growth rate, trends
- Preferences: determine trends and changes in customer preferences and needs, including their price sensitivity
- Decision making process: benefits seeking (tangible v intangible), desired channel, impulse v careful comparison decision
- Usage of experience: performance v image, loyalty, frequency of purchase

3 Competition

- Identification: current status and changes in size, number, market shares
- Capabilities: Strengths and weaknesses, intellectual property, marketing ability, talent, branding, target segments, etc.
- Value proposition: low-cost v premium providers, product quality, geographic positioning
- Industry dynamics: structure (e.g., monopoly, oligopoly), intensity of competitive rivalry

4 Collaborators

- Distributors: types, size, number, reliance on certain distributors, geographic reach
- Suppliers: power of suppliers, size, number, customers suppliers serve
- Alliances and partnerships: capabilities, SWOT, contractual agreements, revenue sharing

5 Context

- Economic environment: interest rates, business cycles, inflation, GDP, unemployment, investment spending
- Political and regulatory environment: government policies/regulation and stability, taxation, restrictions to resources
- Social and cultural: trends and fashions, demographics
- Technology: changing dynamics in technology leading to new products and/or lower costs

FOUR P'S

The Four P's is a standard marketing framework that is appropriate for cases including new product introductions, attempts to grow market share, and new market developments. The buckets can represent things to consider when revenues are declining or not meeting expectations.

1 Product

- Product life cycle: consider stage of life-cycle of product (e.g., introduction, growth, maturity, decline) and its ramifications
- Product design: consider vertical (quality) and horizontal (features) differentiation
- Perception: the use of branding, sales and promotion can be used to demonstrate a certain image
- Attributes/Benefits: identify the benefits the customers seek in terms of performance/functionality, ease of use, packaging, features, availability, assurances (e.g., warranties, guarantees, customer service)

2 Price

- Market/context: consider the availability of substitutes, switching costs, economic factors affecting purchasing
- Customer value: what prices are different segments willing to pay and what value are they getting out of the product
- Competition: consider what price competitors are charging and how they have changed
- Company costs and objectives: determine what the cost of producing product is to determine price floor and what the company's margin goals are

3 Place

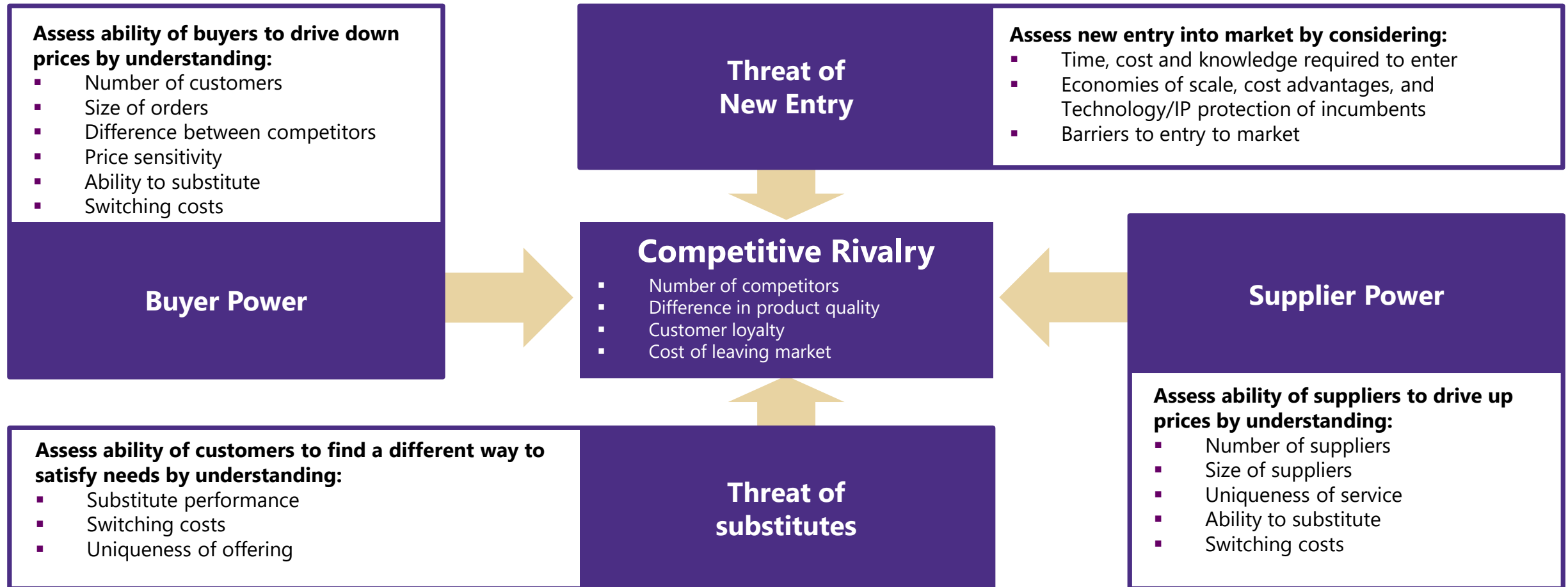
- Channel functions: consider functions to be performed (e.g., physical possession, ownership, display, education, orders, payment, after-sales follow-up), cost to perform, and what channel can best perform them
- Power in channel: pull v push strategy, brand v store; consider increasing power using coercion, reward, and partnerships
- Options: consider which channels exist, what competitors use, ability of company to forward integrate
- Consumer: consider where consumers want to buy product (e.g., online, department store, convenience store, etc.)

4 Promotion

- Advertising: determine what communications that the company pays for, including television and radio commercials, billboards, print media, online advertisements
- Public relations: consider social media presence via Twitter and Facebook, press releases, sponsorships, conferences, etc.
- Sales organization: what role do sales people play in selling product and creating word-of-mouth, consider pay structure
- Sales promotion: consider types of sales promotions like coupons, quantity discounts, etc.

PORTER'S FIVE FORCES

The Porter's Five Forces framework is a standard business framework that is used to determine the attractiveness of an industry and the intensity of the competitive rivalry. It is a framework that can be used in a market entry or new product introduction case. This framework is taught in all business schools and thus should be used sparingly.



MERGERS & ACQUISITIONS

The M&A framework can be used to determine whether it makes business sense to move forward with a merger or acquisition from the acquirers perspective. A deal makes sense only if the combined entity can be worth more than the sum of the parts and they are in a place to capitalize on the possible synergies.

Objective	Added Economic Value	Deal Details	Integration Issues	Exit Strategy
The first thing to consider in an M&A decision is determining the company's goal, which could include: ▪ Growing profits ▪ Increasing market share ▪ Pre-empting competitors ▪ Gaining access to new resources, technology, talent, intellectual property, etc.	A merger or acquisition should be pursued if the combined entity is worth more than the two parts, evaluating: ▪ Current value/profits of the target business ▪ Potential value/profits of combined entity ▪ Revenue synergies ▪ Cost synergies ▪ Possible cannibalization of current sales	The terms of the M&A agreement and capabilities of the business to capitalize on the deal should be considered by delving into: ▪ Cost/price of the acquisition ▪ Access to financing/investments ▪ Regulatory approval and constraints due to anti-trust issues and foreign governments ▪ Ability of management to realize synergistic gains	A successful consolidation of two businesses requires the successful fit between the two different cultures and corporate structures, by thinking about: ▪ Cultural fit ▪ Management and labor redundancies ▪ Product and customer fits ▪ IT systems ▪ Functional departments (e.g., finance, human resources, marketing, etc.)	An exit strategy is usually only a necessary consideration when the M&A is from an investor or financier perspective, looking at: ▪ Potential selling price ▪ Exit multiple ▪ Required return on investment ▪ Expected payback period

VALUE CHAIN

The Value Chain follows a company's activities over the complete product processes. These activities can be analyzed to understand the product flow and how value is created for the customer and parties involved. It can be used in cases where costs are a major factor in production and development of products.

PRIMARY ACTIVITIES



SUPPORT ACTIVITIES

Administrative, finance infrastructure	Legal, accounting, financial management
Human resources management	Personnel, lay recruitment, training, staff planning, etc.
Product and technology development	Product and process design, production engineering, market testing, R&D
Procurement	Supplier management, funding, subcontracting, specification

Better Way To Approach Frameworks

Major Topic	Possible Drivers
Revenue	Volume Price Product
Cost	Variable Costs Fixed Costs
Competition	Rivals New Entrants Substitutes
Customers	Market Size Segments Needs
Supply Chain	Suppliers Distributors
Processes	Manufacturing Marketing Sales Distribution Customer Service
Company	Core Competencies, Cost of Capital, Brand, Organization / Incentives, Controls
Macro	Legislation, Unions, Technology, Economy, International Issues

Case Framework Example

Case Prompt: *“ABC Corporation is the leading manufacturer of airplane tires. Recently, they have seen a significant price erosion and are losing share in the market. The CEO believes there are growth opportunities for their product and has asked you to come up with a plan.”*

What areas do you want to explore? (aka, what does your framework look like?)

See next page for one possible solution

Case Framework Example Cont'd

- Competition
 - Rivals – Who are they?
 - What is their relative share?
 - How are they positioned relative to us?
 - New Entrants – Is there a credible threat of new entrants
 - Substitutes – Are we worried about other products serving as substitutes?
- Customers
 - Segments – What new segments might we be able to pursue?
 - Needs – What are the needs of each segment?
- Supply Chain
 - Distribution – Do we have the capability to reach a new customer segment?
- Revenue
 - Volume – What the size of a new target segment?
 - Price – What price point can we hit?

GENERAL STATISTICS

It is helpful to be aware of some general market size and populations to use in developing assumptions. You should feel free to round these numbers to make the calculations a little easier and to ensure your answer is realistic.

Region	Population
World	7.9 B
United States	330 M
Washington state	7.6 M
Seattle	720 K
New York City	8.4 M
Los Angeles	3.9 M
North America	592 M
Europe	746 M
Asia	4.6 B
South America	422 M
Africa	1.2 B
Australia	25 M

Metric (for United States)	Value
Average Family Size	3.14 ppl
Median Household Income	\$62 K
GDP (growth)	\$21.4T (2%)
Average Inflation Rate	3.8%
Corporate Tax Rate	21%
Percent Adults with Smart Phones	85%
Total Retail Sales	\$5.8 T
Percent with Bachelor's Degree	42%
Percent Adults Married	51%
Percent under the Age of 18	23%
Percent over the Age of 65	15%
Percent Below Poverty	10.5%

MARKET SIZING EXAMPLES

Potential Case Related Questions

1. How many gallons of gas are sold in the United States every year?
2. How big is the market for baby food?
3. How much coffee is sold in Europe in a month?
4. How much revenue does public transportation generate in one day?
5. How much popcorn is sold in Seattle every week?
6. How many umbrellas are sold every year in the United States?
7. How many credit card transactions are there in a day in the world?

Stand-Alone Estimation Questions

1. How many footballs would fit in a movie theater?
2. How many post-it notes would it take to cover a car?
3. How many people are in an automobile at 9 PM in New York City?
4. How many golf balls are in the air at any given time?
5. How much time, in aggregate, do people in Washington state spend in front of a mirror in a week?
6. How many pictures are posted to Facebook every day?
7. How many words are in a magazine?

POSSIBLE RESPONSES

Potential Case Related Questions

Example: How many gallons of gas is sold in the United States every year?

- I am going to calculate the amount of gas sold for use in motor vehicles – it excludes gas sold for aircrafts, manufacturing, etc.
- There are about 320 M people in the US
- About 80% of people are of driving age (over 16)
- I assume that there are about 7 cars per 10 people of driving age
- Therefore, there are about 180 M cars in the US ($320 \text{ M} \times 80\% \times 7/10$)
- Based on my experience of driving, I assume the average person fills their gas tank about every 2 weeks, or about 25 times a year.
- Since compacts and sedans are the most popular car, I assume the average tank hold 20 gallons
- Therefore, the average person purchases 500 gallons per year ($20 \text{ gallons} \times 25 \text{ purchases per year}$)
- The total gallons sold in the United States per year is about 90 B gallons ($180 \text{ m cars} \times 500 \text{ gallons}$)
- According to the US Energy Information Administration, about 134.5 B gallons were consumed in the US in 2013. These questions aren't designed to get the right answer, but understand the logic in calculating it.

Stand-Alone Estimation Questions

Example: How many footballs would fit in a movie theater?

- Based on movie theaters I've been to, I estimate that the dimensions of a theater is 80 feet by 60 feet by 30 feet ($L \times W \times H$)
- Therefore the theater has an implied volume of 144,000 cubic feet
- Since seats are on an incline to allow everyone to see, I assume that approximately a third of the theater is already filled, meaning that the new volume is about 96,000 cubic feet
- However, there are also seats in a theater. I assume that seats are 4 feet tall and take up half of the space in that height. Therefore, the volume occupied by seats is about 9,600 cubic feet ($80 \times 60 \times 4 / 2$) and the remaining volume left for footballs is about 86,400 cubic feet
- I assume the footballs are filled with air and stacked on top of each other
- A football's dimensions are about 1 foot in length and $\frac{1}{2}$ foot in height and width
- Therefore, a football's volume is 0.25 cubic feet ($1 \times 0.5 \times 0.5$)
- The total number of footballs that would fit in a movie theater is about 345,000 footballs ($86,400 \text{ cubic feet} / 0.25 \text{ cubic feet}$)

Industries Overview

Background

- Case interviews span a broad range of industries. You may encounter everything from a new cupcake stand, to a massive mining project to education to Formula 1 racing. Anything is fair game.
- Those of you who have not worked as consultants before will likely not have any background in most of these industries
- This document can give you a very high-level view of some 'typical' industries that cases focus on

Why do I need to know this?

- Having a very basic overview of an industry helps to more effectively tackle a case
- At the very least it helps you construct a framework that is most applicable to that particular problem.
 - I.e. Consumer goods: branding is an important part of success

Continued industry engagement

- Your understanding of industries should not begin and end with this section. We believe keeping up with the news is important to becoming a well-rounded consultant. Some news sources we like to keep up with daily are:
 - Wall Street Journal
 - New York Times
 - Financial Times
 - The Economist

Airlines

Overview

- Airlines provide air transport services for passengers and/or freight

Key Trends

- Consolidation: mergers have been a consistent trend for the last decade
- Fare competition: airlines are actively engaged on price wars
- Low-cost carriers

Competitive Landscape

- Established legacy carriers (American, Delta, United) typically compete with each other on price and route availability. Legacy carriers also compete with newer carriers (JetBlue, Spirit) on routes and price as well. Some carriers fly overseas and face international competition.

Customers

- Individual customers (travel, business, etc.)
- Corporations / small businesses
- Travel websites / resellers

Channels

- Internet
- Travel agents
- Phone / walk ups

Profit Summary

- Revenue: tickets, baggage fees, in-air beverage and food service
- Costs: VC – fuel, food and beverage, hourly employees. FC – aircraft leases, airport gate leases, IT costs, salaried employees (pilots)

Consumer Packaged Goods (CPG)

Overview

- CPG companies produce typical physical goods (i.e. household products, snack foods, cleaners, etc.)

Key Trends

- Product mix and brand management are critical to CPG companies
- Emerging markets are seen as areas for future growth
- New products are critical to success

Competitive Landscape

- Proctor and Gamble (P&G), Unilever, Clorox, Kelloggs, ConAgra Foods, etc.

Customers

- Individual customers
- Discount wholesalers
- Large box retailers

Channels

- Retail
- Wholesale
- Online marketplace (Amazon, Walmart, etc.)

Profit Summary

- Revenue: Goods sold
- Costs: branding, SG&A, COGS (raw material, packaging material)

Financial Services: Consumer Banking

Overview

- Provide banking, credit cards, consumer loans, payments, etc.
- Collect and store money from those that have it, loan it to those who need it

Key Trends

- Consolidated, mature industry with primary growth through acquisitions
- Baby boomers are aging – more demand for retirement products
- Focus on overall security with recent hacks

Competitive Landscape

- Large national players (Bank of America, Chase, Wells Fargo, Citi) compete with regional banks and local credit unions
- Largest players have a diversified portfolio of offerings (investment banking, trading, wealth management, etc.)

Customers

- Individual customers
- High net worth clients
- SMB

Channels

- Largely done in person with a trend towards all online banking
- Banks offer credit cards, home loans, car loans, to increase asset base

Profit Summary

- Revenue: Rates charges to borrowers, fees (overdraft, late)
- Costs: Overhead (branches, admin, compliance), bad debt

Financial Services: Insurance

Overview

- Insurance is fundamentally about underwriting various types of risks. Customers make regular payments (premiums) to the insurer for coverage when unforeseen events, e.g. car crash; fire damage; death; credit default) occur

Key Trends

- US national healthcare policy changes could completely change the landscape of the health insurance market
- Companies focused on managing risk and controlling costs

Competitive Landscape

- Several large players
- A handful of niche players focused on a particular segment

Customers

- Individual customers
- Small to large corporations seeking to manage risks of company

Channels

- Insurance agents
- Online sales
- Direct marketing

Profit Summary

- Revenue: Net revenue is the spread between premiums collected and claims made over time
- Costs: Overhead (admins, compliance), salaries, sales commissions, marketing

Manufacturing

Overview

- Includes companies that are in the business of mechanical, physical, or chemical transformation of materials/substances/components into new products
- Subsectors: textile, paper, chemical, computer/electronics, transportation, machinery

Key Trends

- Highly cyclical
- US manufacturing, which is a typical strength, has suffered due to high costs structures (labor). Many companies outsource manufacturing to countries such as China, Malaysia, etc.

