

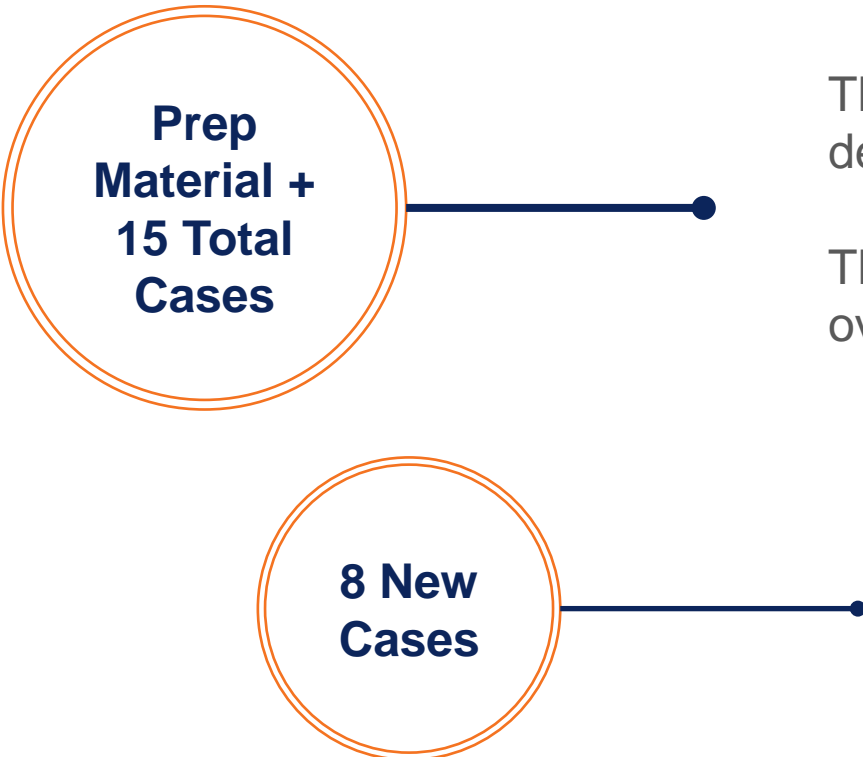


# Darden 2024-2025 Casebook

Darden School of Business



# DARDEN CASE BOOK 2024-25 FOREWORD



**Prep  
Material +  
15 Total  
Cases**

The cases featured in the 2024-2025 Case Book are designed to give a wide range of industries and case styles

This case book includes a case interview primer, industry overview, and 15 total cases

**8 New  
Cases**

The 2024-25 Case Book features 8 brand new cases that will test a broad array of knowledge areas and math concepts



# TABLE OF CONTENTS

Content	Page
<a href="#"><u>List of Darden 24-25 Cases</u></a>	4
<a href="#"><u>Greatest Hits</u></a>	5
<a href="#"><u>The Case Interview</u></a>	6
<a href="#"><u>Industry Overview</u></a>	13
<a href="#"><u>Darden 24-25 Cases</u></a>	23

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# Darden 2024-2025 Cases

 Winning Cases from 2024 Case-a-thon

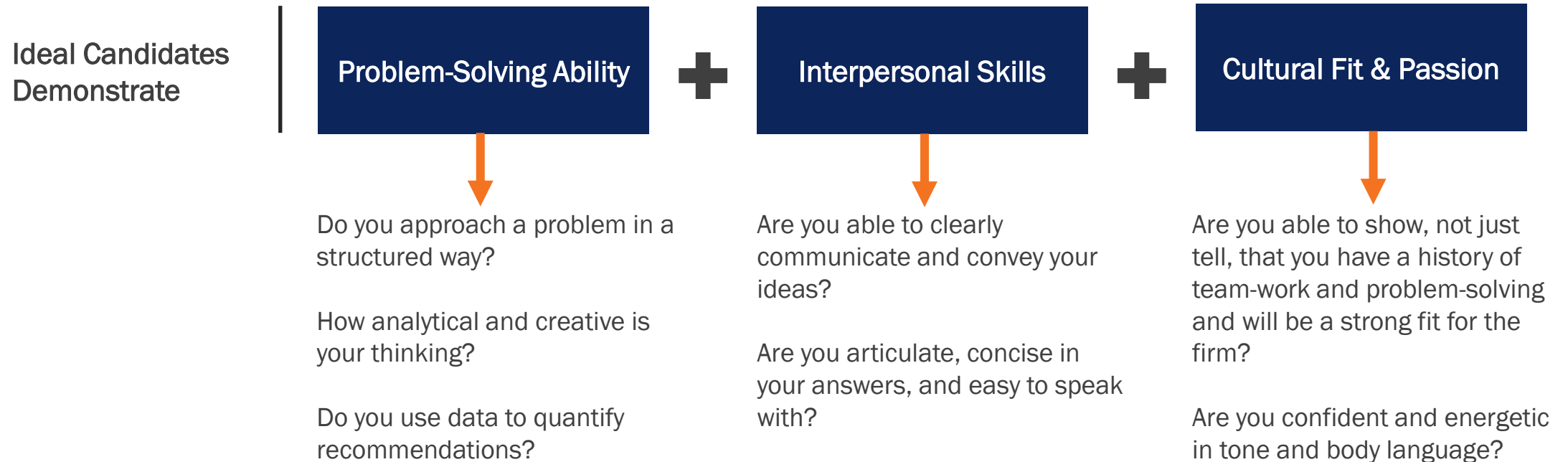
Case Title	New / Returning	Industry	Case Type	Difficulty Overall / Quant / Qual			Page
<a href="#">Catch Me Or I Go; HuDisney</a>	(N)	Media & Entertainment	M&A	3	3	2	25
<a href="#">Cruising Into Bollywood</a>	(N)	Entertainment	Market Entry	2	2	3	34
<a href="#">Crunch Time at ChipCo.</a>	(N)	Food and Beverage	Operations	2	2	3	43
<a href="#">Hooville College</a>	(N) 	Education	Growth	2	2	2	53
<a href="#">HR Co</a>	(N)	Professional Services	Growth	2	2	1	62
<a href="#">Hydrogenous</a>	(N) 	Non-Profit	Other	3	3	2	72
<a href="#">Jane Darden’s Ranch</a>	(R)	Hospitality	Market Entry	2	2	2	82
<a href="#">Kegging Costs</a>	(N) 	Food and Beverage	Operations	2	3	1	91
<a href="#">News Co.</a>	(R)	Media	Customer Experience	3	3	3	100
<a href="#">Opus Two</a>	(R)	Consumer	Market Entry	3	2	3	110
<a href="#">Pedal Pals</a>	(R)	Technology	Cost Improvement	1	1	1	118
<a href="#">PharmaCo</a>	(R)	Pharmaceuticals	M&A	2	3	2	127
<a href="#">Pineapple Express</a>	(N)	Technology	Pricing	2	1	3	134
<a href="#">Sticky Surfactants</a>	(R)	Chemicals	Profitability	1	1	1	143
<a href="#">Weasley’s Wizarding Warehouse</a>	(R)	Retail	Market Entry	2	1	2	151

# Greatest hits – Darden and other schools

Case Title	Case Book	Industry	Case Type
Mapflix Nollywood	Fuqua 2018 – 2019	Tech	Market Entry
Electric Walk	Darden 2022 – 2023	Public Sector	Product Launch
A Hairy Ordeal	Darden 2020 – 2021	Consumer	NPV
Penn and Teller	Wharton 2017	Entertainment	Profitability
Apache Helicopters	Ross 2008	Public Sector	Profitability
So Fresh, So Clean	Fuqua 2014 – 2015	Consumer	Profitability
Fighting Phillies	Wharton 2017	Sports	M&A / Valuation
Sourcing the Sauce	Darden 2021 – 2022	Restaurants	Growth
Pre-K Education	Columbia 2017	Education	Growth
Coyotes	Fuqua 2014-2015	Nonprofit	Non-traditional
Dutch Dam Dilemma	Darden 2022 – 2023	Government	Vendor Selection

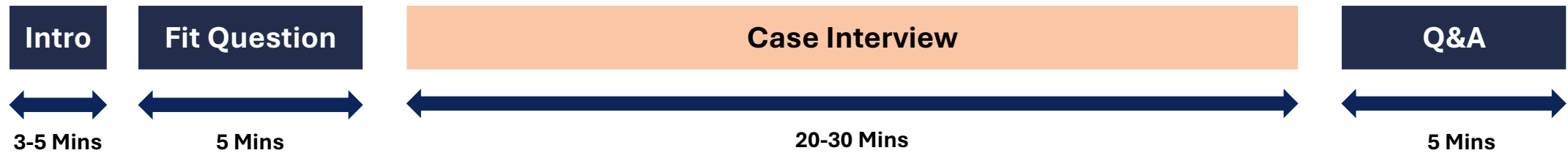
# What is a case interview?