Competitive Landscape

- General Motors, Chrysler, Ford, Toyota, Honda
- Boeing, Airbus
- GE, Phillips, Siemens

Customers

- B2B
- OEM
- End consumer

Channels

- Retail (automotive, apparel)
- Wholesale (B2B)

Profit Summary

- Revenue: goods sold
- Costs: raw material, SG&A

Private Equity

Overview

- Equity that is not publicly traded
- Venture Capital (VC), Distressed Investments, Growth Capital

Key Trends

- Larger amounts of equity required for each deal
- Growing need for PE firms to have cash margins

Competitive Landscape

- Large: KKR, Blackstone, Carlyle
- Mid: \$250M to \$5B
- Small Market PE shops

Customers

- Corporations
- Individual investors / families

Channels

- VC: investors give cash in exchange for % of company, board seats, etc.
- Distressed investments: investing in financially stressed companies
- Growth capital: financing to expand, restructure, or enter new markets

Profit Summary

- ROI
- Commissions

Technology

Overview

- The technology industry contains devices (PCs, phones, servers, etc.) semiconductors, software, internet and IT services

Key Trends

- VC money continuing to pour into new startups
- Consolidation on larger level (Amazon, Microsoft, Google, IBM, Dell)
- Cloud computing showdown

Competitive Landscape

- Hardware: IBM, Dell, HP, Samsung, Intel, Nokia
- Software: Amazon, Google, Microsoft, Apple, Oracle, Red Hat, Netflix, Facebook, Salesforce
- IT: Cisco, VMware

Customers

- Individual
- SMB
- Large corporations

Channels

- Direct salesforce (large corps.)
- Indirect channels (SMB, individual)

Profit Summary

- Revenue: Goods sold * volume
- Costs: R&D, marketing, commissions

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Case Interview: Evaluation Criteria

Utilize this interviewer guide to evaluate to help provide feedback for peer practice sessions.

Case:

Case Type:

Interviewer:

Timing



Background (1 min):

Game Plan (2 mins):

Recap (1 min):

Quantitative Questions (5 mins):

Case and Objective Clarification (2 mins):

Creative Questions (2 mins):

Grand Pause (2 mins):

Case Closing (2 mins):



Case Interview: Evaluation Criteria

Execution

(1 = low, 10 = high)

STRUCTURE

OVERALL STRUCTURE SCORE:

LOGICAL APPROACH

Score:

Comments:

MECE

Score:

Comments:

APPROPRIATE DRIVE TO SOLUTION

Score:

Comments:

QUANTITATIVE ABILITY

OVERALL QUANTITATIVE SCORE:

SPEED

Score:

Comments:

ACCURACY

Score:

Comments:

COMFORT, REACTION TO MISTAKES

Score:

Comments:

Case Interview: Evaluation Criteria

BUSINESS INTUTION		OVERALL BUSINESS INTUTION SCORE:	
PRACTICAL		Score:	Comments:
INSIGHTFUL		Score:	Comments:
BREADTH & DEPTH ACROSS MULTIPLE FUNCTIONS		Score:	Comments:
CREATIVITY		Score:	Comments:
PROFESSIONALISM		OVERALL PREFESSIONALISM SCORE:	
POISE		Score:	Comments:
CONFIDENT, PERSUASIVE		Score:	Comments:
ARTICULATE, CONCISE		Score:	Comments:
CLIENT READY		Score:	Comments:

Case Interview: Evaluation Criteria

Behavioral (optional)

(1 = low, 10 = high)

Quality of STAR Stories

Score:

Comments:

Length

Score:

Comments:

Clarity

Score:

Comments:

Relevance

Score:

Comments:

Case Starts

What are case starts?

Case starts are a great way to start practicing framing a case, thinking through all the areas needed to explore, and forming a hypothesis. Case starts should take roughly between 5 – 10 minutes and involve:

- Listening to the prompt
- Asking relevant questions
- Forming a hypothesis
- Forming a framework
- Talking through your framework and the questions you would like to ask

Case Starts List

Case #	Name
1	Banner Bank
2	Amazon
3	Seattle Children's Hospital
4	Microsoft
5	Hyperloop
6	Gates Foundation
7	T-Mobile
8	Starbucks
9	Nordstrom
10	Holland America
11	Boeing
12	Alaska Airlines
13	USPS
14	City of Seattle

Case Starts – Banner Bank

Background / Prompt

Founded in 1890, Banner Bank is a Washington state chartered commercial bank and a subsidiary of Banner Corporation, a \$9.8 billion bank holding company. Headquartered in Walla Walla, Washington, Banner Bank began expanding its service area throughout the Pacific Northwest in the 1960s. Today they operate 190 full-service branches and 12 loan offices in 58 counties in Washington, Oregon, Idaho, California and Utah. Banner bank serves approximately 2M customers throughout the west coast. The bank is usually conservative when considering investments in technology, especially when that technology could pose a security threat for sensitive financial data. The bank, however, realizes that their customer base increasingly expects digital functionality for their personal banking, especially on mobile devices.

A technology service provider in the Seattle area has proposed that the bank white-label (re-brand) their technology to provide a mobile banking app to its customers. The app will provide access to account information, including balances and recent transactions, mobile deposits, investments, and other financial products that Banner offers to its customers.

Banner bank is considering this proposal and has hired the Foster Consulting Society to help them determine whether or not it is a good idea.

Suggested Framework

- Impact on revenues: broken down by volumes and prices.
 - Would the bank expect to increase volumes by attracting more customers?
 - Which segments are likely to adopt the app?
 - Would the value per customer increase?
 - Would share of wallet or transaction volumes for current customers increase?
- Impact on costs:
 - How much would it take to integrate the new app into their current system?
 - How much would they spend on marketing to launch app?
 - What impact would the app have on overhead costs?
 - Operating costs, fixed and variable? These could include per customer service charges from the tech provider, and ongoing maintenance and customer service costs
- Finally, other impacts to consider:
 - Security, data breaches, regulatory risk

Case Starts - Amazon

Background / Prompt

Amazon has developed a new tablet, which they plan on calling the Kindle Fire, which will be released later this year. They claim it will revolutionize Amazon's current tablet offering, the Kindle e-reader. Senior management wants to know how to price their newest entry to the tablet market.

Follow up information (if requested)

- Long-term goal is profitability

Suggested Framework

- Some combination of 5 C's, 4 P's, and Porters Five Forces

Case Starts – Seattle Children’s Hospital

Background / Prompt

Seattle Children’s Hospital is a 250-bed children’s hospital in Seattle and is the major pediatric referral center for Washington, Alaska, Montana, and Idaho. The U.S. News ranks it as one of the top 10 children’s hospitals in the country. The hospital earns about \$1.8 B in annual gross revenue from 300,000 patient visits, with 49% from insurance and managed care and 51% from Medicaid and other government sources. Patients at Seattle Children’s include 20% from Seattle, 35% from other King County cities, 40% from Washington areas outside of King County, and 5% from other states.

Like many hospitals in the country, Seattle Children’s is dealing with the ramifications of the Affordable Care Act, also known as Obamacare, which was signed into law in 2010. The Affordable Care Act is supposed to increase the quality and affordability of health insurance, thereby lowering the uninsured rate by growing insurance coverage and reducing costs of healthcare for people and the government. It includes government mandates for people to be covered, subsidies for insurance premiums, and insurance exchanges as a marketplace to purchase insurance.

Of the seven insurers offering plans in King County through Washington’s exchange, Washington Healthplanfinder, only two include Seattle Children’s in their network. Families with insurance out of Seattle Children’s network have to pay higher costs out of pocket for treatment, and thus may choose other hospitals that are in their network. Seattle Children’s is considering suing the state to force them to include Seattle Children’s on all of the insurance providers’ networks in the state.

Seattle Children’s Hospital knows that pursuing legal recourse would be a costly endeavor. They have hired the Foster Consulting Society to determine whether or not to pursue the lawsuit. How would you approach making this decision?

Suggested Framework

- **Financial Implications:**
 - First, we’d want to understand the legal costs, in terms of both financial resources and time commitment.
 - We’d also want to know how much the hospital would stand to gain (new patients, profit per patient) by being included in the network.
- **Relationship with Government:**
 - How would suing the state affect the hospital’s standing with the state. Medicine is a highly regulated industry, and could a lawsuit impact how the hospital is treated. ▪
- **Medical Impact:** By serving these new patients, can the hospital save more lives or reduce disease or discomfort in children?
- **Hospital Capacity:** Does the hospital have the capacity to handle the potentially new patients? Would they have to hire new staff? s
- **Integration Issues:** Does the hospital have the know-how to incorporate the new patients and regulations?

Case Starts - Microsoft

Background / Prompt

Azure is Microsoft's cloud platform, a growing collection of integrated services including computing, storage, data, networking, and an app. The cloud is simply a large group of centralized remote servers that are networked to allow data storage and online access to services or resources. Instead of individuals or organizations investing in private or personal servers, they can benefit from scale economies by sharing servers with other people or organizations. In the United States, 75% of organizations report using some sort of cloud platform, and the total worldwide market is anticipated to be about \$160 B by 2014, a growth of 126% from 2011. The industry has many players, with no single company being able to claim supremacy. In addition to the numerous small providers, the largest competitors include Amazon's Web Services, Google, Rackspace, and Microsoft Azure.

Currently, Microsoft's cloud offerings are focused in North America, Europe, South America, Australia, and parts of Asia. Their platform is mostly based on a hybrid model. In cloud offerings, there are three options: private, public, and hybrid. Private clouds are infrastructure operated for only one organization, public clouds are offered over a network and open for public use for free or pay-per-usage, and hybrid clouds consist of both.

Microsoft is considering expanding their cloud coverage to the China market, as there are 600 million internet users in the country. The Chinese government has mandated that any cloud solutions in China would have to use data centers that are built in China. Additionally, if Microsoft decides to enter the China market, they will have to decide whether to offer a private, public, or hybrid platform.

Microsoft has hired the Foster Consulting Society to analyze whether or not they should introduce Azure to the China market. What considerations would you want to make in conducting this analysis?

Suggested Framework

- Market share; learning about Chinese market; introducing other Microsoft products
- Demand/Growth: Understand size of the market (individuals and business internet users), and projections as to how demand will grow in the future.
- Infrastructure/Cost: Understand the infrastructure needed to develop the capabilities to expand, including data centers. Also, the cost of marketing and educating the Chinese market.
- Regulatory Concerns: Analyze level of cooperation with Chinese government, especially on data and privacy issues.
- Competitive Landscape: Understand any incumbent Chinese competitors along with Google and Amazon's penetration into the China market.
- User Preferences: Develop an understanding of how Chinese people and businesses prefer to store data. Do they prefer their own storage, or are they willing to use public storage.

Case Starts - Hyperloop

Background / Prompt

Elon Musk, the founder of Tesla and SpaceX, initially presented Hyperloop as an alternative to the high-speed rail project from Los Angeles to San Francisco. The Hyperloop design uses a combination of low air pressure and magnetic acceleration to get people from Los Angeles to San Francisco in approximately half an hour, or three times faster than flying, while producing its own electricity from solar power, with round-trip tickets projected to cost between \$40-\$60. The engineering behind the Hyperloop is similar to the old-school pneumatic tube systems used by banks to suck deposits to the teller at the drive-through or seen in some mail rooms. The system would be massive vacuum tubes mounted above ground or under water.

Hyperloop Transportation Technologies envisions the Hyperloop connecting other cities in the United States and in the rest of the world. The company believes that the entire Hyperloop line could be built for between \$20 million per mile. For comparison, the high-speed rail line is estimated to cost \$200 million per mile to construct. Another benefit of this transportation type is that its impact on the environment would be negligible, compared to the high levels of carbon footprints for cars, trains, and airplanes.

The Hyperloop would have three capsule types, similar to airplanes: economy class, business class, and freight. Each passenger capsule on average would carry 28 people and could depart a station every 30 seconds. While Hyperloop Transportation Technologies has made a lot of progress, but there is still a lot of work left to do and the technology and business need to be further developed. They have a brilliant team of scientists, engineers, and business people, and are also crowdsourcing ideation and some financing to the general public.

As the Hyperloop is still in the ideation phase, the Board of Directors for Hyperloop Transportation Technologies has hired the Foster Consulting Society to conduct a feasibility study for the potential business. What areas would you analyze in conducting this study?

Suggested Framework

- One way to evaluate the viability or feasibility of a new industry would be to use a framework that incorporates Porter's 5 Forces Framework.
- Regulatory: Consider government's role in the project, with land and safety concerns.
- Technological: Evaluate the likelihood that the technology could be developed to make this method of transportation viable.
- Economic: Given the high costs of building the tubes, would we expect enough demand to compensate for this fixed expense.
- Commitment: Will Hyperloop Transportation Technologies have the commitment to see this project through the likely long timeline.
- Competitive: Compare this option to substitutes, like driving, planes, rails, etc.

Case Starts – Gates Foundation

Background / Prompt

The Bill and Melinda Gates Foundation (known widely as simply the Gates Foundation) was founded in Seattle by the founder and former CEO of Microsoft, Bill Gates, as an organization designed to help people in the developing world who suffer from extreme poverty, malnutrition, and disease. While the Gates Foundation does some work on education in the United States, their primary focus is in global health. Rather than doing a lot of the work on the ground, the Foundation serves as a grantor to other organizations who fight poverty and sickness in the developing world. Organizations apply for money from the Foundation and then the Foundation decides which organizations to give their funds to. The Gates Foundation has influence in many global organizations and is able to set the agenda for which causes are supported, even though their funding pales in comparison to the amount of money dedicated to global health by governments.

One problem with providing health care in the developing world is that many of the poorest people live in villages that are geographically dispersed, so it is difficult for them to reach trained doctors in more densely populated areas. Telemedicine is a way to mitigate this problem. Basically, it allows people to send their vitals to and talk to a doctor in another location, and all they need is a very rudimentary cellular phone. The doctor can then provide them (and local practitioners with a small amount of medical training) with diagnoses and prescribe them medication or inform them of a need to travel to a hospital.

The head of the World Health Organization (WHO) has asked the Gates Foundation for a grant to fund a telemedicine project in Ghana, a poor African nation. The project, the Mobile Technology for Community Health initiative, referred to as MOTECH, would use mobile phones to increase the quantity and quality of prenatal and neonatal care in rural Ghana, with a goal of improving health outcomes for mothers and newborns. MOTECH would provide two services, (1) a “Mobile Midwife” application that would send SMS or voice messages to pregnant women that would provide time-specific information about their pregnancy, and (2) a “Nurse’s Application” that would help community health workers record and track the care given to pregnant women and their newborns in their area.

Suggested Framework

- **Investment:** Determine how much funding this will require from the Foundation, and what portion of their budget this will take up.
- **Impact:** How many lives, mothers and babies might this save in Ghana? Is this really needed there? Does the infrastructure with regard to mobile service and phones exist to make this possible?
- **Scalability:** Is it possible to apply the learnings from this project to other parts of Africa and/or the world? Will this give the Gates Foundation unique knowledge of telemedicine that can be applied in other settings.
- **Sustainability:** After the Foundation’s funding runs out, will the program continue from others’ support, government funding, or revenue-based models?
- **Partnerships:** Will funding this project give the Foundation a valuable partnership with WHO or the Ghana government?

Case Starts – T-Mobile

Background / Prompt

The wireless industry in the United States is dominated by 4 carriers: AT&T, Verizon, T-Mobile, and Sprint. These carriers make up approximately 93% of the total market. The industry has benefited from fast growth of mobile devices, especially smartphones. Many households have disconnected their home landlines in favor of mobile devices. Recently, the industry has been defined by consolidation. For example, in 2012, T-Mobile acquired wireless prepaid carrier MetroPCS and Softbank, a wireless carrier out of Japan acquired a majority stake in Sprint. Currently, Verizon and AT&T dominate the market with each having over a 30% market share.

Sprint and T-Mobile USA have 14% and 12% of the market respectively. Sprint, based in Kansas, also includes brands like Boost Mobile and Virgin Mobile. Sprint has struggled with high debt levels since the merger of Sprint Corporation and Nextel Communications. T-Mobile is the brand through which Deutsche Telekom operates in the U.S. T-Mobile's U.S. arm is operated out of Bellevue, WA. Deutsche Telekom is one of the world's largest mobile telecommunications providers. In the U.S., T-Mobile has branded itself as the Un-carrier. It offers options that offer no-contract plans, more frequent phone upgrades, and reimbursement of termination fees when customers switch from other carriers. Recently, T-Mobile USA has been the target of potential acquisitions. These deals have either been declined by T-Mobile or negated by regulators.

T-Mobile USA has been approached by Sprint to merge the two entities. The senior leadership at T-Mobile USA has hired the Foster Consulting Society to help analyze the potential deal.

Leadership at T-Mobile believes that a merger with Sprint would create a combined entity that could compete on a level playing field with AT&T and Verizon, the two behemoths in the U.S. wireless market. What would you have to believe and what information would you need in order to support T-Mobile's leadership in their quest to combine with Sprint?

Suggested Framework

- Interviewee can pull from the M&A framework as well as the 5 C's and Porter's 5 Forces frameworks.
- One might have to believe that:
 - A merger would create additional value above the values of the organizations separately. Information related to new revenue opportunities and cost synergies would be helpful.
 - The regulatory agencies would allow the merger to occur. Information related to why past attempts have failed and how a merger would affect competition would be needed.
 - AT&T and/or Verizon wouldn't respond too harshly with a price war or other crippling response. Would want information related to merger's affects on their bottom lines.
 - The two companies could avoid cultural issues and management clashes in merger. We would want information related to the companies' cultures and willingness to adapt.

Case Starts - Starbucks

Background / Prompt

Starbucks is the largest coffee-chain company in the world with over 20,000 stores worldwide. The company purchases and roasts high-quality coffee to sell along with tea, other beverages, and fresh food items in company-operated stores. Note that about half of all stores are licensed to local partners. Starbucks stores are typically located in high-traffic, high-visibility locations in a variety of settings, including downtowns and suburban areas. Company operated stores account for approximately 79% of total revenues and licensed stores account for 9%. About 7% of Starbucks' total revenues come from the sale of consumer packaged goods to domestic and international customers in the form of packaged coffee and tea, ready-to-drink beverages, and single-serve coffee and tea products to grocery, warehouse clubs, and specialty retail stores.

Starbucks' consumer packaged goods segment has recently come under attack as McDonald's announced that they would be joining with Kraft Foods Group to package its signature McCafe coffee for sale in US grocery and retail stores. Despite being known for their fast-food offerings, McDonald's coffee has grown in popularity and offers a lower-priced alternative to Starbucks coffee. For its part, Kraft is one of the largest food and beverage companies in North America with a large portfolio of food and beverages sold in nearly every grocery store in America.

Starbucks' consumer packaged goods segment is its fastest growing segment and last year contributed over \$1 B to the \$14.9 B in total revenues. How they react to a new entrant could determine its success going forward.

Starbucks has hired the Foster Consulting Society to advise them on the recent developments with respect to their consumer packaged goods segment. How would you evaluate the options available to Starbucks

Suggested Framework

- A simple way to evaluate options is to use a positives/negatives framework and consider buckets from the 5 C's, Four P's, pricing strategies, and profitability frameworks.
- A few options include lowering the price of their coffee, engaging in a marketing campaign to differentiate their product from McDonalds', negotiating with retailers for good shelf space and in-store promotions, and partnering with a major food/beverage distributor like McDonalds did with Kraft.
- Buckets to consider for these options may include:
 - competitors
 - the coffee attributes
 - customer preferences and buying habits
 - promotional strategies
 - pricing strategies
 - product placement considerations

Case Starts - Nordstrom

Background / Prompt

Founded in 1901 as a retail shoe company in Seattle, Nordstrom has gone on to become an upscale fashion retailer that sells high-quality apparel, shoes, cosmetics, and accessories for women, men, and children. Some stores also have wedding and home furnishing departments. Stores are predominantly in the United States, with additional stores being opened in Canada recently. The company has approximately 270 stores with about 120 full-line stores and 150 discount stores called Nordstrom Rack.

Nordstrom has seen tremendous success with Nordstrom Rack. It currently makes up almost a quarter of Nordstrom's total sales. Blake Nordstrom, CEO of Nordstrom, has come to the Foster Consulting Society with an idea for another new store concept. He discovered that seventy percent of Nordstrom's customer base is women. Mr. Nordstrom feels that the company is missing out on a huge market of men. In order to capture more of this market, he wants to launch The Dress Code by Nordstrom, a store devoted to fashionable, high-end men's clothing, including products like premium jeans, shoes, sports coats, polos, dress shirts, and ties.

The Foster Consulting Society is responsible for (1) deciding whether to launch this new concept store, and if so (2) how to launch the store.

Suggested Framework

- In this case, it is important for the interviewee to listen closely to the question to know that the initial structure should only include external issues, and not internal Nordstrom factors.
- Some factors to consider include:
 - An understanding of the men's customer segment and their purchasing behavior
 - Size
 - Willingness to buy
 - Competitor offerings in terms of other men's stores
 - Other department stores
 - Geographies served
 - Cost and profit structure of the industry with regard to selling costs and margins
 - Market environment including economic indicators correlated to spending and trends in fashion.

Case Starts – Holland America

Background / Prompt

From 1873 to 1989, Holland America was a Dutch shipping line, a passenger line, a cargo line, and cruise line. It operated mostly between North America and the Netherlands. In 1989, Carnival Corporation purchased Holland America. Carnival is a British-American owned multinational cruise company with annual revenues north of \$15 B, net income of about \$1 B, and over 90,000 employees. Holland America is one of Carnival's eleven cruise line brands and is based in Seattle. It's fleet includes 15 elegant, mid-sized ships and offers 500 plus cruises to ports in almost 100 countries. Their cruises are known for offering guests a premium, once-in-a-lifetime experience and visits places including Alaska, the Caribbean, Europe, Mexico, and other popular and less-popular destinations.

Holland America's head of business development, Jennifer Smith is looking to increase their presence in the tourism industry. She feels that the company is missing out on opportunities in the value chain – they are essentially giving business away to other tourism-based companies. She is putting together a business case to present to the CEO and Board of Holland America for building resorts in the Caribbean. Their cruises stop at ports at various islands in the Caribbean, and she feels that Holland America can take advantage of their relationships with their customers. If the plan is approved, Jennifer will be given a promotion to lead the new business division.

Jennifer Smith has asked the Foster Consulting Society to help her develop the presentation to submit to the Board. How would you evaluate Holland America's opportunity for opening up Caribbean resorts.

Suggested Framework

- Can evaluate this new business opportunity using SWOT framework and applying it to Holland America.
 - Within the framework, consider aspects of 5 C's, Four P's, Porter's 5 Forces, and Profitability framework.
 - Strengths: Have a premium brand image with vacationers, know their customers and well, hospitality experience, backed by large corporation with resources.
 - Weaknesses: No hotel specific experience, no land or buildings, little experience with local labor.
 - Opportunities: have captive customers on ships, can meet needs of customers and be one stop shop for vacation, can gain access to new customers, offer lower prices due to easier customer acquisition, additional revenue/profit opportunities.
 - Threats: Existing hotel chains with brand recognition, company would be more vulnerable to recessions.
- Interviewee might also want to consider the motives of Ms. Smith.

Case Starts - Boeing

Background / Prompt

Boeing manufactures and sells aircrafts to airlines and aircraft lessors around the world. Headquartered in Chicago, Boeing has two major divisions, Boeing Commercial Aircrafts (BCA) and Boeing Defense Services (BDS). As their names imply, BCA serves commercial customers and BDS serves government customers. Boeing earned approximately \$86 B in revenues in 2013, about \$50 B of which came from commercial sales. They construct commercial aircrafts predominantly in Everett, Washington and Charleston, South Carolina. Historically, Boeing's most popular aircraft is the 737, which is a single-aisle airplane which seats between 85 and 215 passengers depending on the variant. Boeing's main competitor is Airbus, a European aircraft manufacturer. Embraer and Bombardier operate mostly in the business jet market, which typically serves less than 100 passengers. COMAC, a Chinese firm, is on the precipice of entering the market, looking to offer a lower cost alternative to Boeing and Airbus.

Airlines tend to purchase new aircrafts for four main reasons. First, their current aircrafts are so old that maintenance costs make their continued operation impractical. While airplanes could technically be flown for 50 years, the average age at which an aircraft is retired is at 25 years. The second reason is that there is growth in demand from passengers wanting to fly more, thus representing a need for more aircrafts. Third, new aircrafts can provide cost savings and/or additional revenue opportunities. Lastly, some airlines' strategy and value proposition include flying the newest airplanes.

Boeing is considering developing a new version of the 737 which they intend to call the 737 MAX

Boeing has approached the Foster Consulting Society for help in determining whether to develop the 737 MAX for sale in the next few years. How would you go about determining if Boeing should pursue this option?

Suggested Framework

- The interviewee should ask what Boeing's objective or goal would be in developing a new airplane. The primary goal is to maintain market share with a secondary goal of achieving profitability. Also, Boeing is not willing to lose money on the development and sale of the airplane.
- In this case, the background provides a ready made structure for approaching this issue.
- First, it might make sense to look at this from an internal perspective to understand the costs associated with developing, building, and selling an airplane to determine how many Boeing would need to sell
- Next, the interviewee might explore the 4 reasons why airlines purchase new aircrafts and what information they would need to figure out the planes that would be sold for each.

Case Starts – Alaska Airlines

Background / Prompt

The domestic airline industry is made up of three legacy airlines and some smaller airlines. The legacy airlines include Delta, United, and American. Delta's main hubs are in Minneapolis, Atlanta, and Detroit. United's biggest hubs are Chicago and Houston. American has significant hubs in Chicago, Dallas, and Miami. These three airlines hold a 70% share of the domestic market. Historically, the airline industry has lost money, but recently with increasing demand, airlines are profitable. Airlines compete heavily based on prices and routes.

Alaska Airlines is one of the few airlines that has been profitable historically and has never gone through a bankruptcy. Alaska, based in Seattle, Washington, has primarily served customers in the West and Northwestern United States. They rely on high customer service and loyalty. They have partnerships with many airlines, which allow their customers to redeem rewards earned on Alaska Airlines on other airlines, including Delta. Recently, Delta has introduced many flights into and out of Seattle. They want to use Seattle as a gateway to Asia, a growing market. They are offering not only international flights, but routes that directly compete with Alaska's market position. Delta has also begun a huge marketing campaign in Seattle, including billboards, promotions for Seattle customers, airport advertising, and taking over sponsorship of the Seattle Seahawks from Alaska Airlines. In 2017, Delta earned revenues of almost \$40 B and has a market cap of \$37 B. Alaska Airlines earned revenues of \$6 B in 2017 and has a market cap of \$11 B.

Alaska is concerned about their ability to compete with Delta Airlines and is exploring any and all options.

Alaska Airlines has hired the Foster Consulting Society for help understand what their options are for dealing with Delta's sudden interest in Seattle. How would you think about the options available to Alaska?

Suggested Framework

- The interviewee might use a profitability framework to evaluate options.
- The 5 C's framework could also be utilized to analyze how the airline might respond based on different buckets.
- The interviewee may outline internal vs. external reactions and options.
- Additional possible options may include merging with Delta, acquiring another airline, expanding flight routes through organic growth, and/or purchasing large airplanes to expand internationally.
- After listing several options, the interviewee may briefly review the positives and negatives (or benefits and pitfalls) of each.

Case Starts - USPS

Background / Prompt

The United States Postal Service delivers mail six days a week to more than 152 million city, rural, Post Office box, and highway delivery points. It is the only organization in the country that has the workforce and infrastructure to deliver to every business and residence in the U.S. and its territories. Revenue is monitored by mail class and shape.

The USPS has operated at a net loss for several years. The organization lost roughly \$16 billion last year. They are facing competition from players across industries and new technology. Congress has considered several options to try and rectify the situation. If things don't start to get better, drastic measures could be taken, including the demise of the Postal Service.

The United States Postal Service has approached the Foster Consulting Society to help them save their organization. How would you approach the problems faced by the US Postal Service?

Follow up information (if requested)

If interviewee asks what mail class and shape refer to. Class refers to levels of service in terms of how fast the mail will be delivered and other services offered (e.g., signature on delivery, tracking). Shape refers to envelopes versus boxes and size of those containers.

Suggested Framework

- It makes sense to analyze this case using a profitability framework, however the interviewee should also indicate that profit gain is not necessarily the goal since it is a government organization so the goal would be to break even or even just make the losses less.
- In revenues, one would want to consider:
 - Customer segments like businesses and individuals
 - Their mailing frequency and package types they send
 - Competitive landscape including UPS and FedEx and effects on price and quantity
 - Relationship with huge shippers like Amazon
 - Substitutes like electronic communication.
- Costs:
 - Post offices
 - Mailmen
 - Sorting facilities
 - Transportation/distribution (e.g., trucks, airplanes).

Case Starts – City of Seattle

Background / Prompt

A 6.8 magnitude earthquake hit Seattle in early 2001, after which sections of the Alaskan Way Viaduct sunk several inches. Experts became concerned that another earthquake could destroy a portion of the viaduct. The Alaskan Way Viaduct, which is part of State Route 99, runs along the Elliott Bay waterfront in the industrial district and downtown Seattle. It is the smaller of the two major north-south traffic corridors through Seattle, with the other being Interstate 5. The viaduct carries approximately 110,000 vehicles every day.

After much debate and political turmoil regarding replacement options, it was determined that the 2-mile viaduct would be replaced with a bored underground tunnel. In 2009, the Governor of Washington signed a bill authorizing \$2.8 B in state funds for the tunnel. However, the project remains controversial as it was never approved by voters in a general election or referendum, is the subject of several lawsuits, was selected before environmental impact studies were completed, and is designed to make Seattle-area taxpayers pay for any cost overruns. However, the costs of most state-level projects, like this one, are distributed evenly among all state residents. The project of destroying the old viaduct commenced in 2011 and the new viaduct is scheduled to be completed in 2016.

The costs to complete the viaduct are now estimated to be at least \$3.1 B. The Seattle City Council needs to raise money to complete the project and are considering any and all possible options.

Per the bill signed by the Governor of Washington, the City Council is considering raising taxes on the residents of Seattle by increasing property taxes. The Foster Consulting Society offered their services to the City Council on this issue on a pro bono basis. How would you approach evaluating this option?

Suggested Framework

- One way to evaluate this issue would be to review it from the perspective of major stakeholders.
- Seattle homeowners: likely wouldn't be happy about paying higher taxes, but we may want to analyze how much they would have to pay and their reactions to previous tax increases.
- City of Seattle: needs \$300 m in additional funding, so one would want to know how much money can be raised through tax increase by knowing home values, proposed tax rates, and the number of homes.
- City Council members: consider how constituents would react to this proposal and members' concerns about re-election; would want to know what are their current terms and who are their constituents.

Full Cases

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12	Emerald Biofuels	4	4	169
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14	Old Folks Inc.	3	3	184
15	Big Pharma	1	6	190

Arthur & Devine

Difficulty: 6 (quant) / 3 (qual)

Arthur & Devine

Prompt:

A large CPG company, “Arthur & Devine” is looking to shed half of its brands in an effort to boost growth, simplify it’s operations and cut costs. They’ve asked you to help them with this project and would like to share a preliminary plan with their board of directors during the next quarterly offsite. How do you decide which brands to eliminate in order for A&D to reach it’s growth targets? What are the additional considerations that A&D should be aware of?

Interviewer Guidance:

The client is looking to exit any industry or brand that it doesn’t have a market leadership position in. Make sure the interviewee understands this and it informs his/her analysis of which brands to eliminate. *Bonus points for the interviewee who appreciate why the client is willing to cut it’s brand portfolio – in order to become nimble to respond to current consumer trends.*

Additional Information:

- The client is a large multinational CPG company (like P&G, Unilever) which ~6B in annual sales
- Assume a 10-brand portfolio spanning beauty, personal care products, baby care, pet food, cleaning supplies etc. The client wants to shed 5 brands.
- If asked about any increases in costs, say there has been nothing unusual, but that A&D will benefit from eliminating the costs associate with maintaining “unproductive” brands.

Arthur & Devine

Analysis:

1) How would you choose which 5 brands to divest from the 10-brand portfolio? Show Exhibit 1

- Are some metrics more important or relevant to A&D than others?
- Reiterate that the size of the business may not matter – a billion-dollar in sales brand can go on the chopping block if A&D does not have a market leadership position in the space.

Recommendation:

The interviewee's criteria for which brands to eliminate should be similar to the criteria he/she will see in Chart 1.

The interviewee should point out the following observations from Chart 1:

- Top 5 brands are contributing 80% of the sales revenue
- Identify the obvious market leaders for A&D: (Tatty Diapers & Rossa Detergent) across all the metrics
- Acknowledge the trade-offs of eliminating smaller brands that may be higher margin, have strong brand equity or give A&D access to a certain retail channel.
 - Interviewee does not need to calculate the annual profit of each brand; he/she can just point to the trade-off inherent in divesting smaller brands that may have higher margins
- Pet food is probably not a strategic fit with A&D overall focus on personal care products

Arthur & Devine

The client might look into eliminating (share rationale):

- Downward-facing Dog Food – doesn't have a market leader position
- Birds of a Feather Feed – doesn't have a market leader position
- Head Turner Hair Color – relatively small annual sales and low consumer brand perception despite being high-margin
- Soapy Suds – relatively small annual sales and low margin, but strong consumer brand perception
- Vitamin Sea Soak - relatively small annual sales and low consumer brand perception

The interviewee should name some risks associated with divesting each of these brands. Risks include:

- An exit from the Pet Food market means there is less portfolio diversification from A&D – Downward facing Dog Food is a large brand in terms of annual sales.

Exhibit 1 – A&D’s Brand Portfolio

Brand	Category	Annual Sales	Profit Margin	A&D Market Share	Consumer Perception*
Upward-facing Wash	Beauty	\$980M	18%	2 nd	3
Soapy Suds	Personal Care	\$110M	12%	4 th	4
Happy Baby Shampoo	Baby Care	\$660M	22%	3 rd	4
Cat Cow Cleaner	Cleaning Supplies	\$415M	14%	2 nd	3
Downward-Facing Dog Food	Pet Food	\$915M	27%	4 th	2
Vitamin Sea Soak	Personal Care	\$125M	29%	5 th	3
Tatty Diapers	Baby Care	\$1.05B	33%	2 nd	4
Rossa Detergent	Cleaning Supplies	\$1.15B	19%	1 st	5
Birds of a Feather Feed	Pet Food	\$230M	26%	3 rd	3
Head Turner Hair Color	Personal Care	\$190M	36%	5 th	2

* A proxy for brand equity, measured on a scale of 1-5, where 1 is perceived as the cheaper and lowest-tier brand in that market, 5 is the highest-tier brand.

Arthur & Devine

Analysis:

2) After proposing to sell the 5 brands identified in Exhibit 1, if the interviewee does not dive into next steps, prompt him/her to discuss:

- How will you calculate the sales price?
- How will you evaluate potential buyers?

Recommendation:

Calculate the sales price – the interviewee can suggest a Discounted Cash Flow (DCF) Analysis or a Comparables Analysis.

Potential buyers are:

1. Other CPG firms

- Pro: Less aggressive in price negotiations than PE firms
- Cons: May become more competitive vis-à-vis A&D, may end up leveraging A&D brands' retail channels or hiring A&D employees

2. PE firms specializing in turning around “orphaned” CPG brands

- Pro: will not directly compete with A&D
- Cons: Traditionally, known to be aggressive in extracting value from the deal

Arthur & Devine

Analysis:

3) Suppose A&D divests that 5 brands that you identified. Propose a strategy that will drive company growth post brand rationalization.

Recommendation:

The prompt is broad, and tests the interviewee's ability to tackle ambiguity in a structured way.

Interviewee may suggest levers for growth such as:

1. Appeal to new customer segments in the same distribution channels:

- Demographic trends – brands that target Baby Boomers or Millennials, which are growing segments
- Socio-economic segmentation – for example, grow A&D's market share in premium or all-natural products

2. Look for new distribution channels:

- Brick-and-mortar – undertake co-branding campaigns with major big-box retailers, pharmacies, Costco/Sam's Club
- E-commerce – grow A&D's market share in Amazon.com, Soap.com

Arthur & Devine

Case Evaluation Notes:

This case tests the interviewee's ability to:

- Sift through a lot of information quickly and ignore the extraneous data
- Put him/herself “in the client’s shoes” as the CPG client undergoes the process of brand rationalization, and refreshes it’s growth strategy (intentionally ambiguous prompt)

A good interviewee will drive the case after the 5 brands are eliminated, discussing the potential buyers and the growth strategy, and will deliver a Recommendation and Next Steps slide that succinctly ties the whole case together.