**A case interview is a short, simplified version of a complete consulting engagement.**



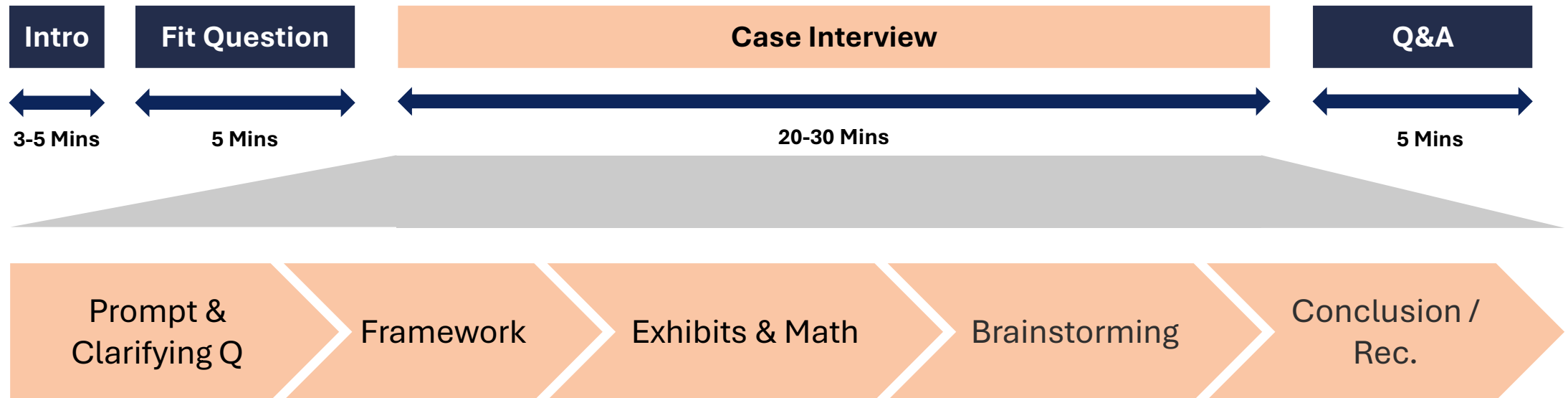
# Interviews follow a common format

This is a common format for consulting interviews; however, it is not the only format. Interviews could range from 30 minutes to 60 minutes, and some firms separate case interviews and fit interviews.



# Cases are composed of five primary building blocks

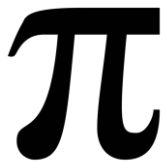
While all companies have different ways of casing, cases will typically follow a common format consisting of five main parts. There will be opportunities to become familiar with the style of the companies you'll interview with – **companies are not trying to surprise you.**



**These five building blocks will serve as the framework for today's training**



# Examples of common case types



## Profitability

Analyze potential sources of profit declines and identify ways to improve profitability



## Market Entry / Market Size

Analyze the client's opportunity to expand and quantify the viable market for any new products



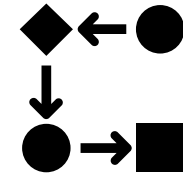
## Growth

Identify opportunities for the client to optimally grow revenues or increase market share



## Acquisition / Sale

Determine whether the client should purchase another business or sell an existing part of the company



## Operations Optimization

Identify bottlenecks and other process weaknesses to help the client properly allocate resources to most valuable improvements

**Warning: This is not an exhaustive list of case types!**

# CASE MATH: CHEAT SHEET – KEY FORMULAE

## Net Present Value (NPV)

- NPV is the value of all future cash flows brought to present value by the interest rate minus the initial investment (if applicable)
- $$NPV \text{ (perpetuity)} = \frac{\text{Cash Flow}}{\text{Discount Rate} - \text{Growth Rate}} = \frac{CF}{r - g}$$

## Contribution and Break Even

- Contribution Margin shows how much of the company's revenues contribute towards fixed costs and income
- $$\text{Contribution Margin} = \text{Selling Price} - \text{Variable Costs}$$
- Breakeven quantity indicates how many units of product need to be sold to cover the fixed costs
- $$\text{Breakeven Quantity} = \frac{\text{Fixed Costs}}{\text{Contribution Margin}}$$

## Percent Change

- This is a widely applicable formula used to calculate Increase/decrease in Revenue, Profits, Prices, Costs etc.
- $$\% \text{Change} = \frac{\text{Ending Value} - \text{Beginning Value}}{\text{Beginning Value}}$$

## Return on Investment

- Return on Investment (ROI) measures the efficiency of an investment or a project and can be used to compare different projects
- $$ROI = \frac{\text{Profits} - \text{Cost of Investment}}{\text{Cost of Investment}}$$

## Rule of 72

- The Rule of 72 allows you to calculate the growth rate an investment will require to double in a specified number of years
- Investments double in  $\frac{72}{\% \text{ Annual Interest Rate}}$  years



# CASE MATH: CHEAT SHEET – ACCOUNTING

## Income Statement

Revenue	
- COGS	Cost of Goods Sold
Gross Profit	
- SG&A	(Marketing, R&D etc.)
EBITDA	
- Depreciation	
EBIT	Operating Profit
- Interest	
- Taxes	
Net Income	

## Margins

- $Gross\ Margin(\%) = \frac{Revenue - COGS}{Revenue} = \frac{Gross\ Profit}{Revenue}$
- $Operating\ Margin(\%) = \frac{EBIT\ or\ Operating\ Profit}{Revenue}$
- $Net\ Margin(\%) = \frac{Net\ Income}{Revenue}$

## Key Points to Remember

- Revenue is most commonly calculated as some form of *Price × Volume*
- COGS is the direct cost of manufacturing a product or a service, typically Material & Labor costs
- SG&A are all other administrative expenses a business would incur in the normal course of business

SG&A: Selling, General and Administrative Expenses; EBITDA: Earnings before Interest, Taxes, and Depreciation; EBIT: Earnings before Interest and Taxes



# DARDEN CASEBOOK GUIDE

To get the most authentic casing experience, you should aim to do at least one behavioral interview question at the start of each case and have your interviewer take note of your timing



Indicates the overall difficulty of the case with a combination of mathematical technicality and creative thinking ability. It is advised that you start with single star cases and work your way up to three star cases



Indicates the degree of math difficulty in the case. Harder cases typically have multiple stages of calculations with multiple opportunities for mistakes



Indicates how creatively intensive the case will be. The more qualitative, the more thorough your framework should be. These cases will place more emphasis on the brainstorming elements

## Grading Rubric

### Case Execution

Great casers should be well structured, demonstrate coachability, and make insightful connections

### Communication

Great casers should demonstrate confidence, speak clearly, and have a tidy case work

### Behavioral

Great casers should give clear and concise answers that are relevant





# Industry Overviews

**Please note that these are commonly tested industries. This list is not exhaustive of all the industries tested.**



# INDUSTRY OVERVIEW – CONSUMER / RETAIL

## Key Industry Trends

- **AI-Powered Personalization:** Retailers are leveraging advanced AI deliver hyper-personalized shopping experiences; however data privacy and responsible AI are growing concerns
- **Sustainability Focus:** Brands are increasingly adopting eco-friendly packaging, sustainable sourcing, and transparent supply chains to attract environmentally conscious consumers.
- **Phygital Shopping:** The integration of physical and digital shopping experiences is growing, with technologies like AR/VR and smart mirrors enhancing in-store engagement.
- **E-commerce and Quick Commerce (Q-Commerce):** Online shopping continues to grow, with rapid delivery services (e.g., under 30 minutes) becoming a major differentiator for retailers.
- **Private Label Evolution:** Private label brands are no longer just low-cost alternatives; they are becoming premium offerings, competing with established brands in quality and perception.
- **Loyalty and Subscription Models:** Retailers are expanding subscription services and loyalty programs to create recurring revenue streams and deepen customer relationships.
- **Sustainability and Circular Economy Models:** Consumers demand eco-friendly packaging, sustainable sourcing, and resale/rental options (e.g., platforms for second-hand clothing)

## Important Terminology

- **SKU:** Stock Keeping Unit – A unique identifier for each product
- **In-stock Rate:** Percentage of items available for immediate sale.
- **CRM:** Customer Relationship Management systems for enhancing customer experience and loyalty
- **Omnichannel:** Seamless integration of multiple shopping channels like online, mobile, and in-store
- **Dynamic Pricing:** Adjusting prices in real-time based on demand, competition, and other factors
- **Loss Leader:** Merchandise sold at a loss to attract new customers or stimulate other profitable sales
- **Mark-up:** Percentage added to the cost of product to get selling price

## Important Calculations

### 1. Inventory Turnover:

$$= (\text{Sales} / \text{Inventory})$$

### 2. Gross Margin:

$$= \frac{(\text{Revenues} - \text{COGS})}{\text{Revenues}}$$

### 3. Contribution Margin (CM):

$$= (\text{Sales} - \text{Variable Costs})$$

$$\text{CM Rate} = \frac{(\text{CM})}{(\text{Sales})}$$





# INDUSTRY OVERVIEW – ENERGY

## Key Industry Trends

- **Clean Renewable Energy:** Wind, solar, and biomass power are increasingly replacing the use of fossil fuels in developed and developing countries with some projections indicating 80% of the world's energy needs being met by renewable energy by 2050
- **Energy Storage Advancements:** Battery technology, like lithium-ion and solid-state batteries, is rapidly improving, enabling better storage of renewable energy; addressing intermittency issues with wind and solar
- **Hydrogen as a Clean Energy Source:** Green hydrogen is gaining momentum as a versatile and clean energy carrier, particularly for hard-to-electrify sectors like heavy industry and aviation.
- **Carbon Capture and Storage (CCS):** Technologies to capture carbon emissions from industrial processes or directly from the air; with investments targeting large-scale deployment to complement renewable energy
- **Energy Transition Policies and Net-Zero Goals:** Governments and corporations globally are committing to net-zero emissions by 2050, driving investment in renewables, electrification, and clean technologies while phasing out coal and reducing reliance on oil.
- **Decentralized Energy Systems:** Virtual power plants, microgrids, and distributed energy systems are transforming how energy is generated, stored, and consumed, providing resilience and lowering dependency on centralized power grids.