Estonia Oil

Difficulty: 4 (quant) / 4 (qual)

Estonia Oil

Prompt #1

It is 2019 and your client is one of the largest retailers of oil products in the country of Estonia. The company is exploring the idea of building a crude oil refinery in Estonia and has hired you to evaluate the idea.

The goal of the company is to understand what the capacity of this refinery should be. They want to make a go/no go decision.

Interviewer Guidance:

Here is some background information that the interviewee might ask about:

- Company controls roughly 25% of all oil product sales in Estonia.
- Currently there are no crude refineries in Estonia. All of the refined oil products are imported from other countries.
- For simplicity, consider 3 main products for this case: Gasoline, Diesel and Other Oil Products.
- Estonia produces 100,000 tons of crude oil annually and this number is projected to stay stable. All this crude is exported to foreign countries.
- The possibility of importing crude oil from neighboring countries is limited due to high transportation costs.
- An oil refinery is the plant where input is crude oil and output is the final products ready for retail consumption like gasoline, diesel etc.

Estonia Oil

Interviewer Guidance on Framework:

A good framework should identify this as an investment case and will cover both Quantitative and Qualitative points.

Quantitative: Candidate should identify key variables needed for evaluating the project: Revenue and Costs (Fixed and Variable)

Qualitative: Candidate should mention that there are various factors to be taken into consideration:

- Availability of raw materials
- Market demand (short term, long term, electric)
- Price fluctuations
- Geopolitical and other risks

Estonia Oil

Prompt #2:

As a first step, your client want to identify what the refinery's capacity should be. Traditionally, oil refineries have very high capacities but recent technological advances allow them to build small size refineries with the same efficiency at the same cost levels.

Note: Provide Exhibit 1

Interviewer Guidance:

- From the exhibit, the candidate should be able to identify that there is no opportunity to import additional raw material and the capacity should around 100,000 tons.
- Candidate should notice that 100,000 tons is roughly 10% of current consumption and due to high transportation prices, there would be enough demand on local production.
- If needed, give hints to push candidate towards this answer.
- If needed, push candidate towards next step – financial projections.

Exhibit 1 – Estonia Oil

Oil Products Consumption in Estonia			Crude Oil Production in Estonia	
Year	Product	Tonns	Year	Tonns
2016	Diesel	380,000	2014	93,000
	Gasoline	470,000	2015	108,000
	Other Products	40,000	2016	102,000
2017	Diesel	400,000	2017	105,000
	Gasoline	500,000	2018*	105,000
	Other Products	40,000	* projected amount	

Industry Facts:

- All crude oil produced in Estonia is exported. Oil producers are forced to sell their product at low prices due to small amounts and associated transportation costs.
- The possibility of importing crude oil from neighboring countries is limited due to high transportation costs
- All oil products are imported in Estonia. Due to high transportation costs, local retail prices are extremely high.

Estonia Oil

Prompt #3:

Our client wants to use discounted cash flow to get NPV. For simplicity assume year 1 projections will remain same in perpetuity with no growth.

Discount rate: 10%

Tax Rate: 20%

Depreciation: Ignore for this case

Interviewer Guidance:

- Let candidate choose where to start: cost projections or revenue projections.
- Provide information according to what candidate asks.
- See Exhibit 3 for NPV calculation and additional guidance. DO NOT SHARE THIS WITH CANDIDATE

Estonia Oil

Interviewer Guidance on Costs

Let the candidate brainstorm what the cost items are. Candidate should be able to break costs into fixed and variable costs.

Capex: construction costs are estimated to be \$500,000 per 1000 tons of refining capacity. The company owns a piece of land, so it can be ignored.

Fixed Costs: Labor – Assume 1 employee will be needed per 1000 tons of refining capacity. Average annual salary is \$20,000 per employee. Other costs: assume all overhead will be 10% of total revenue

Variable Costs: Crude Oil – Use market price of oil as \$600 per ton.

Candidate should be able to do the following calculation on their own.

Labor Cost Calculation	
Employees needed	100
Salary per employee	\$20,000
Total Salaries	\$2,000,000

Capex Calculation	
Refining capacity (tons)	100,000
Cost per 1000 tons	\$500,000
Total Construction Cost	\$50,000,000

Estonia Oil

Interviewer Guidance on Revenue

Let the candidate brainstorm how to calculate revenue. Candidate should identify that there will two main variables to project the revenue:

1. Output amounts of final products
2. Price of Output products

Note: Hand Exhibit 2 to candidate only after candidate finishes brainstorming

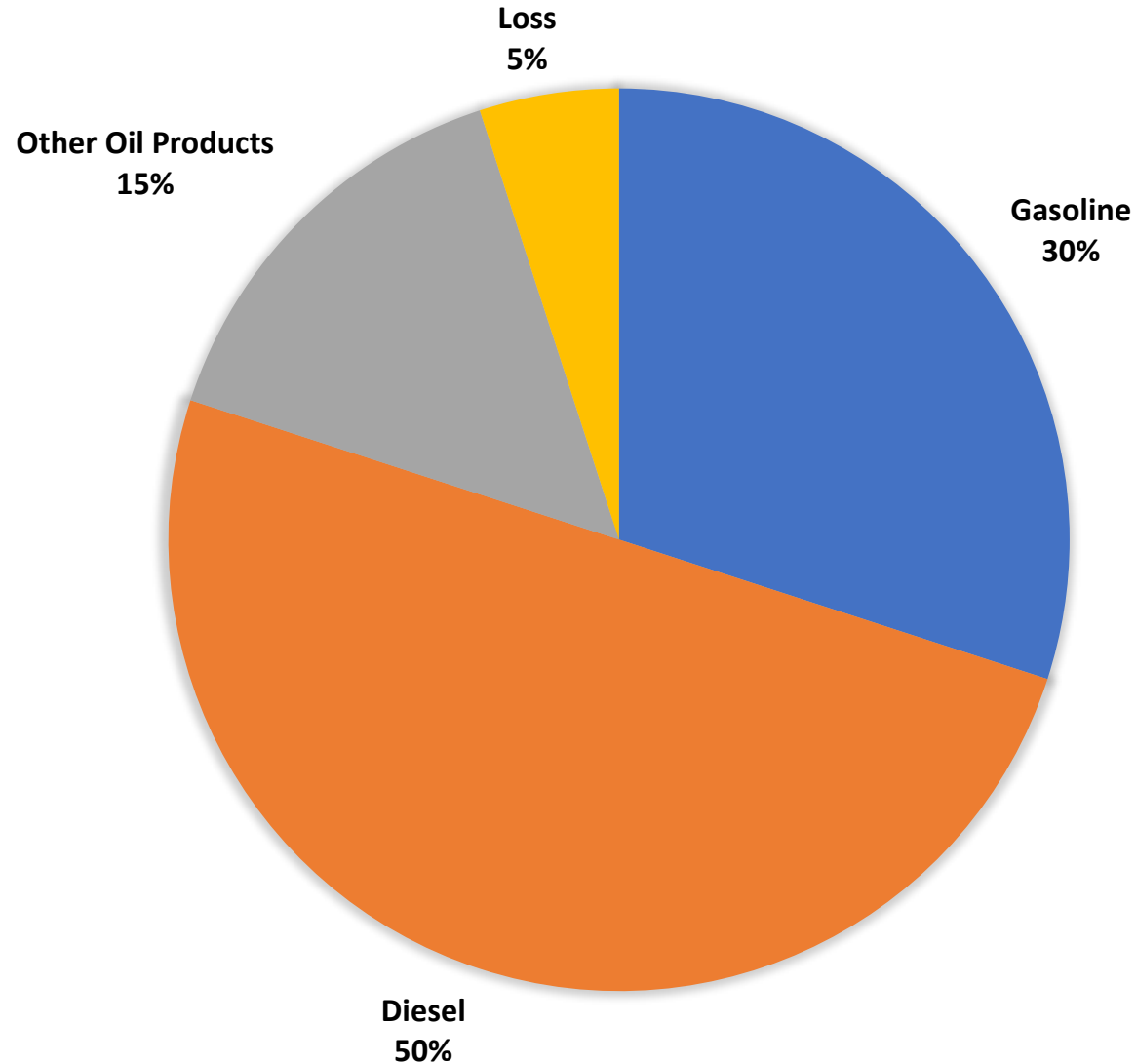
Exhibit 2:

Using this exhibit, the candidate should be able to calculate revenue per product and total revenue

Product	Output Amount (tons)	Price per Ton	Revenue
Gasoline	30,000	\$1000	\$30,000,000
Diesel	50,000	\$900	\$45,000,000
Other Oil Products	15,000	\$700	\$10,500,000
Total Revenue			\$85,500,000

Exhibit 2 – Estonia Oil

Expected Output from Estonian Crude Oil



Wholesales Prices of Oil Products in Estonia

Gasoline (\$ per ton)	\$1000
Diesel (\$ per ton)	\$900
Other Oil Products (\$ per ton)	\$700

Estonia Oil

	Year 0	Year 1
Cost of construction	\$50,000,000	
Revenue		
Sale of Gasoline		\$30,000,000
Sale of Diesel		\$45,000,000
Sale of Other Oil Products		\$10,500,000
Total Revenue		\$85,500,000
Costs		
COGS - Cost of Crude Oil		\$60,000,000
Labor costs		\$2,000,000
Other costs		\$8,550,000
Total Costs		\$70,550,000
EBIT		\$14,950,000
Tax (assume 20%)		\$2,990,000
EBIT (1-T)		\$11,960,000
NPV (using 10% discount rate)		\$69,600,000.00

Exhibit 3 – DO NOT SHARE WITH CANDIDATE

- This calculation uses the NPV approach. $NPV = EBIT (1 - t)/10\% - \text{initial investment}$
- Ideally candidate can use general free cash flow formula
- $FCF = EBIT (1-t) + \text{Depreciation} + \text{Non-cash items} - \text{CapEx} - \text{Depreciation} - \text{Change in Net Working Capital}$
- Don't need to use exact formula, simplify

Estonia Oil

Interviewer Guidance: Final Recommendation

- After NPV calculation, candidate should understand that it seems like a very attractive project.
- Let candidate provide a final recommendation and brainstorm qualitative points including: risks, weaknesses in assumption, fluctuations in demand, price reliability etc.

WSDOT Ferries

Difficulty: 4 (quant) / 3 (qual)

WSDOT Ferries

Prompt #1:

Your client is the Washington State Department of Transportation (WSDOT). The WSDOT controls 6 modes of transportation in the Seattle area: aviation, biking, ferries, rail, buses and walking. With budget cuts and rising energy costs projected for the coming fiscal year, your client evaluated each mode of transportation and determined that they need to improve the financial performance of its ferries.

WSDOT has employed your firm to assess the current state of its ferry operations and recommend a strategic plan for improving financial performance.

Interviewer Guidance: *Provide if candidate asks*

- WSDOT defines "improved financial performance" as increased profit margins.
- They want to cut \$70M from its annual budget after 2 years.
- There are 24 ferry vessels and 18 ferry terminals. The ferries are used by both commuters and tourists.
- Over 20M passengers travel on these ferries annually.

WSDOT Ferries

Analysis:

- The candidate should ask about the measurement of financial performance. If they don't, encourage them to think through various ways to measure financial performance and guide them towards profit margin.
- Question: Identify sources of cost and revenue for WSDOT's ferry system.

Recommendation:

- These brainstorming questions test the candidate's ability to think through the underpinnings of transportation operations. Encourage the candidate to be creative when brainstorming.
- Answer may include but are not limited to:
 - **COST**
 - Ferry maintenance
 - Fuel
 - Employees: salaries, wages, benefits
 - Overhead (HR, legal etc.)
 - Marketing & Advertising
 - Weather services
 - **REVENUE**
 - Fares/tickets
 - Advertising (eg. Promotions from vendors)
 - Corporate partnerships
 - Food and drinks on board
- Solid candidates will identify that cost is a more salient option than revenue for improvement

WSDOT Ferries

Prompt #2:

The client has decided to focus on cost control. Your consulting team investigated the cost structure of the ferries and identified 4 main cost buckets: diesel fuel, salaries and wages, overhead costs, and miscellaneous (eg. Dock fees and ferry maintenance). We know that:

- Diesel fuel accounts for 1/3 of the client's total ferry budgets, which is \$270M
- There are approximately 2000 employees with average salaries of \$54,000
- Overhead is 20% of all costs

Recommendation:

- This question tests the candidate's ability to process ambiguous information, identify missing pieces, develop a clear understanding of the client's cost structure, and perform accurate calculations.
- Strong candidates will create a table to look at each of the four cost buckets and reach the following conclusions, remarking on the implications of each:

Cost	% of total cost	Total (in \$M)	Calculations
Fuel	33%	\$90M	33% of \$270
Wages	40%	\$108M	2000 * 54K
Overhead	20%	\$54M	20% of \$270
Miscellaneous	7%	\$18M	Plug
TOTAL	100%	\$270M	Given

WSDOT Ferries

Prompt #3:

Given the cost structure, the client would like your consulting team to determine if the targeted savings are feasible and identify potential areas for cost reduction.

HINT: What % cost reduction would be needed in order for the client to shed \$70M from the ferry budget?

Interviewer Guidance: *Provide if candidate asks*

- **Note:** this question is intentionally ambiguous and tests the candidate's ability to drive the case, handle ambiguity, and think logically under pressure. If needed, remind the candidate that the client aims to achieve \$70M in savings in two years.
- **Calculation:** \$70M of \$270M is roughly a 25% cut.

WSDOT Ferries

A strong candidate will:

- **A. Investigate the four major cost buckets and brainstorm solutions to each**
 - Example: Using alternative fuel sources other than diesel, exploring staff reductions, pooling shared services across DoT divisions, better understanding of the miscellaneous cost bucket
- **B. Prioritize solutions that address the client's primary cost centers**
 - Diesel fuel and wages collectively account for over $\frac{3}{4}$ of the client's annual costs; solutions that address these high cost buckets are more likely to help the client achieve significant cost savings than solutions focused on overhead or miscellaneous costs
- **C. Determine if \$70M in 2 years is feasible**
 - \$70M is a 25% cost reduction in 2 years, this tests the candidate's logical thinking
- **D. Create a recommendation**
 - A strong recommendation will include an assessment of whether the client's goal is feasible and specific actions the client may take to reach this goal AND/OR a suggested revision of the client's goal – either should mention the targeted timeframe.

WSDOT Ferries

Prompt #4:

The client has requested that you design an implementation strategy to achieve the targeted savings of \$70M in 2 years. They have provided this additional information:

- Switching from diesel to alternative fuel sources will cut fuel costs by 45% over the next two year.
- The client has told us they can accommodate the following labor reductions over the next two years: 10% cut of ferry captains, 500 cut administrative staff, 100 cut operation staff.
- **Is the client's \$70M goal feasible? What potential hurdles or backlashes could result from these cuts?**

WSDOT Ferries

Recommendation:

Provide this additional information if asked:

	# of employees	% of Total	Salary	Total Wages
Drivers	50	2.50%	\$110,000	\$5,500,000
Admin	1300	65%	\$50,000	\$65,000,000
Operational	650	32.50%	\$58,000	\$37,700,000
TOTAL	2000	100%	\$54,100	\$108,200,000

Fuel Cost	
Diesel	\$90,000,000
Gas	45% savings
Cost cut:	\$40,500,000

Labor Cost	#	Salary	Total
Drivers	5	\$110,000	\$550,000
Admin	500	\$50,000	\$25,000,000
Operational	100	\$58,000	\$5,800,000
			\$31,350,000

Total Cost Cut (M)	
Gas	40.5
Labor	31.4
Total	71.9

- The candidate should conclude that the client can reach the targeted \$70 savings by implementing these recommendations. Risks include fuel contract negotiation challenges and negative PR from laying off state government employees.
- Request that the candidate articulate succinctly the recommendation, risks, and next steps as if presenting to a client.

CYA Insurance

Difficulty: 3 (quant) / 3 (qual)

CYA Insurance

Prompt 1:

Your client, CYA Insurance, is an insurance firm that specializes in worker's compensation insurance policies. Workers compensation insurance is paid for by companies on a monthly basis and covers medical, indemnity, and other expenses. For example, if an employee falls down a flight of stairs and breaks their ankle, worker's compensation pays for the employee's medical bills and indemnity or lost wages. Companies are required by law to have workers compensation insurance.

Your client, having been successful in California, Oregon, and Nevada, is looking to expand to a new state. CYA Insurance would like to know if this is a good idea.

CYA Insurance

Background data the candidate may request:

This case does not provide a lot of information about the direction upfront, but successful candidates will work through the content and uncover the direction as they proceed. The candidate may ask some clarifying questions; however, the main goal is to determine whether CYA Insurance should expand (and then where the company should expand) and candidates will receive more information as they proceed. Profit is a big concern, but so are qualitative issues.

What to look for in a candidate's responses:

- The candidate should come up with a MECE framework that covers the following areas: revenue and cost (profitability), competitors, CYA Insurance's current market saturation/industry mix of clients, regulatory concerns/changes, economic conditions, and company network geographically
- The prompt mentions that CYA Insurance sells workers' compensation policies exclusively, so a successful candidate will not ask about additional insurance offerings, though this could become a suggestion for CYA Insurance to consider later in the case.

CYA Insurance

Follow up (read aloud):

CYA Insurance has decided to expand in the West to remain regional. CYA Insurance has gathered data on 9 states; however, CYA Insurance does not want to engage with markets smaller than Idaho (30,000 cases of injured employees) or larger than Arizona (70,000 cases of injured employees). In this case, you can assume that CYA Insurance would be able to control the entire market in the state. Please take a moment to review Exhibit 1 and gather your thoughts on which states to consider.

Show print out of Datasheet

Prompt 2:

Which states should CYA pursue? (correct answer: CO, TX, NM, WY)

CYA Insurance: Datasheet

Exhibit 1: Total Employment

State	Employed	% injured each year at work
CO	2000	2%
MT	1200	2%
NV	7700	2%
WA	2000	4%
TX	1150	4%
NM	2800	2%
UT	11400	4%
WY	3900	1%
KS	800	2%

Exhibit 3: Average Medical Cost / Claim

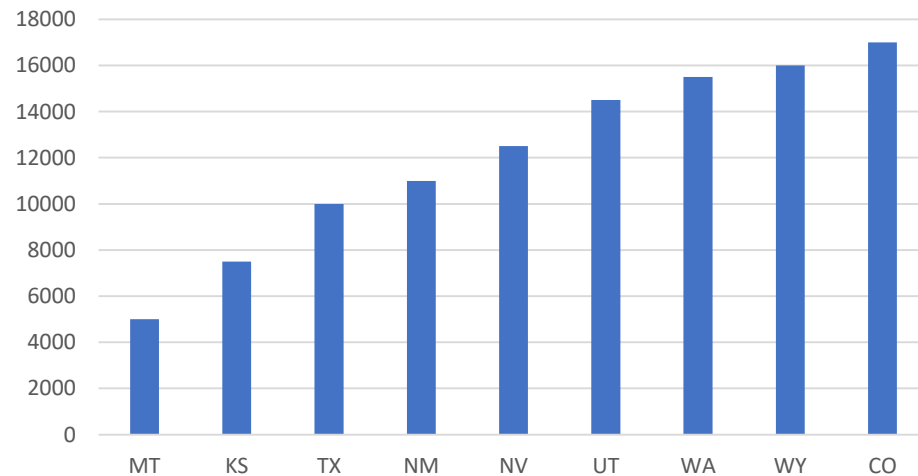


Exhibit 2: Growth in Cost Per Claim

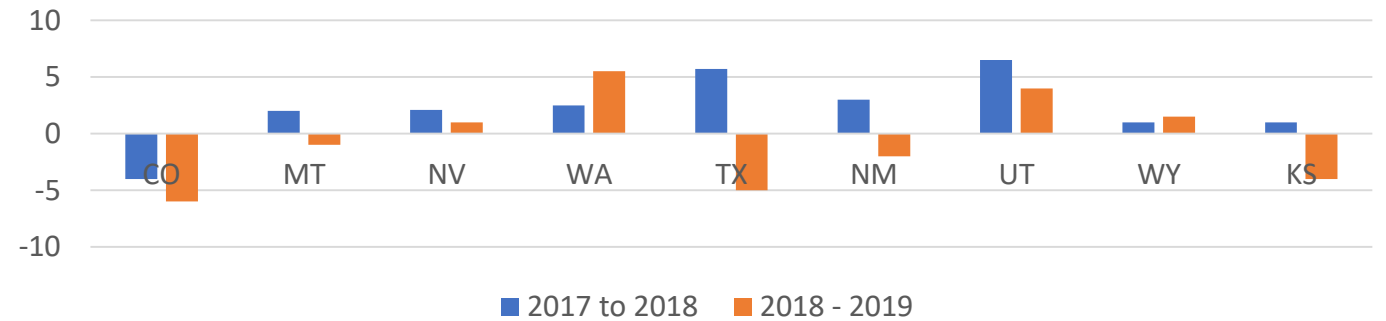
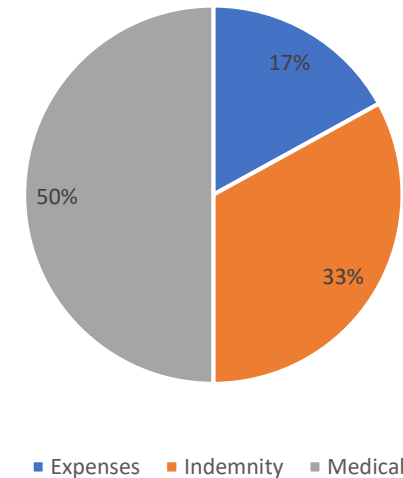


Exhibit 4: Breakdown of Total Costs



CYA Insurance: Analysis

****Do not show to interviewee****

(000s)	CO	MT	NV	WA	TX	NM	UT	WY	KS
Employed	2000	1200	7700	2000	1150	2800	11400	3900	800
\$ Total Injured Each Year	2%	2%	2%	4%	4%	2%	4%	1%	2%
Total Injured	40	24	154	80	46	56	456	39	16

CYA Insurance

Prompt 3:

Let's proceed with CO, TX, NM, WY. Determine CYA's profit. Please note that CYA's revenue is a flat 101% of total costs.

Analysis (do not show)

Costs:

- Step 1: # of injuries * cost per medical = total medical
- Step 2: total medical * 2 = total cost by state

Revenue / Profit:

- Step 3: Total per state * 101% commission – total cost = profit
- OR Profit = 1% total costs

	Costs				Revenue	Profit
	# injuries (000s)	Cost per injury	Total cost (medical)	Total cost (all 3)	101% (Costs)	1% (Costs)
CO	40	\$17,500	\$700,000	\$1,400,000	\$1,414,000	\$14,000
TX	46	\$10,000	\$460,000	\$920,000	\$929,200	\$9,200
NM	56	\$11,000	\$616,000	\$1,232,000	\$1,244,320	\$12,320
WY	39	\$16,000	\$624,000	\$1,248,000	\$1,260,480	\$12,480

The interviewee should comment about the state with the highest revenue potential.

CYA Insurance

Prompt 4:

CYA is concerned about recent policy changes and hospital and judicial reform, which could eventually impact the company's 1% commission. Without doing any math, what state should CYA now consider?

Analysis:

Based on Exhibit 4, Colorado is now less attractive – as total costs have decreased significantly over the past year (and prior year). Texas and New Mexico show variability and have decreased costs from 2018 – 2019, which shows decreased profits from the 2018 numbers. It also suggests it will be difficult for CYA to predict future profits.

In this case, Wyoming is the most stable and could be argued, the most attractive state.

CYA Insurance

Prompt 5:

What else should CYA research before making a decision?

Analysis:

Suggested responses should include a few of the below:

1. Additional costs – will there be future changes to VC and FCs?
2. Competition – what other company is operating in each state? Does CYA stand a chance of getting the contract?
3. Different legal / regulatory changes – will CYA need to hire a new legal team? And reason a state might not be ideal?
4. Company capabilities – cost of entry, bidding war for contract, management expertise, close connections.

CYA Insurance

Prompt 6 / Conclusion:

CYA's CEO is walking into the room and wants to know if the company should expand and if so, where? He is now in the room, let him know what you suggest.

Recommendation:

The candidate should suggest: Recommendation (go or no go is fine as long as it is supported), risks (concerns from the last prompt), and next steps (these could be based on earlier work from the initial framework/concerns). In this case, the candidate was told to give the conclusion right away and should not ask for 30 seconds. However, the candidate could write the recommendation as he/she presents to remain organized.

A good candidate:

- Asks clarifying questions only to move the case forward
- Remembers crucial information and is able to disregard extraneous information
- Has minor calculation errors and is able to continue after an error is made

An exceptional candidate: (in addition to the above)

- Finds shortcuts for calculations
- Reads signs of the interviewer and organizes information without being prompted
- Offers insightful next steps without being prompted Is able to suggest logical next steps and defend decisions

Bourbon Brand Turnaround

Difficulty: 1 (quant) / 3 (qual)

Bourbon Brand Turnaround

Prompt 1:

Our client has been in business for close to 90 years. The original founder started in the bourbon business and over time expanded the product line so that today it is a multi-million dollar business with less than 5% of sales coming from bourbon.

The bourbon market in the U.S. (our relevant market) has been declining at 2% over the last decade and our client's brand has been declining at the same rate.

While the company has great passion for the bourbon brand, in recent years they have been paying limited attention to it. But last year this changed: While sales across the bourbon market declined at 2%, our client's brand declined by 11%, despite selling 10m bottles.

Our client has come to us to understand what has happened and how to grow the brand back without lowering profits.

Bourbon Brand Turnaround

Overview for Interviewer

- To help understand why our client's bourbon brand has declined it helps to use an internal vs. external framework.
- Possible internal reasons include:
 - Reduction in marketing spending
 - Decline in quality of marketing
 - Decline in quality of product
 - Product availability – supply chain, production, distribution
- Possible external reasons include:
 - Negative PR
 - New competitor launch
 - Increase in competitor marketing
 - Pricing effects

Bourbon Brand Turnaround

Prompt 2:

How could we determine if there has been change in relative marketing spend against our major competitors?

- First we need to gather information on our own marketing spend to have a basis for comparison.
- Next we need to determine our competitors' marketing spend, which we could do through several sources: Internal interviews, external benchmarking through competitor company reports, Analysis of print advertising, Interviews with industry analysts/experts
- After discussion about the industry and competition, distribute the competitive analysis handout.

Bourbon Brand Turnaround

Exhibit 1 – Competitor Analysis

Brand	Distribution	Production Cost/Unit	2016 Price/Unit	2017 Price/Unit	2018 Price/Unit
Client	Big Box/Grocery markets, Specialty stores	\$8.00	\$15.80	\$15.80	\$16.00
Competitor A – Premium Brand	Specialty stores	\$8.50	\$16.00	\$18.00	\$19.50
Competitor A – House Brand	Big Box/Grocery markets	\$6.15	Not Launched	Not Launched	\$9.25
Competitor B – Premium Brand	Specialty stores	\$8.60	\$16.75	\$17.75	\$19.75
Competitor B – House Brand	Big Box/Grocery markets	\$6.25	Not Launched	Not Launched	\$9.75

Bourbon Brand Turnaround

Prompt 3:

What conclusions can we draw from the table?

Possible responses:

- We have 2 competitors, each with two brands (premium and house.)
- Competitors have been steadily raising prices in their premium category
 - They are serving a customer segment with higher willingness to pay (WTP)
 - This segment prefers to buy at specialty stores
- Competitors also launched “house brands” last year
 - House brands are distributed through Big Box and grocery stores
 - House brands are cheaper to produce and have a low price point
- *Competitors have been capturing the lucrative top end of the market through their premium brands, while also launching house brands to capture price sensitive consumers. They have effectively squeezed our clients brand out of the market.*

Bourbon Brand Turnaround

Prompt 4:

What options does our client have, assuming they want to stay in the bourbon business?

Expected Responses:

- The candidate should realize our client's product is a premium product based on cost of production.
- The candidate should indicate that our client should increase price in order to be perceived as a premium product in the comparison set.

Prompt 5:

How should they price their bourbon?

- It would be reasonable to suggest a price of \$19-\$20
- Candidate should be asked to justify any answer provided.

Bourbon Brand Turnaround

Prompt 6:

Calculate the total profits from both scenarios (current price & vol. and new price & vol.) given that our client believes that if they increase their price to \$20/unit they will be able to sell 8m bottles. The costs of producing bourbon are 75% variable and 25% fixed.

Bourbon Brand Turnaround

Candidate Math (continued)

- Current Price:

$$TR = 10m * \$16 = \$160m$$

$$FC = 25\% * \$8 * 10m = \$20m$$

$$VC = 75\% * \$8 * 10m = \$60m$$

$$\text{Profit} = \$160 - \$20 - \$60 = \$80m$$

- New Price:

$$TR = 8m * \$20 = \$160m$$

$$FC = \$20m$$

$$VC = 75\% * \$8 * 8m = \$48m$$

$$\text{Profit} = \$160 - \$20 - \$48 = \$92m$$

Candidate Conclusion: Increasing the price to \$20 would increase profits by \$22m, or about 15%.

Bourbon Brand Turnaround

Prompt 7:

What complications might arise from increasing price to \$20?

Acceptable responses:

- We could provoke price increases from our competitors, leaving us in the same position as before.
- It may be difficult to market our brand in the premium category as the third mover.
- Prices changes to our bourbon brand could negatively affect our wider liquor portfolio.
- We should be skeptical about the 8m bottles sold projection provided by the client; if this number is too optimistic the results could be significant.

Prompt 8 / Conclusion:

What is your recommendation to the client?

Acceptable responses:

- Client should increase price to \$20. This will generate an additional \$12m in profits, an increase of 15%.
- Client should also consider new distribution channels in specialty stores.
- Some potential risks of this move include: Competitor response, optimistic data, and consumer perception of our brand/portfolio.
- Potential next steps include: Validating data, creating marketing plan, preparing the market for a significant price increase.

ABC Inc.

Difficulty: 1 (quant) / 3 (qual)

ABC Inc.

Prompt 1:

Our client, ABC Inc., is a large, multinational consumer products company with business in over 200 countries. We are focused on the US for now.

Our client has been following US demographic trends and has found that low income households have been growing two times as quickly as other customer segments. Low income is defined as families with income at the poverty level or below.

Our client has always had a premium product strategy (expensive, high quality). It sells its products in grocery stores, convenience stores, mass retailers, etc. It has never targeted the low income segment before and doesn't have a low income strategy, but given the growth of this segment, our client is considering entering the low income segment.

ABC Inc. has three main questions for you:

1. Should it pursue a low income strategy?
2. How should ABC Inc. roll out a low income strategy? (key tactics)
3. Risks?

Interviewer guidance:

Allow the interviewee some time to put together a framework, but ask what the most important thing to know in order to solve the case. Circle the drain for a bit if they don't immediately say it (probe and ask them to defend their buckets).

If the interviewee asks to know more about the products, show them **Exhibit 1**.

ABC Inc.

Exhibit 1

Product / category	Total category sales (MM)	Client category sales (MM)	Total LI consumer spend on category (MM)	LI consumer spend on client (MM)
Shampoo	400	100	90	30
Cold Medicine	250	50	75	7.5
Diapers	300	150	100	25
Baby Food	300	100	100	30

ABC Inc.

Prompt 2:

What do you make of the information see in **Exhibit 1**?

Expected response(s):

1. Cold medicine looks like a viable product line given the margins and LI spend
2. Diapers look like a viable product line given the margins and LI spend

Prompt 3:

ABC Inc. has some history with cold medicine in a different venture that didn't work out well and wants to avoid going down that path. ABC Inc., however, has research that suggests low income consumers are interested in buying diapers. **Show Exhibit 2**

What do you see that could help us figure out why low income consumers aren't buying our client's diapers? What else should our client think about in terms of strategy and risks?

Interview guidance (provide only upon request)

- Low income consumers purchases largely in smaller, local shops
- LI consumers can't afford salons, but will indulge on shampoos
- LI consumers are willing to spend more on baby food to protect their children
- There are valid generics that compete with our client's cold medicine

ABC Inc.

Exhibit 2

Product / category	Client package size	Average package size of competitors	Client price	Average price of top 5 competitors
Shampoo	10oz bottle	12oz bottle	\$4	\$3
Cold Medicine	6oz bottle	6.5oz bottle	\$6	\$3
Diapers	40-pack	32-pack	\$20	\$16
Baby Food	6 oz jar	6 oz jar	\$2	\$1.50

ABC Inc.

1. Calculate overall share and share of low income consumers by product / category

Product / Category	Client Overall Market Share	Client Share of LI Customers	Overall Share vs. LI Share
Shampoo	$100/400 = 25\%$	$30/90 = 33\%$	Overall < LI
Cold Medicine	$50/250 = 20\%$	$7.5/75 = 10\%$	Overall > LI
Diapers	$150/300 = 50\%$	$25/100 = 25\%$	Overall > LI
Baby Food	$100/300 = 33\%$	$30/100 = 30\%$	Overall = LI

2. Calculate incremental revenue for cold medicine and diapers

- Cold medicine = $(20\% - 10\%) * \$75\text{MM} = \$7.5\text{MM}$
- Diapers = $(50\% - 25\%) * \$100\text{MM} = \$25\text{MM}$

Total incremental revenue = $\$7.5\text{MM} + \$25\text{MM} = \$32.5\text{MM}$

ABC Inc.

Prompt 4 / Recommendation:

The CEO of ABC Inc. has just walked in looking optimistic but stern. What do you recommend she does?

Possible recommendations:

The client should pursue a low income strategy, focusing on diapers, which could generate an additional \$25M in revenue.

To pursue low income consumers, our client should reduce its package size. Today, our client's package size is significantly larger than its competitors. Our client could keep the price /diaper the same, but if it dropped the package size from 40 diapers to 20 diapers, it would cut the absolute price of the box to \$10, even lower than its competitors.

There will be some risks involved with adopting a low income strategy including cannibalizing business from existing products and brand risk.

Weravang

Difficulty: 1 (quant) / 3 (qual)

Weravang

Prompt 1:

Your client is Weravang, a wedding cake and clothing company located in Bellevue, Washington. Weravang has two separate entities; Weravang Cakes and Weravang Clothing. Weravang was unprofitable last year. Weravang's CEO believes that the creation of a third entity, Weravang Wedding Planning, will lead to sustained profitability. Weravang's CEO wants your perspective on how to make Weravang profitable again

Additional information to be provided only upon request:

- Major players in the wedding cake, clothing and wedding planning industry were profitable last year
- Weravang's current customers include middle income individuals (40%) and wedding planners (60%)
- Weravang has no experience in wedding planning, but it understands the wedding business and have a network to pull this off
- There is no specific goal for Weravang (no ROI or specific profit) – Weravang just wants sustained profitability

The interviewee should break the case into two parts. Part A should focus on Weravang's current operations and part B should focus on understanding the wedding planning industry. Ask interviewee to present a framework focusing on part A only.

The interviewee's current operations framework should include questions on the industry, for example competitors and trends (no information available) and a basic profitability tree to understand why Weravang is unprofitable.

Weravang

Provide the interviewee with the following financial information:

Weravang Cakes:

2019: Sales: 900 cakes; Price: \$1000 average per cake; costs: \$600 average per cake

2018: Same average price and cost but number of cakes sold was 1300

Weravang Clothing:

2019 Revenue: \$150,000; Total Costs: \$560,000

2018 Revenue: \$140,000; Total Costs: \$400,000

Interviewer Guidance:

A good interviewee will state that Weravang is unprofitable because of Weravang Clothing. A good interviewee will do the math quickly and state that Weravang cakes is selling about 30% fewer cakes than it did in 2018 and that although Weravang clothing's revenue increased 7% in 2019, costs increased by 40%.

Prompt 3:

Why do you think Weravang is selling 30% less cakes?