## Important Terminology

- **Upstream (E&P):** Exploration and Production – Process involving the finding, drilling, and producing of crude oil and natural gas or liquified natural gas (LNG)
- **Midstream:** Focuses on the processing, storage, marketing, and transportation of oil and natural gas. (Most pipe-line companies fall in this category)
- **Downstream:** Includes oil refineries, petrochemical plants, petroleum products distributors, retail outlets and natural gas distribution companies
- **OPEC:** Organization of Petroleum Exporting Countries – Cartel of 14 nations that coordinate petroleum policies. – Often influences output and thus oil prices

## Important Calculations

### 1. Return on Investment (ROI)

$$= \frac{(\text{Profits} - \text{Cost of Investment})}{\text{Cost of Investment}}$$

### 2. Breakeven Point

$$= \frac{(\text{Fixed Costs})}{\text{Contribution Margin (CM)}}$$

## Important Considerations:

- Transportation / Distribution costs
- Storage Costs
- Production Costs: Labor + Materials
- Plant Development Costs
- Depreciation & Taxes
- Overhead



# INDUSTRY OVERVIEW – TRANSPORTATION

## Key Industry Trends

- **Airline Capacity Additions:** Airline ticket prices have been in a state of flux in a post-Covid world, with airlines struggling to add capacity due to pilot shortages
- **Fuel:** Airline companies have been investing heavily in upgrading their fleet to more fuel-efficient aircrafts to reduce their biggest cost driver. In addition, Airlines are increasingly adopting SAF, derived from renewable resources, to lower carbon emissions and meet sustainability goals
- **EV (Electric Vehicles):** Auto manufacturers are all racing to create battery-powered vehicles and the charging infrastructure to go along with them
- **Autonomous Vehicles:** Semi-autonomous vehicles are widespread and fully autonomous vehicles being piloted. This can cause major disruption to auto manufacturers, public transport, and insurance companies
- **Shortage of Truckers:** Transportation companies have been struggling to keep up with the booming demand and a massive shortage of truck drivers, increasing in labor costs. Autonomous trucks and drones are being developed and tested for long-haul and last-mile delivery, potentially mitigating labor shortages.
- **Urban Mobility Solutions:** Electric and autonomous micro-mobility (e-scooters) and public transportation innovations (Hyperloop) are addressing urban congestion and lowering greenhouse gas emissions

## Important Terminology

- **Load Factor:** Measures the capacity utilization of transportation services and is equal to the average actual utilization divided by the maximum capacity
- **PRASM: Passenger Revenue per Average Seat Mile** –Or RASM (revenue) is the revenue generated per available seat miles in which  $ASM = \text{number of seats available} \times \text{number of miles flown}$ .
- **Logistics:** The detailed coordination of complex operations involving many people, facilities, or supplies.
- **3PL** –Third party logistics companies offer logistics services to other companies. Can be cheaper for some companies to outsource their logistics to 3PLs.
- **LTL & FTL:** LTL (Less than Load) – Small freight that doesn't fill a truck which is generally more expensive to ship, (FTL) Full Truck Load) – Large shipments that fill a trailer and are thus cheaper to ship

## Important Calculations

### 1. Potential Savings by Switching Equipment

= {New Profit – Old Profit} or

$\{ [(New\ Capacity \times Price) - (New\ efficiency \times cost)] - [(Old\ Capacity \times Price) - (Old\ efficiency \times cost)] \}$

## Important Considerations:

- Gasoline / Fuel Prices
- Carrying Capacity
- Range / Distance
- Destination Routes
- Maintenance Costs
- Depreciation



# INDUSTRY OVERVIEW – MANUFACTURING / AGRICULTURE

## Key Industry Trends

- **Smart Manufacturing:** Beyond predictive analytics, manufacturers are adopting technologies like digital twins (virtual replicas of real systems) to simulate, monitor, and optimize production processes in real-time.
- **AgTech Innovations:** In agriculture, technologies such as precision farming, drones for crop monitoring, and robotic harvesters are revolutionizing productivity and resource efficiency.
- **Alternative Proteins and Lab-Grown Foods:** The demand for sustainable food sources has led to growth in plant-based proteins and lab-grown meat technologies, creating new markets and improving sustainability
- **Carbon Neutrality Goals:** Both manufacturing and agriculture industries are under pressure to adopt green practices, such as renewable energy, sustainable sourcing, and regenerative farming techniques
- **Trade-war & Tariffs:** With global political crises brewing in various parts of the world, trade and financial sanctions and subsequent retaliatory actions have impacted manufacturing/agriculture supply chains
- **Reshoring and Nearshoring:** Due to trade wars, geopolitical tensions, and supply chain disruptions, companies are shifting production closer to key markets (reshoring/nearshoring) to reduce risk and costs
- **Sustainable Food Systems:** Vertical farming has been a growing trend in urban locations to minimize environmental footprints and bring produce to major cities

## Important Terminology

- **(JIT) Just-in Time Inventory:** “Pull demand” inventory system in which assembly materials and support items are delivered as needed to minimize raw material inventory
- **Commodity:** An interchangeable non-differentiated product or material that is sold freely. (Most agricultural products are commodities)
- **Bottleneck:** The resource in a manufacturing process that is working at max capacity and thus limits the output of the entire production
- **Bushel:** A unit of dry measure (1 cubic foot) for grain, fruit, etc., equivalent to 8 gallons of liquid
- **Out-source:** Process of contracting an outside party to complete a production or service task for a business. –Typically done to save cost or due to a lack of expertise

## Important Calculations

### 1. Potential Savings with New Equipment

$$= (\text{New Equip. Expenses} - \text{Old Equip. Expenses})$$

$$[(\text{Old Time} \times \text{Old Labor}) + (\text{Raw Material Cost} \times \text{Old Quantity}) + \text{Old Depreciation}]$$

$$- [(\text{New Time} \times \text{New Labor}) + (\text{Raw Material Cost} \times \text{New Quantity}) + \text{New Depreciation}]$$

## Important Considerations:

- **Raw Material Costs**
- **Labor & Wages**
- **Capacity Constraints / Bottlenecks**
- **Commodity or Not?**
- **Overhead Costs**
- **Supplier & Buyer Relationships**
- **Depreciation**



# INDUSTRY OVERVIEW – FINANCIAL SERVICES

## Key Industry Trends

- **More Transparency in PE Funds:** With greater pressure to produce results that outperform their benchmarks, more PE investors have been demanding greater transparency within their funds and firms have been using transparency to attract investors.
- **Digital-Only Banks & Payments:** The prevalence of more digital transactions have eroded the need for cash for most daily use, which has in turn led to the proliferation of online banks
- **AI, Block-Chain & Crypto Currencies:** Digital distributed ledgers offer a cheaper and more efficient way for firms to verify and facilitate transactions. Crypto currencies have proven themselves to be an alternative set of asset investments that rival equities and precious metals but have faced a lot of regulatory pressures
- **ESG-Focused Investing:** Environmental, Social, and Governance (ESG) considerations are becoming central to investment strategies, with financial institutions dedicating funds for ESG
- **Cybersecurity and Fraud Prevention:** With the rise in digital transactions, financial institutions are investing heavily in AI-driven cybersecurity tools to combat fraud, protect customer data, and maintain trust
- **Decentralized Finance (DeFi):** Decentralized platforms using blockchain technology are disrupting traditional banking services, offering peer-to-peer lending, borrowing, and trading without intermediaries, though regulatory uncertainties persist.

## Important Terminology

- **AUM:** Assets Under Management: Market value of all the financial assets that a firm manages on behalf of all of their clients and themselves. –Includes capital raised by investors and leaders of a firm
- **Private Equity:** Composed of investors and funds that invest directly into private companies or convert public companies to private companies to improve the target company's operations and financials with the goal of extracting a financial return from the company and reselling it to another firm or the public\
- **M&A:** Mergers & Acquisition: Mergers are when two companies comes together to make a new entity (Dow Chemical & Dupont) = DowDuPont, while an acquisition is where the smaller company is consumed by the larger company (Amazon + Wholefoods) = Amazon

## Important Calculations

### 1. NPV (Net Present Value)

$$= (CF) \times \frac{1}{(1+i)^n} \quad \text{Where } n = \# \text{ of periods}$$

### 2. Pay Back Period

$$= \frac{(\text{Fixed Costs})}{\text{Contribution Margin (CM)}}$$

## Important Considerations:

- Current Portfolio
- Exit Strategy & Time Horizon
- Acquisition Price
- Employee & Customer Relationships
- Market Trends
- Tax & Regulatory Implications
- Client Risk Profile



# INDUSTRY OVERVIEW – INFORMATION TECHNOLOGY

## Key Industry Trends

- **Artificial Intelligence (AI)/ Machine Learning:** Artificial intelligence is the ability for a computer program to think and learn. The emergence of AI has enabled the rise of self-driving cars, smart homes, advanced search algorithms, and smart digital assistants
- **Cloud Computing:** Is the practice of using a network of remote servers hosted on the Internet to store, manage, and process data, rather than a local server or a personal computer. More companies are moving to this platform for security, convenience, and cost savings
- **Edge Computing:** To reduce latency and enhance real-time processing, edge computing is emerging as a critical solution, enabling devices to process data closer to the source rather than centralized cloud servers.
- **Internet of Things (IOT):** Smart devices that are all connected and communicate with each other via the internet are rising in demand due to value of strategic data that they provide
- **Blockchain:** a digital ledger in which transactions made and recorded chronologically and publicly. – Important for security and transfer verification purposes. Ex. include Bitcoin, and other cryptocurrencies
- **GDPR:** General Data Protection Regulation: Data protection regulation protecting privacy for all individuals in the European Union.

## Important Terminology

- **IP (Intellectual Property):** A category of property that includes intangible creations protected by trademarks and copyrights (e.g. software, code, algorithms, etc.)
- **Unicorn:** a start-up company valued at more than a billion dollars, typically in the software or technology sector
- **Freemium:** A pricing model used by many digital services, a “freemium” model is one where the majority of users are able to engage with a product or service entirely for free (perhaps in exchange for data collection or being served advertisements)
- **SaaS:** “Software as a service” - a software distribution model in which a third-party provider hosts applications and makes them available to customers over the Internet –Like Salesforce or Workday

## Important Calculations

### 1. Addressable Market size:

**Top-Down:** Total Population >>> Number of users >>> Market share >>> # of Units per User x Price per Unit

**Bottom-Up:** Current Customer Population >>> Potential Customer Base (Estimated using consensus data or industry info) >>> Future user base x units per user x price

### 2. Customer Acquisition Cost:

$$\frac{\text{Marketing Expenses}}{\text{Newly Acquired Customers (Yearly)}}$$





# INDUSTRY OVERVIEW – MEDIA & ENTERTAINMENT

## Key Industry Trends

- **Cord Cutting / Over the Top Streaming:** The rise of Hulu, Netflix, YouTube, Disney+, & Amazon Prime video has left many to abandon traditional cable and opt for online streaming services to get the content
- **Content is King:** Media giants have been spending heavily to curate high quality content to hook subscribers to their service and maintain and grow their subscriber base. As a result, many streaming platforms are not profitable
- **Ad-model Shift:** Cable advertisement has been trending downward while digital online advertisements have been trending up. As online viewers opt for ad-blockers, AI and big data are helping marketing agencies personalize advertisements and increase user engagement
- **Augmented Realty (AR)/ Virtual Reality (VR):** While still in their early stages, AR and VR capabilities have been gaining traction in the industry as a way to enhance storytelling and improve sporting coverage
- **Music Streaming:** The rise of Spotify, Apple Music, & YouTube Music has almost eliminated the physical disc music market as most artists now prioritize online platforms to release albums and new songs
- **Gaming & E-Sports:** The video gaming industry has been one of the fastest growing segments in entertainment led by mobile gaming and game streaming experiences via Twitch and E-sports. Many video game creators are focused on a “games as a service model” as they monetize video games overtime by selling in-game customizable perks
- **Content Localization and Regional Growth:** With saturated Western markets, media companies are expanding into emerging markets (e.g., India, Southeast Asia) and investing heavily in localized content to attract and retain regional audiences

## Important Terminology

- **Digital vs. Linear:** Linear is traditional broadcast or cable television. Digital is online (streaming, etc.)
- **Ratings:** A measure of viewers of a particular program or time segment in television. Nielsen is the largest provider of ratings data in the US, but has been slow to provide digital ratings
- **Box-Office:** The total revenue generated by movies shown at theaters

## Important Calculations

### 1. Profitability

(Revenues – Costs)

$(\text{Price} \times \text{Quantity}) - (\text{Quantity} \times \text{Var. Cost}) - (\text{Fixed Costs})$

## Important Considerations:

- Revenue Factors
  - Advertising Rev.
  - Ticket sales (Price x Quantity)
  - Merchandising
  - Tours / licensing / Endorsements
- Cost Factors
  - Artist fees
  - Commission
  - Promotion advertising
  - Venues
  - Content creation costs





# INDUSTRY OVERVIEW – HEALTHCARE & LIFE SCIENCES

## Key Industry Trends

- **Wearable Medical Devices:** Activity trackers help patients stay more active and healthier on their own while also monitoring health metrics reducing the need to visit doctors frequently
- **Smart Technology & Data:** Data on a patient's background and conditions allow more personalization options, targeted treatments, and faster recommendations at hospitals
- **Gene Therapy:** The transplantation of normal genes into cells in place of missing or defective ones in order to correct genetic disorders. Growing trend using CRISPR to treat previously incurable diseases
- **Price Transparency:** As drug companies receive criticism on the rising cost of their drugs, more states are considering independent efforts to improve transparency in drug pricing and cost controls
- **Government:** More recently, legislation has focused on fixing the rising cost of healthcare and Medicaid in the US through increased transparency and competition
- **Bundled payment, episode-of-care payment, etc.:** Generally, describes paying for the whole treatment at once, rather than by individual tests or visits – an attempt to incentivize improved outcomes
- **Telemedicine Growth:** Accelerated by the COVID-19 pandemic, telemedicine allows for remote consultations, increasing access to care, reducing wait times, and helping manage chronic conditions.
- **Shift Toward Preventative Care:** There is a growing focus on preventative care to reduce the long-term costs of healthcare.

## Important Terminology

- **Orphan Drug:** A pharmaceutical drug that remains commercially undeveloped due limited potential for profitability as a result of a small curable population size
- **FDA:** “Food & Drug Administration” Federal organization tasked with protecting and promoting the safety of food and pharmaceuticals in the US. FDA approval is needed for almost all drugs sold in the US
- **Generic Drugs:** A prescription drug that has the same active-ingredient formula as a brand-name drug but sold at a cheaper cost. Typically occurs when name branded drugs lose patents
- **Biotech vs. Pharmaceutical:** Biotech firms use live organisms like bacteria and enzymes to manufacture their medicines while pharmaceutical companies primarily use chemical synthesis

## Important Calculations

### 1. Market sizing:

**Top-Down:** Total Population >>> Number with Illness >>> Number Diagnosed >>> Market share of Drug >>>> (Dosage per Time Frame) x Price per Dosage = Market Size per Time Frame

## Important Considerations:

- Regulations
  - FDA Approval process length
  - Patent Rights
  - Foreign Government Laws
- Competition / Cannibalization
- Drug Effectiveness
  - Cure vs. Treatment
  - Time to Market
  - Side Effects
- Manufacturing Capabilities
- Pricing, Costs (Fixed / Var.), Dosage



# INDUSTRY OVERVIEW – TELECOMMUNICATIONS

## Key Industry Trends

- **5G Network Service:** Next generation of mobile internet connectivity with faster speeds, more reliable connections, and 100x more bandwidth capacity than 4G. Roll-out started in ~2020 in North America. Slow progress on rollout due to high infrastructure costs associated with development.
  - Network operates mainly on the cloud
  - Allows for “network slicing:” Creates separate wireless networks on the cloud for users to have their own personalized network
- **Network Consolidation:** The third and fourth largest cell phone carriers T-Mobile and Sprint recently completed a merger, a move that will consolidate the telecom market to 3 major players
- **Content Integration:** High profile acquisition like AT&T of Time Warner and Verizon of Yahoo illustrate a push to either get into the content creation game or to build out their advertising network
- **Bundle Battle:** Cost-conscious consumers seek the best service at the lowest price, so companies offer value to consumers by bundling services, such as mobile and home internet access
- **AI:** Used to enhance the customer experience, optimizing the network and providing predictive maintenance
- **Sustainability Efforts:** Telecom companies are becoming more focused on sustainability. This includes transitioning to renewable energy for data centers, improving energy efficiency in network infrastructure, and using green technologies for manufacturing equipment.