- New competition
- Substitute: Customers are switching to other types of cakes that Weravang doesn't offer
- Decreased income level: Customers are purchasing fewer cakes/having fewer weddings

The real answer is that consumers are switching from vanilla and chocolate cake to red velvet cake, Weravang doesn't sell red velvet cake.

If interviewee asks why Weravang clothing is unprofitable: It has been unprofitable since its inception. Customers don't associate Weravang with clothing and Bellevue customers are very brand conscious

Weravang

Prompt 4:

How will you determine if Weravang should enter the wedding planning market?

Interviewer guidance / expected framework:

- **Industry** (Understanding the key players in this market, market size and trends): 4 reputable players control 50% of the wedding planning market in Los Angeles. Reputation of wedding planners is the main purchase driver in this market. No market size or trend information is available (to make this case more advanced you can test interviewee's market sizing thought process).
- **Company Capability** Understanding if the company has the resources to pull this off: Ask interviewee what he or she thinks. Weravang has access to financing and can leverage its current customer base, but will need to hire wedding planners.
- **Economics:** Projected Revenue and costs from entering this market (no information available)
- **Risks associated with entering this market:** Ask interviewee what he or she thinks - No experience, loss of current Weravang customers (since wedding planners make up 60% of Weravang's current customer base) and opportunity costs are some of the risks

Weravang

Prompt 5 / Recommendation:

The CEO of Weravang, Vera, just walked in. What do you tell her? What are the immediate next steps?

Expected response:

Weravang should not expand into wedding planning at this time. Instead, Weravang should expand its cake line to include red velvet cake and sell its clothing business in order to be profitable

Supporting facts:

- Wedding planners make up 60% of Weravang's customer base. Weravang will face intense competition from its current customers and thereby reduce profitability on current business. Weravang also doesn't have a reputation in wedding planning
- Consumer tastes are changing, for Weravang to stay profitable it needs to enter the red velvet market
- Weravang's clothing has been unprofitable since its inception, as Weravang is not associated with clothing

Risks

- Weravang and competition might be leaving money on the table by not entering the wedding planning business
- Closing the clothing business might affect the sales of Weravang cakes
- Cannibalization

Immediate Next steps

- Expand cake line to include red velvet cake (understand the costs associated with this)
- Start looking for buyers of the clothing business

Bog Brothers

Difficulty: 1 (quant) / 3 (qual)

Bog Brothers

Prompt 1

Our client is Bog Brothers, a family-owned cranberry company which owns and operates cranberry bogs and production facilities in Wisconsin and Massachusetts. Once associated only with holiday consumption, cranberries are now consumed year-round in processed forms, like juice, juice-additive, jam, and even wine. According to the USDA National Agricultural Statistics Board, the forecast for U.S. cranberry production is falling. Production in 2019 was forecast to be down 6 percent from 2018, with a total of 9.54 million barrels harvested or approximately 905 million pounds. Cranberries are also a major U.S. export. As of 2016, the European Union was the largest importer of American cranberries, followed individually by Canada, China, Mexico, and South Korea. From 2013 to 2017, US cranberry exports to China grew exponentially, making China the second largest country importer, reaching \$36 million in cranberry products.

Our client is considering acquiring a large Washington-state based cranberry producer for \$6M and they expect an ROI of 10% in three years.

Bog Brothers

Overview for Interviewer

- This is a profitability case. Discussion should quickly turn to $P=R-C$ and the various drivers of costs and revenues.
- Candidate's framework may also include a risk slide focused on declining production and tariffs/global trade war.
- After the candidate shares their framework, give them the following page.

Bog Brothers – Data Sheet

WA Facility Cost Structure

- Initial Investment: \$6M
- Annual Operating Costs:
 - PPE: \$125,000 (Forecast)
 - Property Taxes: \$75,000
 - Marketing Cooperative Membership: \$20,000
 - Fuel: \$3.25 per half barrel produced
 - Labor: \$50 per barrel produced
 - Overhead: 15% of Labor costs

Bog Brothers

Candidate should structure calculation for three-year costs on acquiring the WA state bog.

Candidate should recognize they need production forecasts to calculate variable costs. Provide the chart on the next page.

Bog Brothers – Data Sheet 2

WA State Bog – Production and Market Price Forecasts

2020 – Low	2020 – High	2021 – Low	2021 - High	2022 – Low	2022 - High
25,000 B	40,000 B	30,000 B	50,000 B	30,000 B	50,000 B
\$60 / B	\$70 / B	\$60 / B	\$65/ B	\$60 / B	\$62 / B

Bog Brothers

Ask candidate to walk you through the chart.

- The candidate should immediately recognize two forecast for each year and verbalize that they will need to make an assumption to complete the cost calculations.
- The candidate should choose the Low forecast – this will anchor the investment decision on the worst-case scenario.
- If candidate does not calculate annual costs for years 1-3, prompt them to do so.

Bog Brothers

Cost Calculations

- [Ask candidate to explain]
- Year 1:
 - Fixed: $\$6\text{M} + \$125,000 + \$75,000 + \$20,000 = \$6,220,000$
 - Variable: $(\$6.50 \times 25,000) + (\$50 \times 25,000) + (\$50 \times 25,000 \times .15) = \$1.6\text{M}$
 - Total: $\$7,820,000$
- Year 2:
 - Fixed: $\$220,000$
 - Variable: $(\$6.50 \times 30,000) + (\$50 \times 30,000) + (\$50 \times 30,000 \times .15) = \$1.92\text{M}$
 - Total: $\$2,140,000$
- Year 3:
 - Fixed: $\$220,000$
 - Variable: $(\$6.50 \times 30,000) + (\$50 \times 30,000) + (\$50 \times 30,000 \times .15) = \$1.92\text{M}$
 - Total: $\$2,140,000$
- TOTAL COST YEARS 1-3 = $\$12.1\text{M}$

Bog Brothers

Revenue and Profit Calculations

- [Candidate should naturally move on to calculate revenue and profit]
- Year 1:
 - $60 * 25,000 = \$1.5M$
- Year 2 and 3:
 - $60 * 30,000 = \$1.8M \times 2 = \$3.6M$
- Total Revenue: \$5.1M
- Total Costs: \$12.1M
- Profit: -\$7M
- Three Year Return Threshold: \$600,000

Bog Brothers

I agree that the math doesn't work for our client. What ideas do you have to increase profitability that we could recommend?

- Labor is primary cost driver – Candidate could recommend ways to reduce labor costs through wages or automation.
- Overhead could be reduced via the merger – Bog Brothers centralized services in Wisconsin and Massachusetts could help eliminate duplicative functions in Washington.
- Candidate should also indicate that calculations were based on worst case production forecasts – revenue (and costs) would increase if actual production was higher.

What is your recommendation to the client?

- Client should not acquire the Washington cranberry bog.
- Given the data provided, this investment will not meet the client's required ROI.
- Additionally, current trade conditions may not be favorable to cranberry production. Best case scenario price forecasts are declining in the next year years (Ex 2)
- However, if the client is interested, we could work on a restructuring plan to decrease labor and overhead costs at the Washington facility and re-calculate.

J Crew

Difficulty: 2 (quant) / 5 (qual)

J Crew

Prompt 1

Your client, J.Crew, is an American retailer of apparel and accessories. It operates 203 J.Crew stores and 174 J.Crew Factory outlet locations. In 2004, it introduced Madewell, positioned as a modern premium brand focused mostly on women's denim. Today there are 129 Madewell stores. This year, Madewell began selling denim clothing for men as well.

The most common explanation for J.Crew's declining sales and profitability is its failure to react to "fast fashion" and "athleisure" market trends; however, this narrative is hard to square with Madewell's success over the same period. In any case, J.Crew's management is considering spinning off its high-performing Madewell brand via IPO to help strengthen its balance sheet and increase financial flexibility to address its 2021 debt maturities. However, competing factions at the company believe they would be better served investing more in Madewell and finding other ways to downsize and address the debt. *(continued on next page)*

J Crew

Prompt 1, cont'd:

Your firm's contact at the company is deeply skeptical of management consultants, and has asked for a sit-down to hear how you would approach advising J.Crew as they navigate this trying time.

Guidance for the interviewer:

This is an open-ended case, and requires you to be flexible with which direction the interviewee takes it. Where we'd like the case to go is in more of a qualitative direction, discussing topics such as the 4 P's and 5 C's.

The next sheet has the data sheet and should only be shown if the interviewee asks for financial information.

J Crew – Data Sheet

A summary of revenues by brand (from J.Crew's 2018 10K):

	Fiscal 2018		Fiscal 2017(b)(c)		Fiscal 2016(c)	
	Amount	Percent of Total	Amount (As adjusted)	Percent of Total	Amount (As adjusted)	Percent of Total
<i>(in millions, except percentages)</i>						
J.Crew	\$ 1,779.5	71.6%	\$ 1,848.0	77.8%	\$ 2,018.5	83.0%
Madewell	529.2	21.3	419.8	17.7	341.5	14.0
Other(a)	175.3	7.1	105.9	4.5	71.6	3.0
Total	<u>\$ 2,484.0</u>	<u>100.0%</u>	<u>\$ 2,373.7</u>	<u>100.0%</u>	<u>\$ 2,431.6</u>	<u>100.0%</u>

(a) Consists primarily of revenues from wholesale customers and shipping and handling fees.

(b) Consists of 53 weeks.

(c) Prior period amounts have been restated to reflect the adoption of new revenue recognition guidance. See note 2 to our consolidated financial statements for further detail.

UKEF

Difficulty: 2 (quant) / 5 (qual)

UKEF

Prompt 1:

Your client is UK Export Finance (UKEF), the world's oldest export credit agency (ECA).

UKEF was formed in 1919 to promote exports from the UK in the wake of WWI. To this day, UKEF works with commercial financial institutions to help facilitate British exports, thereby enabling international trade and effectively increasing the competitiveness of UK products abroad.

UKEF has approached your firm to help them grapple with this many-sided market, where their customers are at once UK exporters, foreign buyers and the politicians who have empowered UKEF to issue financial commitments on behalf of the British government for the last century. Their strategy outlines an ambition to partner with other government functions to increase British exports as a proportion of gross domestic product by 5% (from 30% to 35%).

Interviewer Guidance:

This is another open-ended case. Give the interviewee some time to come up with a structure then ask qualitative questions. Show the data sheets when asked for more information about how all this works.

UKEF

Interviewer Guidance:

If the interviewee asks...

It would be good to know more specifics about *how* UKEF facilitates British exports.

You can respond with...

UKEF can issue loans itself (“direct lending”) or guarantee loans to exporters – in either case, exporters’ cost and difficulty of borrowing is effectively subsidized. While it is a government department, it operates at no net cost to the taxpayer by charging premiums (in the case of insurance policies and bank guarantees) and interest (in the case of direct lending) to offset claims or defaults and its operating expenses. UKEF endeavors to complement, not compete with, the private sector, by acting as the financier of last resort

UKEF

Interviewer Guidance:

If the interviewee asks...

It would be good to know how UKEF's business has changed over the past few years.

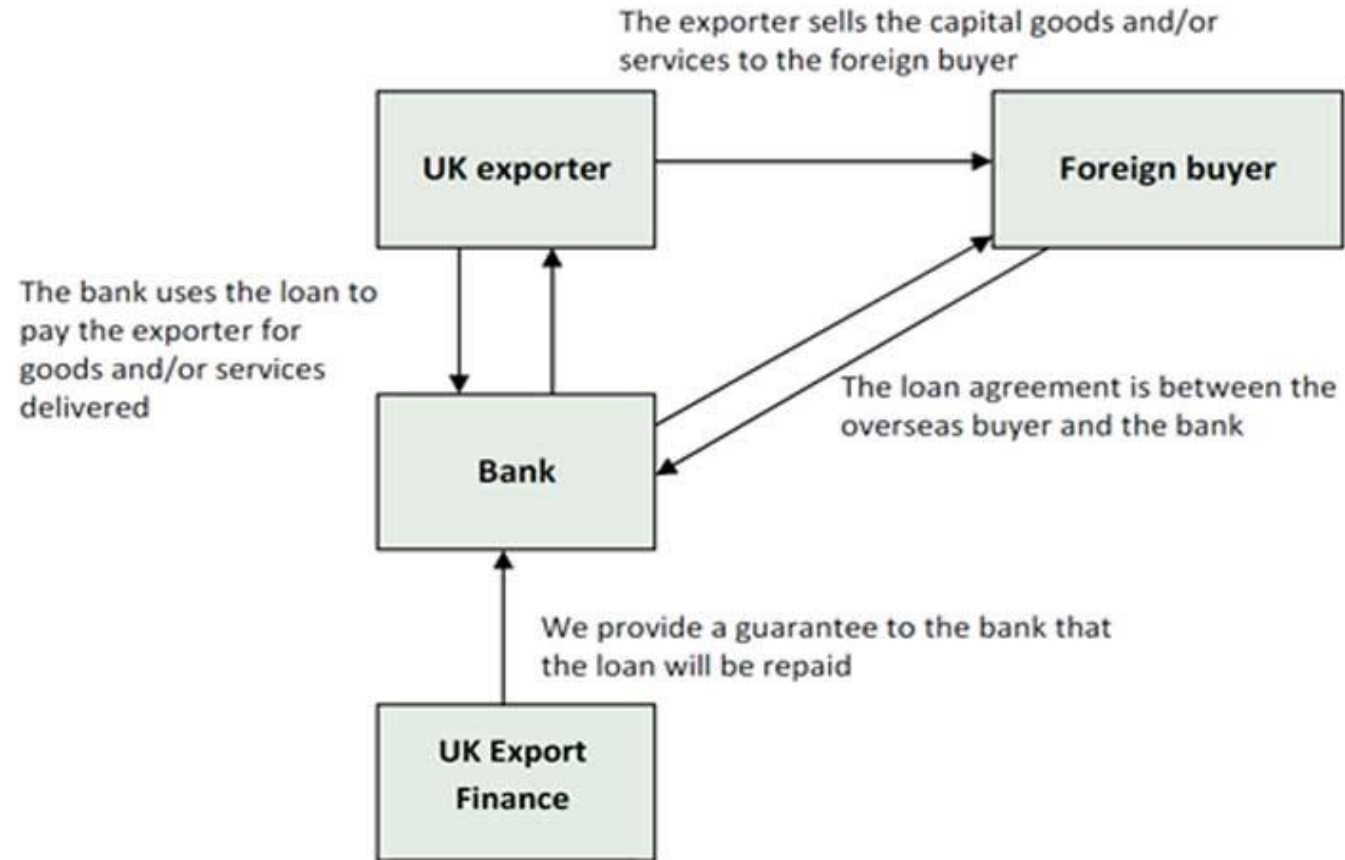
You can tell them...

Brexit: On 23 June 2016, a narrow majority of British citizens voted to leave the EU. Overnight, the UK's long-term ability to trade freely within the EU single market came into question. Market volatility ensued, and the value of British currency (GBP) tumbled nearly 10% against the US dollar. Companies within and outside the UK struggled to understand what new trade frictions (e.g. tariffs and customs checks) may arise, and how these developments would impact their cross-border supply chains.

Environmental activism: Compounding the issue, in recent years UKEF has faced renewed criticism for effectively subsidizing fossil fuel-based infrastructure in developing nations in particular. A recent audit committee found that of the £2.6bn of credit and insurance support the UK's energy exports

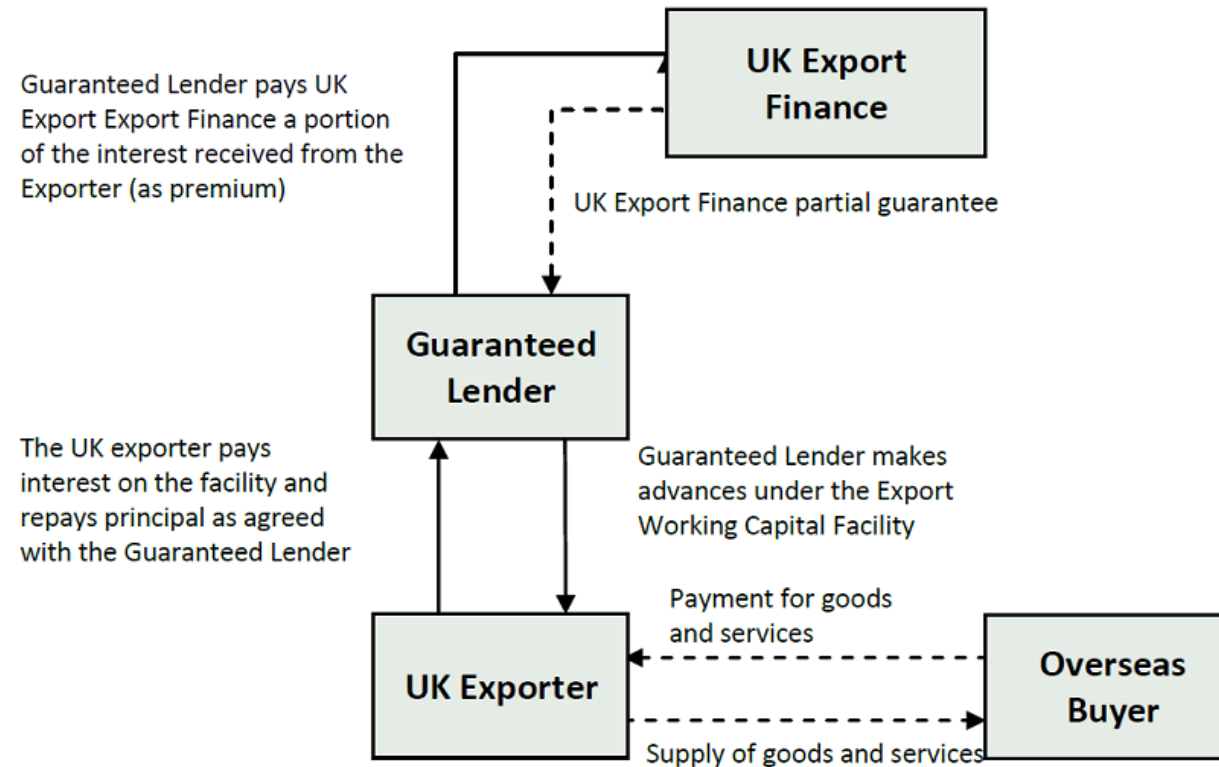
UKEF

Ex. 1: Example Buyer Credit Facility Scheme (from gov.uk)