## Important Terminology

- **Carrier:** A company that is authorized by regulatory agencies to operate a telecommunications service system – AT&T, Verizon, T-Mobile
- **OEM:** Original Equipment Manufacturer – a company whose goods are used as components in the product of another company that sells the finished goods to users
- **LAN:** Local Area Network – locally owned and administered data network that runs primarily through cables (ex. Ethernet connection)
- **Fiber Optic:** Transmission connectivity via glass strands which are 100x faster than traditional copper wires for more efficient cell phone and internet connections

## Important Calculations

### 1. Return on Investment (ROI):

$$\frac{(\text{Future Profits} - \text{Cost of Investment})}{(\text{Cost of Investment})}$$

### 2. Customer Acquisition Cost:

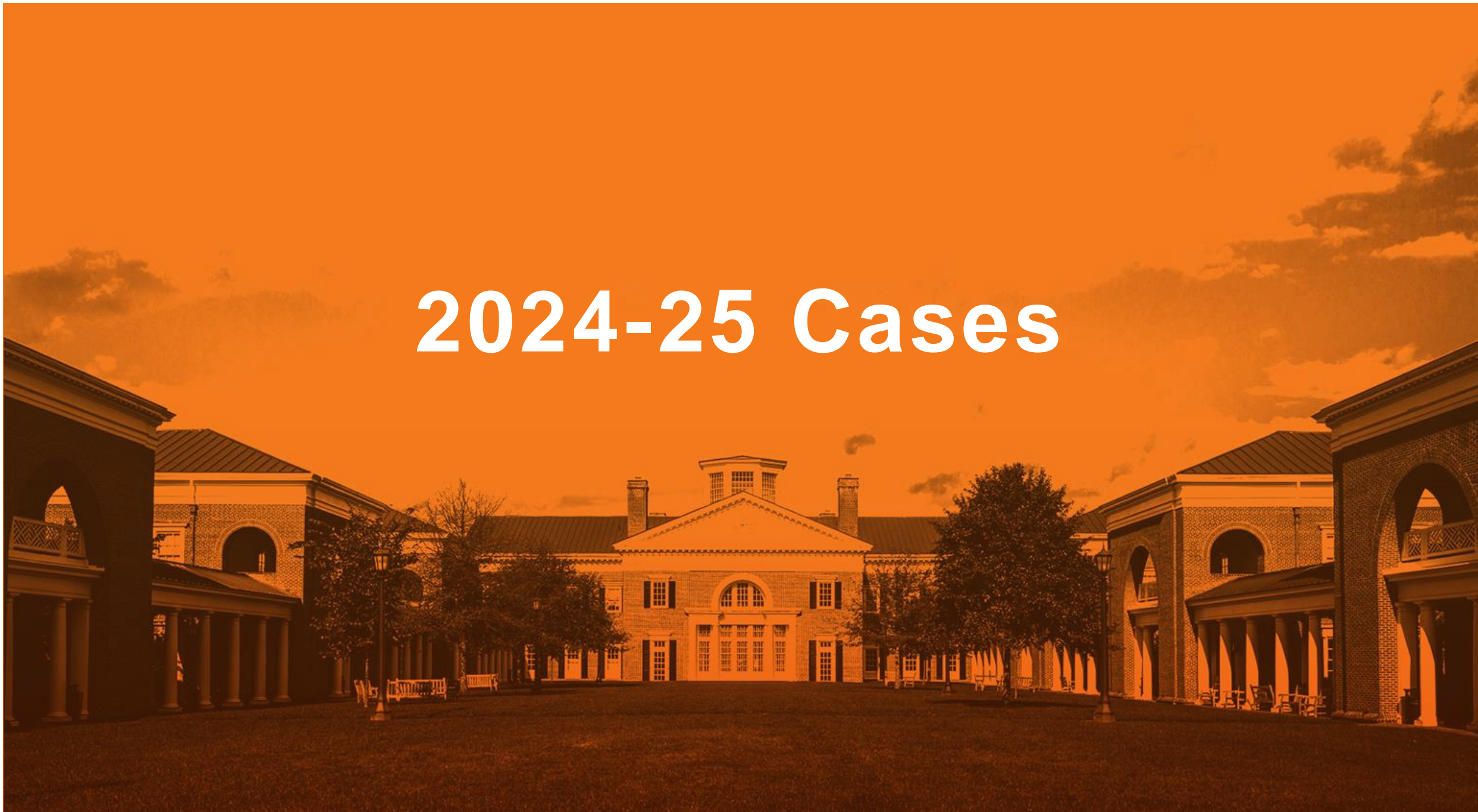
$$\frac{\text{Marketing Expenses}}{\text{Newly Acquired Customers (Yearly)}}$$

## Important Considerations:

- Regional Competition
- Competitors
  - New Entrants
  - Barriers to Entry
  - Substitutability
- Contract lengths & stipulations
- Infrastructure



# 2024-25 Cases



# Catch Me or I Go, HuDisney

Media & Entertainment | M&A

# CATCH ME OR I GO, HUDISNEY

MEDIA & ENTERTAINMENT | M&A

## PROMPT:

Your client is Disney, they're a global leader in entertainment and have a diverse portfolio of media networks, including Disney+ and Hulu. Disney+ is the flagship streaming service and focuses on family content, whereas Hulu offers a wider range of TV shows and movies. As the streaming market grows more competitive and consumers prefer consolidated services (i.e., multiple networks in one platform), Disney is considering merging Hulu with Disney+ to streamline offerings. You're tasked to analyze this integration's viability and strategize its implementation.

---

**CLARIFYING INFORMATION:** *Provide this only if corresponding questions are asked*

**1. What is Disney hoping to achieve with this merging of platforms?**

Disney hopes to increase revenues from its streaming channel.

**2. What are differences between the platforms' content, size, or genre?**

Disney+ focuses on family-friendly content including Pixar, Star wars, and Marvel content. Hulu offers a broader range of content from network (i.e., ABC Network) TV shows, movies, and original content.

**3. What geographical markets do Disney+ and Hulu serve?**

Both services have subscribers across the globe, and the two streamlining platforms serve similar geographical markets.



## BEHAVIORAL

### INTERVIEW QUESTION:

What industry fascinates you? Please share something current that is happening in that industry.



### Framework Guidance:

*Note: There are many possible alternatives to this framework. These are only provided as possible suggestions.*

Streaming Market	Profitability	Internal Capability	Marketing
<ul style="list-style-type: none"><li>• Market Trends: Current and emerging trends</li><li>• Consumer Preferences: Segmentation – ability to cross-sell with integration; Demand for streamlined platform</li><li>• Competition: Other key competitors and market position (%)</li></ul>	<ul style="list-style-type: none"><li>• Revenue: Subscription model, advertising model, increased revenue per user</li><li>• Costs: Upfront costs, cost synergies (savings), tech infrastructure, marketing, etc.</li><li>• Need to conduct break-even analysis to determine viability of integration</li></ul>	<ul style="list-style-type: none"><li>• Human Capital: Organizational change to support integration – team restructuring, cultural impact, and trainings</li><li>• Technological capability: Integration of technologies – streaming infrastructure, content management, subscriber database</li></ul>	<ul style="list-style-type: none"><li>• Content: Leverage strengths of both assets (family content + Hulu’s diverse content)</li><li>• UX: Personalized recommendations based on database from both platforms to improve user interface</li><li>• Brand Perception: Perception from consumers on the integration; what are some implications?</li></ul>

### How to Move Forward:

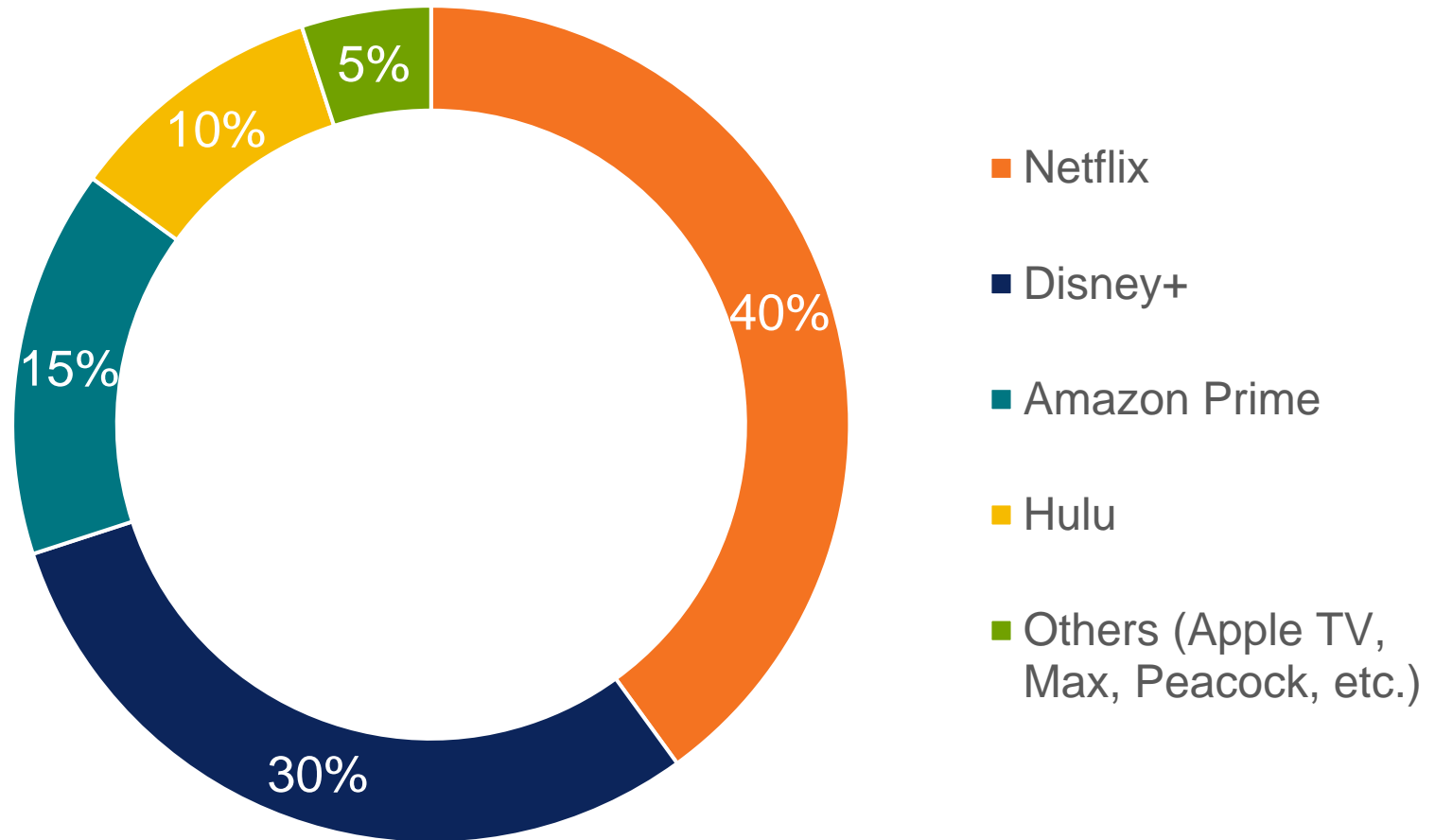
To move forward, the interviewee should raise the question of what benefits Disney and Hulu will each realize in this deal. An excellent candidate will recognize that both parties will have to have projections that will show a meaningful and tangible benefit for themselves, thus making the integration worth it. Mergers can fail for a variety of reasons, so it is important that the candidate acknowledges this risk and that they show interest in calculating the financial benefit of the merger.

However, to move forward to the exhibit, the interviewee should ask if there is information on the current streaming market.



## EXHIBIT 1

### Streaming Service Market Share



### Question 1

Ask the following question after the candidate has made comments on Exhibit 1:

- How do you think the integration of Hulu into the Disney+ platform could alter Disney's position in the market?

### Exhibit Guidance

After looking at Exhibit 1, candidates should be able to identify and call out the following:

- Competition: 3 players make up 85% of the market. Netflix is currently dominating the market, but there another significant players are Disney+ and Prime.
- Hulu and Disney+ currently account for 40% of all streaming revenues, equivalent to Netflix. If this integration results in increased revenues, Disney will become the leader in the streaming space.
- Market: The current streaming market is fragmented at the bottom, given the 5% "Others" category. This suggests there will not be many future opportunities for competitors to beat Disney through acquisitions.

### Question Guidance & How to Move Forward

- Synergy: Benefit post-integration, including cost savings, platform infrastructure, content bargaining
- Content: Content diversity and quality in attracting and retaining subscribers – improves value proposition

To move forward, the interviewee should address any form of cost-savings. Mention the text below.

- **The client is interested in understanding how this strategic move could affect the average revenue per user and overall market share in the context of increasing competition and subscriber expectations for content. (Move to Question 2)**

### Question 2

If the integration is successful, Disney+ plans to introduce a bundled subscription model to attract more subscribers and increase average revenue per user. The bundle will offer access to both Disney+ and Hulu content at a discounted rate compared to subscribing to each service separately. **Calculate the expected annual revenue from the new subscription model and compare it to the current revenue generated by separate subscriptions to Disney+ and Hulu.**

### Data needed to solve calculation:

- If the interviewee did not already ask for the follow information, please provide it to them:
  - Current Subscribers: Disney+: **100M** subscribers; Hulu: **35M** subscribers; **15M** are subscribed to both
- Ensure that they also ask for the following information before beginning the calculations. If you need to move along more quickly, use your discretion as to providing it yourself.
  - Current Pricing: Disney+: \$7/month; Hulu: \$11/month
  - Bundled Pricing: Both services: \$15/month
  - Estimated Customers: 20% of current Disney+ only subscribers and 25% of current Hulu only subscribers will switch to the new bundle in the first year.

***CALCULATIONS ON NEXT PAGE***

### Calculation

- Current Revenue:
  - Disney+: 100M subscribers x \$7/mo x 12mo = \$8.4B
  - Hulu: 35M subscribers x \$11/mo x 12mo = \$4.62B
- Projected Subscribers to Bundle
  - Disney+ Subscribers switching to bundle = (Disney+ subscribers – currently subscribed to both) x 20% = (100 mn – 15 mn) x 20% = **17M subscribers**
  - Hulu Subscribers switching to bundle = (35mn - 15mn) x 25% = **5M subscribers**
  - Total Bundle Subscribers: 17mn + 5mn + 15mn (overlap) = **37M subscribers**

**Expected Bundle Revenue:** 37mn subscribers x \$15/mo x 12mo = **\$6.66B**

**Expected Disney+ Only Subscriber Revenue:** (100mn - 15mn - 17mn) = 68mn subscribers x \$7 x 12 = **\$5.712B**

**Expected Hulu Only Subscriber Revenue:** (35mn - 15mn - 5mn) = 15mn subscribers x \$11 x 12 = **\$1.98B**

- **Annual Revenue Today = \$13.02B**
- **Annual Projected Revenue with Merger = \$14.35B**

To move forward, the interviewee should share thoughts about the viability of the integration:

- Market Position, Subscriber Base Growth (Sensitivity Analysis), Potential Counter-Moves from Competitors, etc.

# BRAINSTORMING

If the network integration goes through, what marketing strategies should Disney deploy to maximize both subscriber retention and growth?

## Brainstorming Guidance:

*Note: This is just one possible set of categories and answers. Many more are possible, and interviewers should assess both the volume and relevance of answers.*

### Digital Advertising

- SEM campaigns; SEO optimization
- Targeted social media campaigns
- Personalized ads

### Content Marketing

- Exclusive releases and previews
- Influencer partnerships across social media platforms

### Customer Engagement

- Subscription incentives – loyalty rewards
- Subscription flexibility – family plans
- Community building through reviews
- Interactive experiences – live events

## Best candidates display:

The candidate should reference the following strategies: leveraging the strength of a diversity of content, leveraging various online platforms for advertising, and fostering a deeper connection between the brand and its customers.

# CONCLUSION

To conclude, the interviewee should provide the following:

### Recommendation:

- (FOR): Proceed with the integration of Hulu into Disney+'s platform, accompanied by the launch of a new bundled subscription model. Leveraging the combined strengths of both platforms allows Disney to enhance its competitiveness in the market while generating 1+ billion dollars in revenue gains.
- (AGAINST): We should not move forward, as integrating Hulu into Disney+'s platform could lead the firm into a financial hole. Although we project 1+ billion dollars in revenue gains, Hulu subscribers may be turned off more than anticipated if ingrained into the Disney brand, which may prohibit some preexisting content of a more adult nature from being shown, thus losing out on expected revenue.

### Risks:

- Subscriber churn: Existing subscribers may react negatively to changes in platform interface, content, or subscription model.
- Brand dilution: Disney+ and Hulu have different customer bases, and combining content may impact brand perceptions

### Next Steps:

- Develop a detail integration plan and effectively communicate the phased roll-outs to mitigate risks.
- Market test the bundled subscription model in select markets to gather data on subscriber response



# Cruising Into Bollywood

Entertainment | Market Entry

# CRUISING INTO BOLLYWOOD

## ENTERTAINMENT | MARKET ENTRY

### PROMPT:

Your client is Dom Cruise, an iconic Hollywood star with a legendary reputation built on his performances in action-packed films. He is seeking to expand his horizons internationally by venturing into the competitive Bollywood market.

Our team has been hired to help him assess the potential of this venture and determine the best approach for his entry into this new market.