UKEF

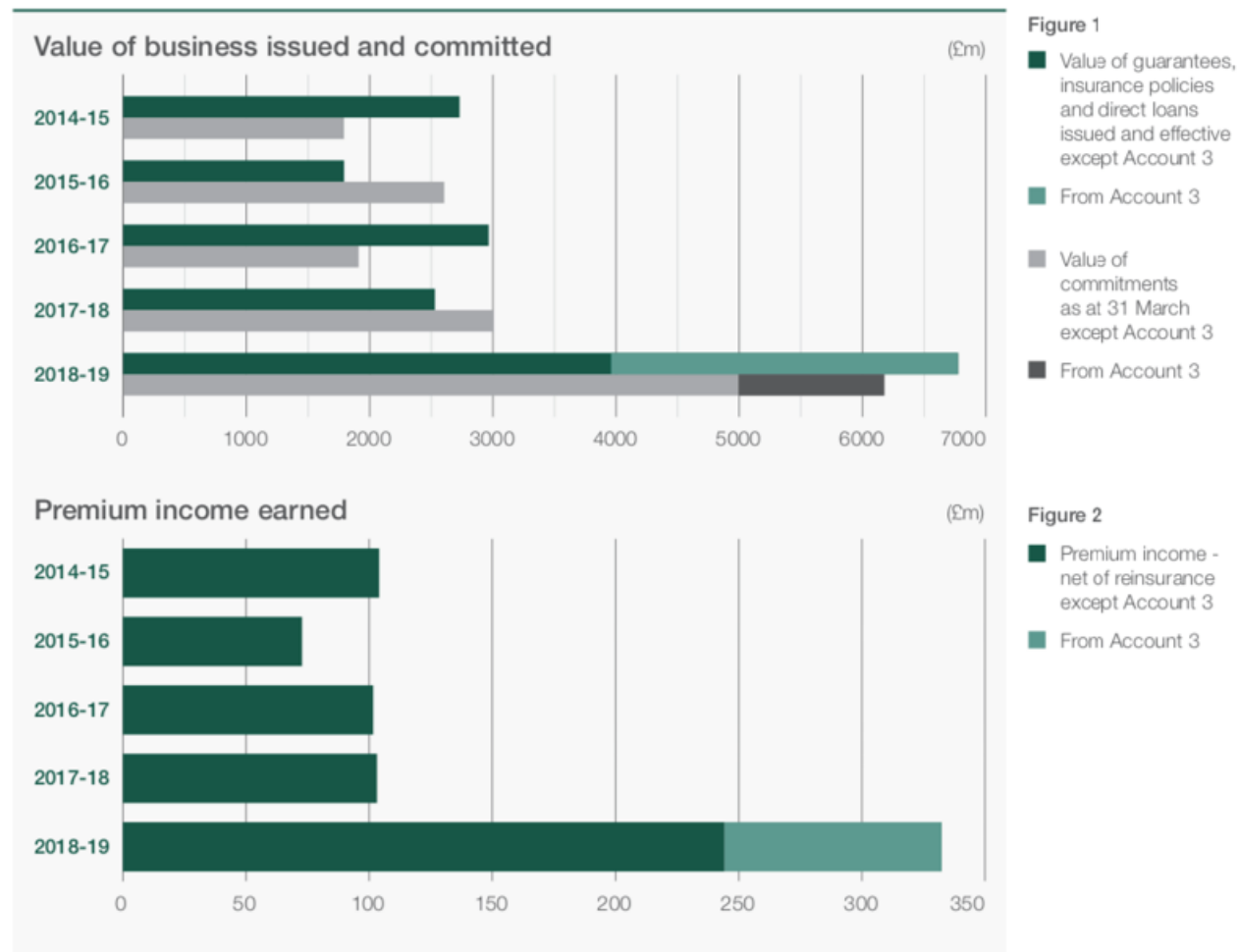
Ex. 2: Export Working Capital Scheme (from gov.uk)



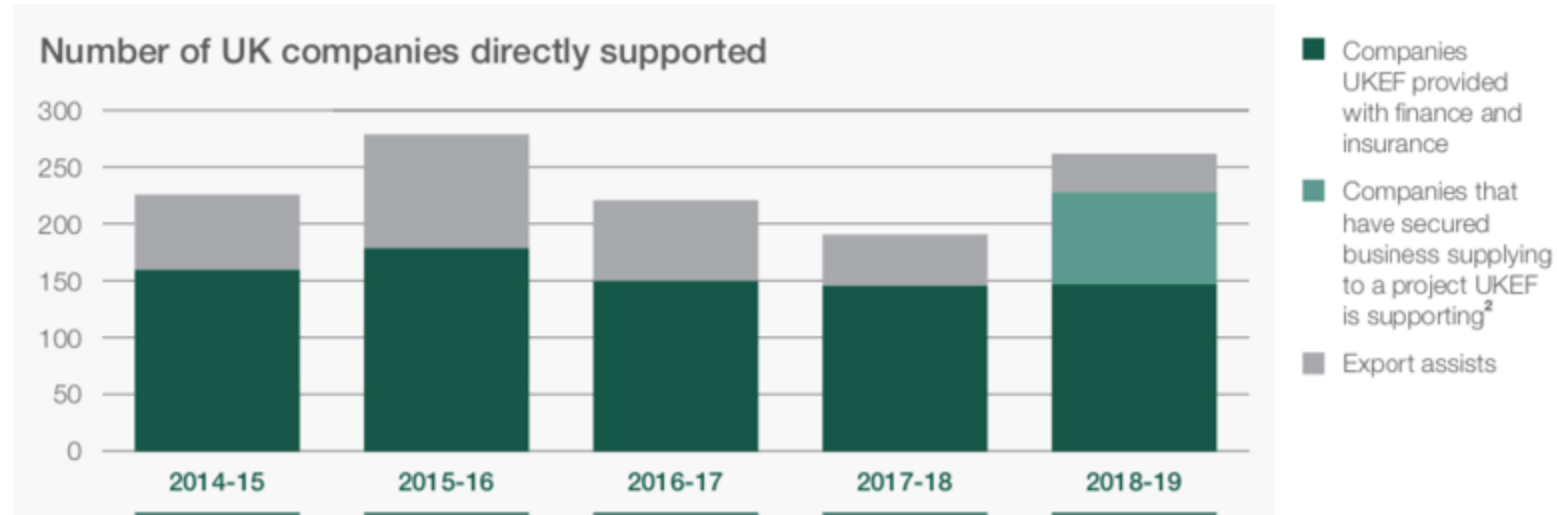
Businesses supported

In 2018-19, UKEF provided 147 applicants with finance and insurance and referred a further 34 exporters to a private sector provider; in addition, a further 81 UK companies secured business supplying goods and/or services to a project UKEF is supporting.

The maximum liability on all new business was £6.8 billion.¹ Our short-term trade finance products supported £620 million of export contracts won by UK businesses. UKEF earned net premium in the year of £332 million, more than the previous 3 years combined.



UKEF



- ¹ Where Figure 1 shows issued and effective business. It does not include amounts counter-guaranteed or reinsured by another official export credit agency where UKEF was acting as lead ECA on a jointly supported transaction. It does include business supported where the private reinsurance market was subsequently used to offset risk for active portfolio management purposes. It includes £587 million in the form of direct loans and scheduled interest, which is accounted for on a different basis.
- ² This data was not measured in previous years and therefore cannot be reported.

Double Dawg Trucking Company

Difficulty: 6 (quant) / 5 (qual)

Note: McKinsey Style Case

Double Dawg Trucking Company

Prompt #1:

Our client is Double Dawg Trucking Company, a large US based manufacturer of heavy duty trucks, also known as semi-trucks. They make two types of vehicles, semi-trucks designed for pulling trailers and trucks or chassis' used for cement trucks, waste haulers, etc. The company has three marquees (brands), all of which manufacturer vehicles for both types of vehicles. The three brands are the result of acquisitions done in the past five years. The company is profitable, but profit margins have been declining slightly over the last few years. Additionally, the market is forecasting a significant market decline in the next few years, which brings great concern to the management of the company.

The CEO has hired McKinsey to help the company better understand their position and to look for solutions for the coming years. How would you structure the problem for the CEO?

Clarifying Questions:

Provide the following answers only if the candidate asks these questions.

1. How large is the company in terms of revenue? **\$30B**
2. Can we clarify that the objective is to preserve profitability as the market declines? **Yes**
3. Does the company sell into international markets? **Yes**

Double Dawg Trucking Company

Interviewer Guidance on Prompt 1:

Sample “Poor” Answer: I would want to examine the revenue, starting with volume and then looking at price. Second, I would want to look at costs, better understanding the variable and fixed costs.

Sample “Good” Answer: This is clearly a profitability question. In order to understand this problem, we need to examine the cost structure of the business and determine where we can be flexible in an ensuing economic downturn. Additionally, we may want to understand ways of adding to our top line. Starting with the revenue, I would want to better understand the product mix. Perhaps there is opportunity to upsell for better profitability. Second, I would want to understand our sales model (dealership, wholesale, fleet, etc.). On the cost side of the equation, I would want to examine any additional synergies we could achieve from our recent acquisitions. We could also look at our fixed costs and overhead and determine if new investments may be worth it to save costs in the long run. Finally, I would want to look at the variable costs and see if we can reduce our labor or input costs on a per truck basis.

Sample “Great” Answer: [A great answer would include all the elements of a good answer, plus the following additional ideas.] From a revenue standpoint, analysis of our three marquees would be useful. Perhaps we are cannibalizing our own brands and need to consider a drastic reorganization. Additional, analyzing the competitive marketplace could provide significant information on how we can achieve better profitability. Within costs, operational efficiencies and lean processes could be a way to achieve costs savings. One thing to watch out for, however, is regulatory changes, most likely emissions rules, that could dramatically change our costs. We should be cognizant of this and other external factors in everything we consider.

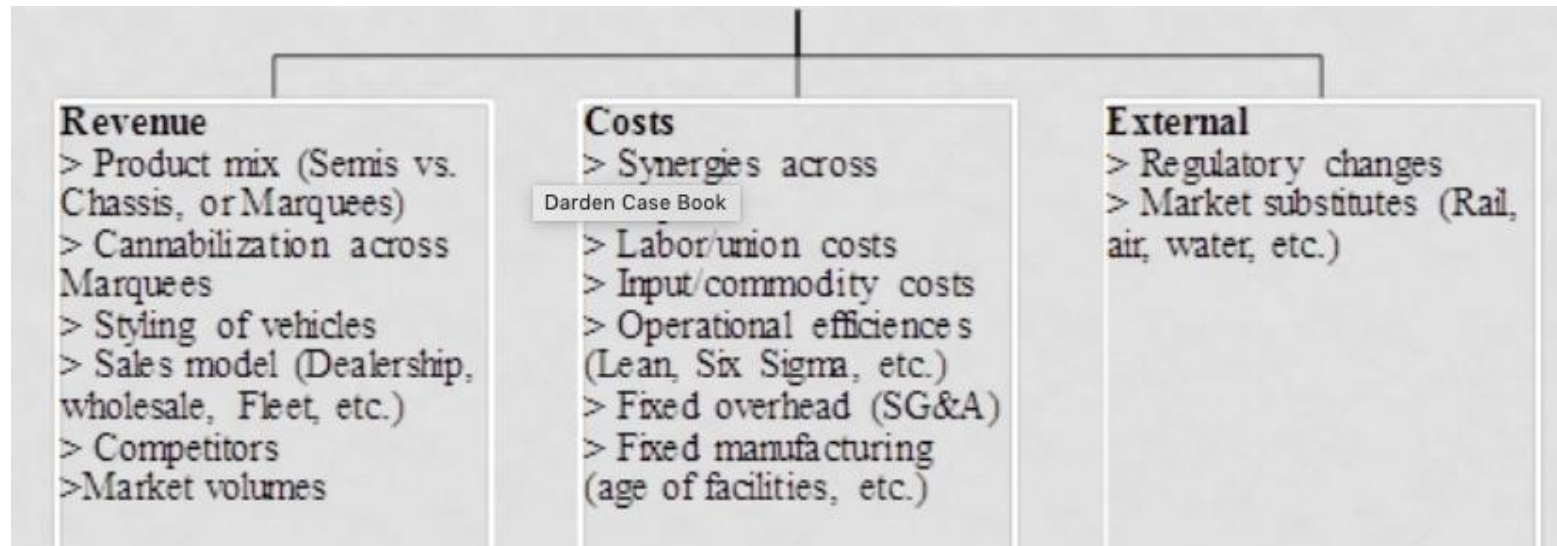
Double Dawg Trucking Company

Interviewer Guidance on Prompt 1:

While a profitability framework does well in this case, the specific bullets beneath revenue and costs should truly address this company in particular and the issues it will face.

Here is a potential framework that will work well in this case:

How do we preserve profitability for Double Dawg Trucking Company



Double Dawg Trucking Company

Prompt 2:

The team decided to take a closer look at the costs of producing a particular line of trucks. **Take a look at Exhibit 1.** What is the potential savings for Double Dawg Trucking Company were we to be best in industry in regard to our cost structure?

Calculation:	$= \text{Total Cost / Truck} \times [\text{In-House \%} \times (\text{Comp B Cost} / \text{Big Truck Cost}) + \text{Outsourced \%} \times (\text{Comp A Cost} / \text{Big Truck Cost})]$ $= \$40,000 \times [30\% \times (80/100) + 70\% \times (80/120)]$ $\$ \quad 30,400$	
Savings	\$	9,600
% Savings		24.00%
Annual Volume		5,000
Total Annual Savings	\$	48,000,000

Exhibit 1

Cost Breakdown	Double Dawg	Competitor A	Competitor B
Manufacturing Mix			
In-House Manufacturing	70%	50%	30%
Outsourced Parts	30%	50%	70%
Parts Cost Index	Double Dawg	Competitor A	Competitor B
In-House Manufacturing	100	100	80
Outsourced Parts	120	80	100

Total Cost per truck: \$40,000

Double Dawg Trucking Company

Interviewer Guidance on Prompt 2:

The interviewee should be told to leave the Manufacturing Mix constant in the calculations.

Sample “Good” Answer: If I understand this correctly, we are basically indexing the costs of both manufactured goods and outsourced parts against that of our competitors. Given that, it looks like we could save 20% in our inhouse manufacturing $((100-80)/100)$ if we had the same cost levels as competitor B. On the outsourced parts, it looks like we could save ~33% $((120-80)/120)$ if we matched the pricing competitor A is achieving. Given we know our product mix, we know how much of the \$40,000 is being spent on both areas. I can then calculate the new cost at the “best in the business” cost structure. [Performs calculations]. It appears that we can save approximately \$9,600/truck or 24% of our original cost on a blended basis.

Sample “Great” Answer: [Same initial answer as above.] While this savings is great, I want to better understand the savings to the company. Do we know how many units are manufacturing in this product line a year [answer of 5000 units given]. Given that, it appears we could save \$48 million dollars a year. For a \$30 billion company, that is about 15 basis points of operating margin before accounting for taxes.

Double Dawg Trucking Company

Interviewer Guidance on Prompt 2:

The candidate will likely struggle with understanding how to calculate the savings as the indexing is an odd way of thinking about the market. Be prepared to nudge the interviewee to keep the product mix constant. Additionally, many interviewees may use 80%/100% for the outsourced parts, instead of 80%/120%. Watch for this and guide the interviewee toward a better answer. Obviously, the great answer brings in the context to the company as a whole and truly seeks to understand the impact of the savings.

Prompt 3:

The team decided to take a closer look at the costs of producing a particular line of trucks. **Take a look at Exhibit 1.** How can Double Dawg Trucking achieve these cost savings?

Double Dawg Trucking Company

Interviewer Guidance on Prompt 3:

Sample “Great” Answer: If we structure this out, I think we can come up with multiple ideas as to how we can remove costs for this system. Let’s look at it this way:

In-House Manufacturing

- Lean/Six Sigma evaluation, continuous improvement
- Labor evaluation – are we union? What can we change?
- Commodities/inputs – LT contracts?
- Facilities – are they old/new? Can we upgrade? Are we at capacity? Are they flexible? Supplied Parts (Outsourced)
- Can we improve our contracts?
- Is our delivery/distribution poor and costing us additional dollars.
- Are we scaling properly across our markets? Can we leverage the volume/standardize parts? Other
- Can we improve by changing the mix of outsource versus manufactured parts?
- Can we vertically integrate? Buy suppliers?

Sample “Good” Answer: [The interviewee will list a number of the items listed in the great answer, but will lack completeness and structure in comparison.]

A great answer will really go through this problem in a structured way. Additionally, each answer should be listed as a conversation with the interviewer. Ask outright about some of the ideas. Perhaps they have been tried already. The interviewer can engage as much as desired in this question guiding the interviewee to specific ideas if desired.

Double Dawg Trucking Company

Prompt 4:

The team also identified another area that it thinks there is potential for savings. The company has a significant used truck business and has contractual obligations to purchase trucks back from customers who bought them new. **Take a look at Exhibit 2.** What analysis can you do from this data? What is the potential for Double Dawg Trucking Company

Outline of Calculations:

Expected cost of buy backs

= Buy back price x trucks in program

= \$25,000 x 20,000

\$ 500,000,000

Expected value of trucks in program

= (trucks x % year 1 x valuation year 1) + (trucks x % year 2 x valuation year 2)
+ (trucks x % year 3 x valuation year 3)

= (20,000 x 50% x \$20,000) + (20,000 x 25% x \$15,000) + (20,000 x 25% x \$20,000)

\$ 375,000,000

Expected Loss

\$ (125,000,000)

Exhibit 2

Buy Back Schedule	
Buy back price	\$25,000
Trucks in buyback program: 20,000	
Aging of trucks	
1 year old	50%
2 year old	25%
3 year old	25%
Valuation of trucks	
1 year old	\$20,000
2 year old	\$15,000
3 year old	\$20,000

Double Dawg Trucking Company

Interviewer Guidance on Prompt 4:

Sample “Good” Answer: After analyzing this program, it is clear that we are mispricing the trucks intended to be bought back. We are offering to buy trucks at \$25,000, but at no point in the next three years are the trucks worth that much. While this may be a good program and offer us other profits as part of a used truck business, we are taking a large loss with this program. Based on the calculations, we are projected to lose \$125 million dollars and I suspect we are selling trucks under these same contracts every day, only further exacerbating the problem.