---

**CLARIFYING INFORMATION:** *Provide this only if corresponding questions are asked*

**1. Why does Dom Cruise want to enter the Bollywood market?**

To create a film that debuts with an opening weekend revenue of over \$250 M & gains a movie rating of at least 4.5 stars. He is driven by a desire to connect with the broader Indian audience and explore a new cultural narrative. Defining his status as a versatile international actor

**2. How does the Bollywood market operate?**

It is a vibrant film industry where popular production houses & celebrities are crucial to drawing large crowds. Musical and dance sequences are a central part of Bollywood films, and success is often measured by box office performance, especially in opening weekend revenues. Films are distributed through multiplexes (venues with multiple screens) and single-screen theaters.

**3. How is Dom Cruise currently perceived in the Bollywood market?**

Dom Cruise is seen positively in the Bollywood market as a globally renowned actor. His involvement in a Bollywood project would be considered a potential boost for the film's international appeal, given his broad fanbase.



### BEHAVIORAL INTERVIEW QUESTIONS:

Tell me about a time you had to deal with a difficult stakeholder. Describe situation and how you navigated any conflicts.

### Framework Guidance:

*Note: There are many possible alternatives to this framework. These are only provided as possible suggestions.*

#### • BOLLYWOOD MARKET

- **Market Size/Share:** How many customers can we reach within the Bollywood Market? What % share like Dom Cruise?
- **Movie Genres:** Type of movies being produced in Bollywood and standard movie ratings
- **Global Reach:** What is the reach of these movies outside of the Indian subcontinent?
- **Trends:** Have there been other international celebrities that have tried entering Bollywood? How did they do?
- **Influencers:** Who are the influencers in Bollywood that drive movie ratings?
- **Brand Perception:** How will Dom Cruise be perceived in such a market?

#### OPENING WEEKEND REVENUES

- **Price:** How much will we be able to charge per movie ticket?
- **Volume:**
  - Scale – number of theatres and shows
  - Distribution – single screen vs multiplex venues
  - No. of re-watches – 1,2,3 etc.
- **Off-Screen Revenue Streams:**
  - Promotional Events
  - Merchandise
  - Ads & Sponsorships

#### PRODUCTION CAPABILITIES

- **Production House:** Collaborating with a Production House that knows how to operate in Bollywood
- **Acquiring Talent:**
  - Director
  - Cast & Crew
- **Tech Competency:** Are high-quality set design, video quality, and audio-visual technology available?
- **Safety:** Safety is essential when filming action movies. Are there any security risks in shooting India? What level of protection would be provided for Dom?
- **Financing:** What is the budget of the movie, what are we spending on? How are we financing it?

EXHIBIT 1

Available Production House Partners

Production House	% of single screen theaters served	% of multiplexes served	Average movie rating	Action score
A	100%	33%	1.5	5.0
B	50%	100%	3.0	4.0
C	25%	50%	3.5	4.5
D	75%	50%	2.5	2.0

- 1. There are 120,000 single screen theaters with 6 opening weekend showings each, and 75,000 multiplexes with 12 opening weekend showings each
- 2. Each showing sells 200 tickets at a ticket price of \$1
- 3. Historical minimum movie rating represents the lowest rating given to any movie produced by the production house
- 4. Action and scores are qualitative comparisons of the production houses, and do not directly impact the Movie Rating.



## 04 | CRUISING INTO BOLLYWOOD

### Exhibit 1 Interviewer Guidance

Read the following to the candidate: To break into Bollywood, Dom Cruise needs to first collaborate with an Indian production house. Which production house would you recommend?

### Exhibit Calculations

#### Production House A = \$204M *(details below)*

- Single Screen =  $(100\%) * (120,000 \text{ theaters}) * (6 \text{ showings/theater}) * (200 \text{ tickets/showing}) * (\$1/\text{ticket}) = \$144\text{M}$
- Multiplex =  $(33\%) * (75,000 \text{ theaters}) * (12 \text{ showings/theater}) * (200 \text{ tickets/showing}) * (\$1/\text{ticket}) = \$60\text{M}$

#### Production House B = \$252M *(details below)*

- Single Screen =  $(50\%) * (120,000 \text{ theaters}) * (6 \text{ showings/theater}) * (200 \text{ tickets/showing}) * (\$1/\text{ticket}) = \$72\text{M}$
- Multiplex =  $(100\%) * (75,000 \text{ theaters}) * (12 \text{ showings/theater}) * (200 \text{ tickets/showing}) * (\$1/\text{ticket}) = \$180\text{M}$

#### Production House C = \$126M *(details below)*

- Single Screen =  $(25\%) * (120,000 \text{ theaters}) * (6 \text{ showings/theater}) * (200 \text{ tickets/showing}) * (\$1/\text{ticket}) = \$36\text{M}$
- Multiplex =  $(50\%) * (75,000 \text{ theaters}) * (12 \text{ showings/theater}) * (200 \text{ tickets/showing}) * (\$1/\text{ticket}) = \$90\text{M}$

#### Production House D = \$198M *(details below)*

- Single Screen =  $(75\%) * (120,000 \text{ theaters}) * (6 \text{ showings/theater}) * (200 \text{ tickets/showing}) * (\$1/\text{ticket}) = \$108\text{M}$
- Multiplex =  $(50\%) * (75,000 \text{ theaters}) * (12 \text{ showings/theater}) * (200 \text{ tickets/showing}) * (\$1/\text{ticket}) = \$90\text{M}$

### Question Guidance & How to Move Forward

Based on the exhibit and calculations, Production House B should allow Cruise to meet his goal of 250M in opening week revenue. Moving forward, the candidate may suggest the need to find new ways to increase the expected rating from 3.0 stars to 4.5 stars.



# BRAINSTORMING

**Based on your insights, how can Dom Cruise cover the gap in expected Movie Rating to achieve his goals?**

## Brainstorming Guidance:

*Note: This is just one possible set of categories and answers. Many more are possible, and interviewers should assess both the volume and relevance of answers.*

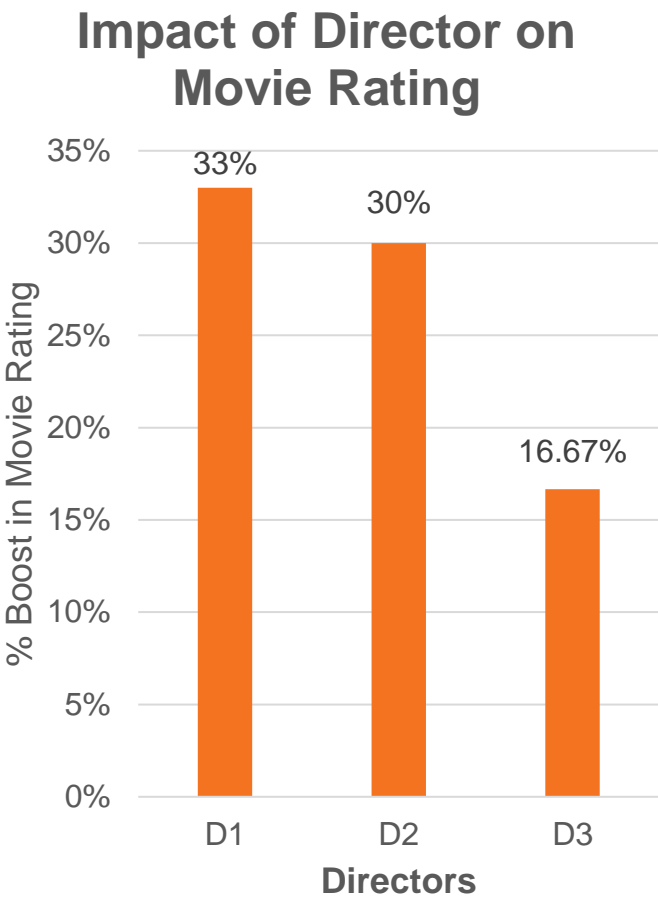
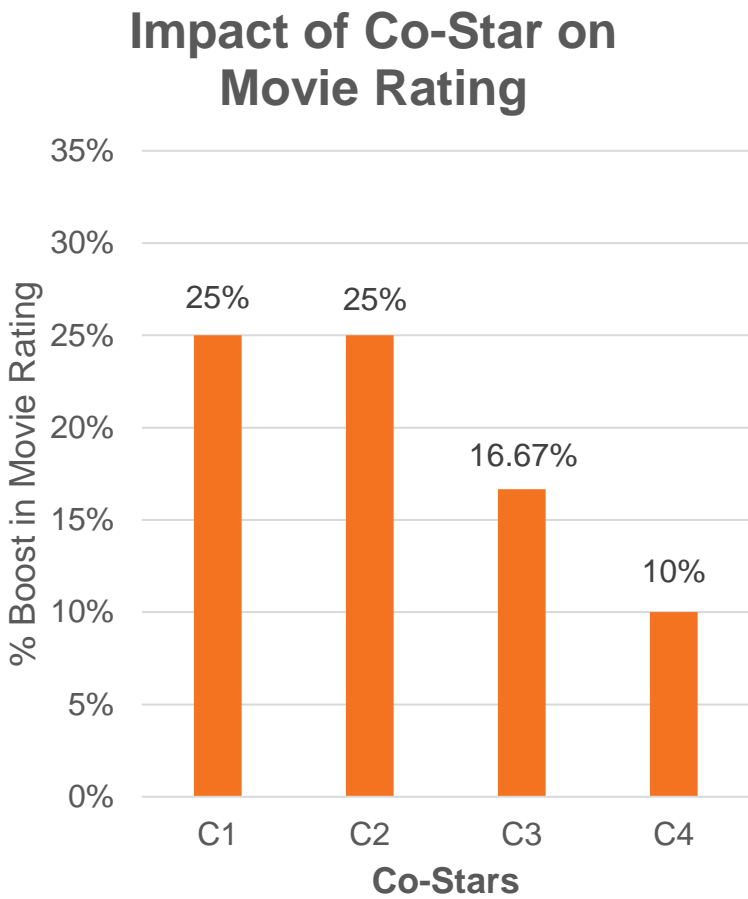
### Improve the Production

- Choose a story/script/genre that appeals to a larger audience
- Incorporate intricate action stunt sequences
- Base the movie on a highly acclaimed book/novel/figure

### Improve the Team

- Cast actors known for their high-calibre acting
- Bring in a critically acclaimed Director
- Perform due diligence of technical team, editing, cinematography, music, dubbing etc.