Sample “Great” Answer: [After answering the good answer, additional points like this could be made]. Although it seems obvious that we should seek to change these practices, I would want to better understand why we are in the position that we are in. Is there an advantage to selling at a loss because it translates into larger profits in our used truck business? Does this create goodwill with our customers and draw them to buy more new vehicles at a greater margin? Understanding these issues more fully would better help me understand how to create a positive solution in regard to this issue.

This problem has straightforward math and shouldn’t take the interviewee long to see what the potential loss would be. The great answer should not only bring to light the scale of the potential loss, but be inquisitive as to why this might be the case. A good interviewee should also guide the interviewer easily to the next question regarding potential solutions.

Double Dawg Trucking Company

Prompt 5:

What specific steps would you take to achieve the savings identified in **Exhibit 2**?

Interviewer Guidance on Prompt 5:

Sample “Good” Answer: My first action would be to halt the practice of these sales immediately to avoid further sales at a loss. I would then work very quickly with our sales managers to structure new contracts so we can launch the business again. I recognize this may be a key sell point for our salesman and do not want to leave them without this tool. At the same time, I would begin an analysis of how affective of a tool this business is for driving business. There may be a reason to be creating contracts that drive a small loss if it allows us to take profitable new truck sale volume from our competitors and creates greater profitability overall.

Sample “Great” Answer: [Answer would be inclusive of the statement above]. After stopping the current unprofitable practice, understanding more appropriately how to drive sales, and creating new procedures, I would then go back to the current contracts and see how we can squeeze value out of them. We may be able to renegotiate some of the contracts finding alternate solutions that are more profitable for us. Perhaps we can break the contracts early. Perhaps we can negotiate service packages in trade for buybacks at a higher profitability level to the company. Maybe we can sell the contracts to a third party who thinks they can get more value out of them than we can. Exploring as many options as possible to increase profitability would be a worthwhile exercise.

The interviewee should very deliberately talk about things the company should do, preferably in a timeline (short, medium, and long term) format. Thinking through not only what to do going forward, but what to do about the current position is what truly makes an answer great. The interviewer should be open to using the phrase “what else?” to push the interviewer outside their comfort zone.

Double Dawg Trucking Company

Recommendation:

It appears the potential for savings is there. The CEO would like a specific recommendation as to what action he should take. Can you provide a recommendation?

Interviewer Guidance on Recommendation:

Sample “Good” Answer: After extensive analysis of both the cost of manufacturing and of the buy back program, I have identified significant savings in both areas. By modifying the buy back program, we could potentially save \$125 million, keeping in mind that these obligations are unlikely to disappear entirely. As for the manufacturing, we have identified an annual savings of \$48 million, again under the caveat that some upfront costs may be needed in order to realize the savings. I recommend you begin by modifying your buy back program first and then looking more closely at your manufacturing and suppliers in hopes of achieving the additional savings there as well. When modifying the buy back program, you do want to be careful not to damage relationships with your customers. However, the scale is large and needs to be addressed regardless.

Sample “Great” Answer: [Include the above recommendation, but add the following.] Given this recommendation and the inherent risks, I would begin tomorrow with communication to your sales team to begin implementing a solution to the buy back program. Additionally, we should begin doing deep analysis on our manufacturing operations in order to identify our inefficiencies and talking with our suppliers about how to reduce costs. We should also look into the future to see if we can take some of the savings for this line of trucks and apply it across the many product lines that we sell. Additionally, given an impending downturn, we should also perform an analysis of the effects of a changed sales program as it may affect the implementation.

A good answer should have a clear, early recommendation, evidence for the recommendation, risks inherent in the changes, and clear next steps to be taken in the immediate future. Credit should also be given for noticing that an improvement to operations creates perpetual annual savings. The interviewee should be comfortable asking for a moment to synthesize their thoughts and structure an answer starting with the action, then reasons, then risks, and finally next steps.

Emerald Biofuels

Difficulty: 6 (quant) / 5 (qual)

Note: McKinsey Style Case

Emerald Biofuels

Prompt #1:

Emerald Biofuels is a large provider of fuel additives required for the production of gasoline, has recently developed a substantially improved form of ethanol that adds 20% efficiency (measured as miles driven on a single gallon of ethanol). This version of fuel is costly to produce but the market is large and growing more rapidly as increased amounts of ethanol are being used in fuel blends.

The company has engaged your team to help determine the viability of this new product, and, if it is viable, how to go about the process of launching it.

Clarifying Questions:

Provide the following answers only if the candidate asks these questions.

1. Is the company in the US only? **Yes, please focus only on the US market**
2. Does the current infrastructure exist to make and support this product? **It's compatible with other infrastructure in the external value chain, but Emerald Biofuels does not have the capacity to mass produce it.**
3. What criteria does Emerald want us to use to determine viability of the product? **Please develop your own criteria**
4. What is the value chain for this product from Emerald to the consumer? **Ethanol is delivered from manufacturers to fuel blenders, who then sell and deliver in bulk to filling stations, who in turn sell it to consumers.**
5. Does Emerald have a patent on this technology? **Yes**

Emerald Biofuels

Interviewer Guidance on Prompt 1:

This is a value chain analysis case.

The analysis may include, but is not limited to, the following areas:

- Standard valuation (ROI + intangible benefits). What is the initial and recurring investment?
- What is the incremental profit from this venture? What can be gained beyond the sale of ethanol?
- What barriers exist for this product? How will the value chain respond? Can we make it?
- What is the standalone value of this product, and what is its value to other producers? Can we sell it?
- What will existing competitors do in response?

Emerald Biofuels

Interviewer Guidance on Prompt 1:

Strong Answer: Includes valuation of the product as part of Emerald Biofuels and at least considers its value for other firms. It is necessary to consider barriers to a successful launch (both internal capability and external pressures). Also a strong plan considers the competitive response and how it is manifested throughout the value chain. Intangible benefits (spin-offs, positive PR, etc.) should be considered as well.

Weak Answer: Valuation is important but not strong enough on its own. Failing to consider costs and investments (both fixed and working capital) is a shortcoming. Failure to consider the possibility of selling the product to another, more capable company shows lack of creativity. Intangible benefits (hard to quantify) are a strong opportunity to showcase creativity as well. Failure to consider competitive response and the full impact on the value chain would also result in a negative hit.

Emerald Biofuels

Prompt 2:

Now I would like you to size the market for me. But I will give you some data.

First, there are two ethanolgasoline blends used in the US, E-85 and E-15. E-85 is 85% ethanol at 10% of the market and E-15 is 15% ethanol at 90% of the market.

The number of miles driven in the US last year was 1,800 billion miles. Please give me the market in gallons for ethanol.

Emerald Biofuels

Interviewer Guidance on Prompt 2:

This is fairly simple, but it's important to first develop the approach (gallons of ethanol = (1,800 billion total miles / X average gas mileage) * 85% ethanol content * 10% of the market + (1,800 billion total miles / X average mileage) * 15% ethanol content * 90% of the market).

A key is seeing that the X mileage is missing and is needed, so the interviewer should ask for it. This will yield a response from the interviewer of 20 miles per gallon on average. Thus: $(1,800 \text{ billion} / 20) * .85 * .10 + (1,800 \text{ billion} / 20) * .15 * .90 = 19.8 \text{ billion gallons of ethanol}$.

Expected Insight: One should notice that there's not enough information and know to ask for the average mileage in the US (20 miles/gallon). Also, one should ask about the 20% additional efficiency, but the interviewer will instruct the interviewee to ignore it. Once the interviewee calculates the answer, he or she should remark about the size of the market, and immediately want to know how fragmented it is, and will be told it's highly fragmented.

Emerald Biofuels

Prompt 3:

Now, the analysis has determined that there is no savings by using this new fuel blend. Basically, the fuel costs exactly as much to develop and deliver as can be gained by selling it. But the CEO has staked his reputation on this product, so he is committed to delivering it. Please explain how you would best appeal to each level in the value chain in order to best promote this improved product.

Interviewer Guidance on Prompt 3:

The value chain should be looked at from source to consumer:

- Selling to blenders: the fuel blenders will have to blend 20% less (but will pay for it as a price premium). However, they could use it as a competitive advantage by differentiating on its basis. Additionally, it could reduce its distribution costs (delivering less to filling stations). Also, blenders would have a competitive advantage by being positioned for potential future government regulation.
- Filling stations: differentiating factor for eco-sensitive consumers. Point of positive public relations. Appeals to drivers who want to spend less time filling up. Less refills needed from the blender, so less delivery costs. Could also make it possible to distribute gas from smaller tanks, making it possible to put new stations in formerly prohibitive locations.
- Consumers: eco-friendliness. Higher cost of fuel set off by less need to fuel up (efficiency) and there is an additional value add since they'll spend less time at the gas station.

Emerald Biofuels

Recommendation:

The CEO would like your final recommendation.

Interviewer Guidance on Recommendation:

Answer – Since the interviewer will make it clear that the CEO is intending to roll out the new fuel, this is a given.

The main points from the second question, regarding the value chain, should be included as supporting evidence.

The number(s) – The ethanol market number is optional and may not do anything to add value to the argument. • Risks or considerations – Rolling out the new fuel could cause a price-perception problem (higher cost to fill up). Attempts to fix this through marketing efforts could also drive marketing costs. There is also the consideration of what it means to release a new fuel, including risk that the fuel is more corrosive than other existing fuels.

Next steps – Next step would be launching a pilot program, including marketing efforts, to test the fuel for its efficacy. Lessons learned would be applied to a gradual national roll-out.

Strong Recommendation: The CEO has indicated that he wants to roll out the new fuel. The best way to do this is to appeal to blenders and gas stations on the basis of reduced delivery costs and enhanced public relations, and appeal to consumers on the basis of eco-friendliness and fewer required fill-ups. The biggest risk is alienating consumers due to the higher cost perception and alternatively the marketing cost of mitigating this perception.

Weak Recommendation: The market size is 20.9 Billion gallons of ethanol each year. Thus Emerald should roll out the new product because it's more efficient and could cut associated costs and make green consumers happy.

BWM Worldwide

Difficulty: 3 (quant) / 3 (qual)

BWM Worldwide

Prompt 1:

A widget manufacturer in Brazil has a 60% national market share and has a leadership position in South America. However, it only has a 5% international market share. The top 20 clients buy 80% of its products and the manufacturer is concerned with increasing margins and exploiting new sources of revenue. Their CEO has asked you to gather data and brainstorm potential ideas for increasing margins and market share

BWM Worldwide

Interviewer Guidance (if requested):

- Market information
 - Market is growing at 5%
 - No significant competitors in region
 - Greatest threat comes from U.S., Chinese, and Indian imports
 - Premium pricing for national customers
- Company information
 - Plants are operating at 100% capacity
 - Plants can't shift from producing one product to another
 - Currently company sells products directly to customers

Interviewee should ask to understand the products and profitability of each. Remind them that the company sells its products in local and international markets. Show **Exhibit A**.

Interviewee should ask about the breakdown of international and national markets. Show **Exhibit B** and ask to calculate profit margins (should use unit costs in Exhibit A) and assuming no freight costs or taxes

BWM Worldwide

What the interviewee should be concluding

Product A is more profitable nationally while Product B is more profitable internationally. (**Exhibit C**)

For national markets, the client should consider reducing prices to gain market share from India, China, and the U.S. to maintain their leadership position. They should also consider developing new products in partnership with local clients and establishing new distribution channels to better serve smaller clients. Internationally, the client should seek support from the government to aid in the export of products.

For example, create commercial partnerships at the government level. They should also consider acquiring a company in the markets they would like to enter as well as setting up distribution channels to reach these customers.

BWM Worldwide – Exhibit A

	Units	Average Price	Profit Margin %	Unit Cost
Product A	400	9.00	50%	4.50
Product B	200	5.50	40%	3.30
Product C	100	4.00	30%	2.80

BWM Worldwide - Exhibit 2

	Units	National Price	Profit Margin
Product A	200	10	
Product B	150	5	
Product C	75	4	

	Units	Export Price	Profit Margin
Product A	200	8	
Product B	50	6	
Product C	25	4	

BWM Worldwide – Exhibit C

To be used after the case, or if the interviewee gets stuck

	Units	National Price	Profit Margin	Unit Costs
Product A	200	10	55%	4.50
Product B	150	5	34%	3.30
Product C	75	4	30%	2.8

	Units	Export Price	Profit Margin	Unit Costs
Product A	200	8	44%	4.50
Product B	50	6	45%	3.30
Product C	25	4	30%	2.80

Old Folks Inc.

Difficulty: 4 (quant) / 2 (qual)

Old Folks Inc.

Prompt 1:

Our client, Old Folks Inc., is a company that owns and operates retirement homes in the US. They just opened a new retirement home in Seattle about a year ago and they have concerns regarding profitability. They have asked you to help them figure out the problem and suggest solutions.

Old Folks Inc.

Interviewer Guidance (if requested)

Location: the new home is in downtown Seattle and all the previous ones were in Northern California.

Additional data: interviewee should ask for information in the table step by step, but **do not show the table** (see following page for table)

Old Folks Inc.

Revenue Generating	Previous retirement home	New retirement home
Units	800	400
Revenue/unit	\$500	\$1000
Total available revenue	\$400,000	\$400,000
Vacancy	20%	10%
Actual revenue	\$320,000	\$360,000

After showing the table, ask what the interviewee thinks

Logical conclusion: revenues are not the problem, look into costs.

Similar to before, **do not show the table on the next page**, the interviewee should ask for each item separately.

Old Folks Inc.

Costs	Previous retirement home	New retirement home
Amenities total	48,000	54,000
- Fixed component	24,000	30,000
- Variable/month per apartment	30	60
- Total variable	24,000	24,000
Maintenance Total	100,000	80,000
- Variable/month per apartment	125	200
Utilities total	38,400	45,000
- Variable/month per apartment occupied	60	125
- Apartments occupied	640	360
Medical Facility Total	--	60000
SG&A Total	80,000	60,000
Total Costs	266,400	299,000
Total Margin	53,600	61,000

Old Folks Inc.

Logical conclusion / recommendation:

The cost of operating the new retirement home is higher, however it alone tells nothing about the problem our client is facing.

The new retirement home not only has higher costs, but it also has higher revenues. Consequently, margins generated by each home are pretty consistent and, if anything, the new retirement home generates higher margin in both absolute and relative terms.

Having analyzed the performance of the new retirement home and compared it to the performance of a typical retirement home that our client operates, we reached the conclusion that our client has no profitability problem. The new home generates 61 000 margin versus 53 600 in old home or about 17% in both cases.

On the other hand, there are some significant differences in cost structure for the new and old retirement homes, so we can study it in more depth and potentially reduce costs in both of them to generate higher margin.

Big Pharma

Difficulty: 1 (quant) / 5 (qual)

Big Pharma

Prompt 1:

You are part of a team working for a Pharmaceutical manufacturer. They've been asked to look at their current R&D portfolio and assess whether they're maximizing their potential with their current projects. The questions to you are:

- (1) How can you help them decide what information you would need and
- (2) (2) What components do you think would round out a portfolio for this company?

Big Pharma

Interviewer Guidance (if requested)

Current staffing needs are at equilibrium and layoffs and hiring are not expected to be necessary

The goal is to get the interviewee to brainstorm. You want them to come up with categories for this company to consider when developing their R&D portfolio. For any questions, make sure you keep them on track with this goal. They should be naming different areas to look at for example investing in current projects versus investing in creating new business.

Big Pharma

Logical conclusion / recommendation:

The company should be considering looking at multiple areas of its business such as whether the R&D is for new business or current business, new technologies versus current technologies, spread of projects across your business units, big projects versus small projects, high dollar investment versus low dollar investment, short duration projects versus long duration projects, etc.

Big Pharma

Prompt 2:

When the interviewee has provided their conclusion for the areas they think the company should be looking at for a successful mix, please ask them to pick two and create a 2x2 diagram for you. Please ask: "If you were to look at these two areas, how would you suggest breaking up the expenditure." **See sample on next page, do not show.**

If asked how much the R&D expenditure is annually, answer with \$1M, but this is not relevant to calculations and they can be done using percentages only.

Big Pharma

Duration of projects

Long 40%

Short 60%

High 40%

\$\$ Investment: 40%
Duration 40%
Total % of all projects: 16%

\$\$ Investment: 40%
Duration 60%
Total % of all projects: 24%

\$\$ Investment

Low 60%

\$\$ Investment: 60%
Duration 40%
Total % of all projects: 24%

\$\$ Investment: 60%
Duration 60%
Total % of all projects: 36%

The main points to make sure the interviewee gets correct is that all four boxes together should = 100% and that each of the columns and rows should equal the percentage allocated for that particular category (ie 40% for long term projects or 60% for low \$\$ investment projects)

Big Pharma

Logical conclusion / recommendation:

A successful interview would follow this "logical path:"

- (1) Develop a small framework from which they follow. Potential framework categories include Revenues and Expenses, Regulatory Environment, Internal Issues, etc.
- (2) Start asking appropriate questions based on this roadmap. (example: "I would really like to look at the current state of finances for the company. There is the possibility that for expense reasons, they may not be able to heavily invest in a lot of R&D Projects.")
- (3) When prompted, conclusion should be short and sweet. "In my opinion, this pharmaceutical company should really focus on 4 different categories. These are large investment versus short investment, longer projects versus shorter projects, new business versus existing business, and the mix over different business units. These will allow it to maximize its spending investment and reduce their risk by not being overly invested in one area."
- (4) The 2x2 should follow. It doesn't matter which areas they pick to compare but the math should be easy. If there is a problem with the math, an easy prompt can be given without too many "points" being taken off.

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- [Management Consulted](#)
- [Rocket Blocks](#)