EXHIBIT 2



The potential for a successful collaboration between the co-star and director is outlined as below:

	C1	C2	C3	C4
D1	✗	✗	✓	✓
D2	✓	✗	✗	✓
D3	✓	✓	✓	✗



Exhibit 2 Interviewer Guidance

After conducting surveys, the marketing team suggests that selecting the right co-star and director are key to bridging the gaps in the Movie Rating

Exhibit Analysis Guidance

The Candidate will be able to go over this exhibit in many ways. One such (short) way to do is as follows:  
Given Production House B has a historical minimum rating of 3.0 stars, and Dom Cruise has a target of 4.5 stars, the Co-Star and Director combination must generate a 1.5-star, of 50%, improvement in Movie Rating,

	C1 +25%	C2 +25%	C3 +16.67%	C4 +10%
D1 +33%	<del>+58%</del>	<del>+58%</del>	+49.67%	+43%
D2 +30%	+55%	<del>+55%</del>	<del>+46.67%</del>	+40%
D3 +16.67%	+41.67%	+41.67%	+33.34%	<del>+26.67%</del>

We can quickly calculate that the only combinations that would offer a combined 50% improvement in rankings would be **combinations between either C1 or C2 and D1 or D2**

Now, upon reviewing the table to the right (that indicates potential for success for a director and co-star combination), we can gather that **C1-D2 is the only viable combination**

Verifying that the selected combination achieves the required objectives:

**Boost in Movie Rating** = (0.25%) \* (3.0) + (0.30%) \* (3.0) = 0.75 + 0.9 = **1.65** (Therefore, Movie Rating = **4.65**)

# CONCLUSION

To conclude, the interviewee should provide the following:

- **Objectives** : The goal was to launch with a film that debuts with an opening week revenue of over **\$250 M** and gains a movie rating of at least **4.5 stars**
- **Recommendation**: We recommend moving into the Bollywood market by partnering with **Production House B** and bringing **Co-Star C1** and **Director D2** on board; that is expected to debut at **\$252M** and gains **4.75 stars**
- **Evidences**:
  1. Selected **Production House B** based on the minimum movie rating (3.0), opening weekend revenues (\$252M) and action score
  2. Selected **Co-Star C1 and Director D2** based on boost in movie ratings (+1.75) and compatibilities
- **Risks**:
  1. **Occupancy**: We have assumed a 100% occupancy rate during opening weekend; major deviation could impact revenues
  2. **Compatibility** of Dom Cruise & Co-star / Dom Cruise & Director has not been assessed or factored in
  3. **Barriers**: Potential cultural and language challenges for Dom Cruise when doing a Bollywood film have not been considered
- **Next Steps**:
  1. **Training**: cultural and language training to get familiar with Bollywood
  2. **Market Research**: understand audience preferences and plan
  3. **Verify Compatibility**: ensure strong compatibility between Dom Cruise and Co-Star C1, as well as with Director D2

# Crunch Time at ChipCo.

Food and Beverage | Operations

# CRUNCH TIME AT CHIPCO.

FOOD AND BEVERAGE | OPERATIONS

## PROMPT:

Your client is Bryant, a Plant Director at ChipCo., a global tortilla chip producer. While sales are strong, the North Carolina-based plant that Bryant oversees has been failing to meet customer commitments for several months. Bryant has hired us to diagnose the cause of the downtick in on-time deliveries and to propose a solution.

---

**CLARIFYING INFORMATION:** *Provide this only if corresponding questions are asked*

**1. What is the client's objective?**

The client wants to be able to meet sales commitments without incurring excessive costs.

**2. Where does the ChipCo plant fall in the overall tortilla chip value chain?**

The plant receives raw materials inputs such as corn, oil, and seasonings from suppliers and performs all the steps required to output store-ready bags of chips. The plant also has its own sales team internal to the plant itself.

**3. Is there any timeline that ChipCo needs to get production back up within?**

Bryant would obviously like to begin meeting sales commitments ASAP but provided no specific timeline constraint.



## BEHAVIORAL INTERVIEW QUESTION:

Revisit a time when you experienced a significant change and share the actions you took to adapt to the new circumstances



Framework Guidance:

*Note: There are many possible alternatives to this framework. These are only provided as possible suggestions.*

Production	Pre-Production	Post-Production
<ul style="list-style-type: none"><li>• Capacity Utilization</li><li>• Equipment Downtime</li><li>• Labor Productivity</li><li>• Processing Standard Operating Procedures</li><li>• Waste Management</li><li>• Technology Utilization</li></ul>	<ul style="list-style-type: none"><li>• Supplier Reliability</li><li>• Quality of Inputs</li><li>• Cost Trends</li><li>• Contract Terms</li><li>• Supplier Diversification</li><li>• Macro Supply Chain Disruptions</li><li>• Unrealistic Sales Commitments</li></ul>	<ul style="list-style-type: none"><li>• Inventory Management</li><li>• Shipping Timelines</li><li>• Logistics Provider Reliability</li><li>• Warehouse Operations</li><li>• Communication with Sales</li></ul>

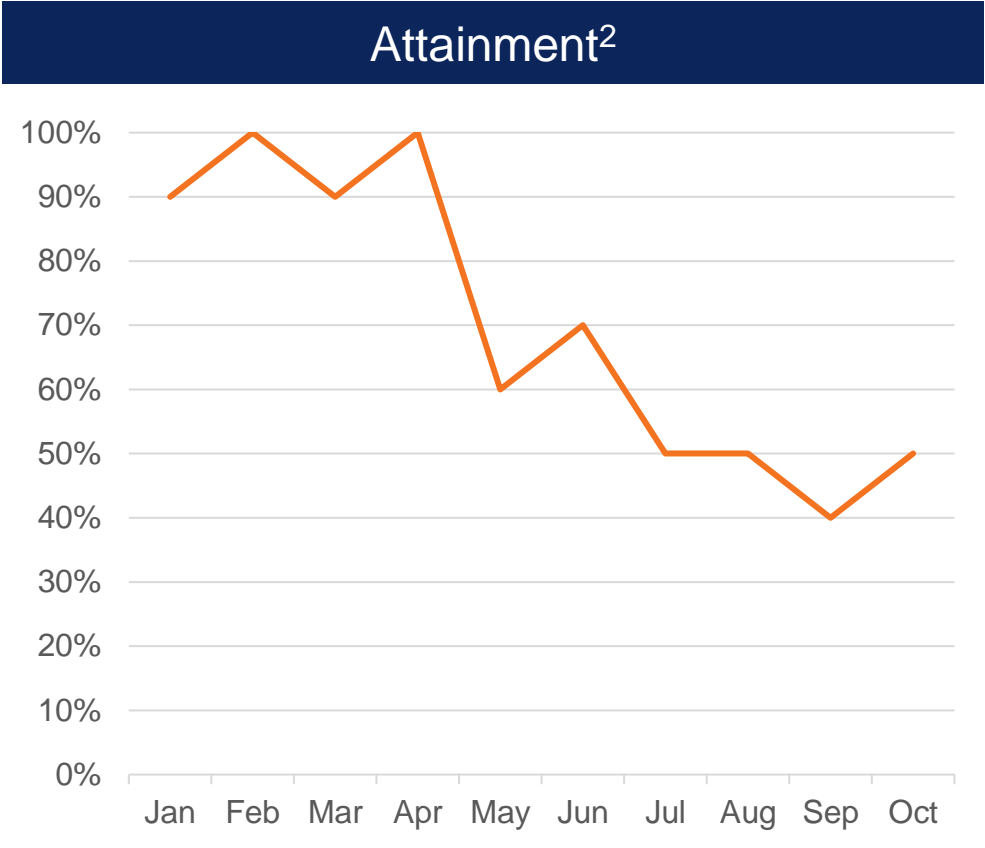
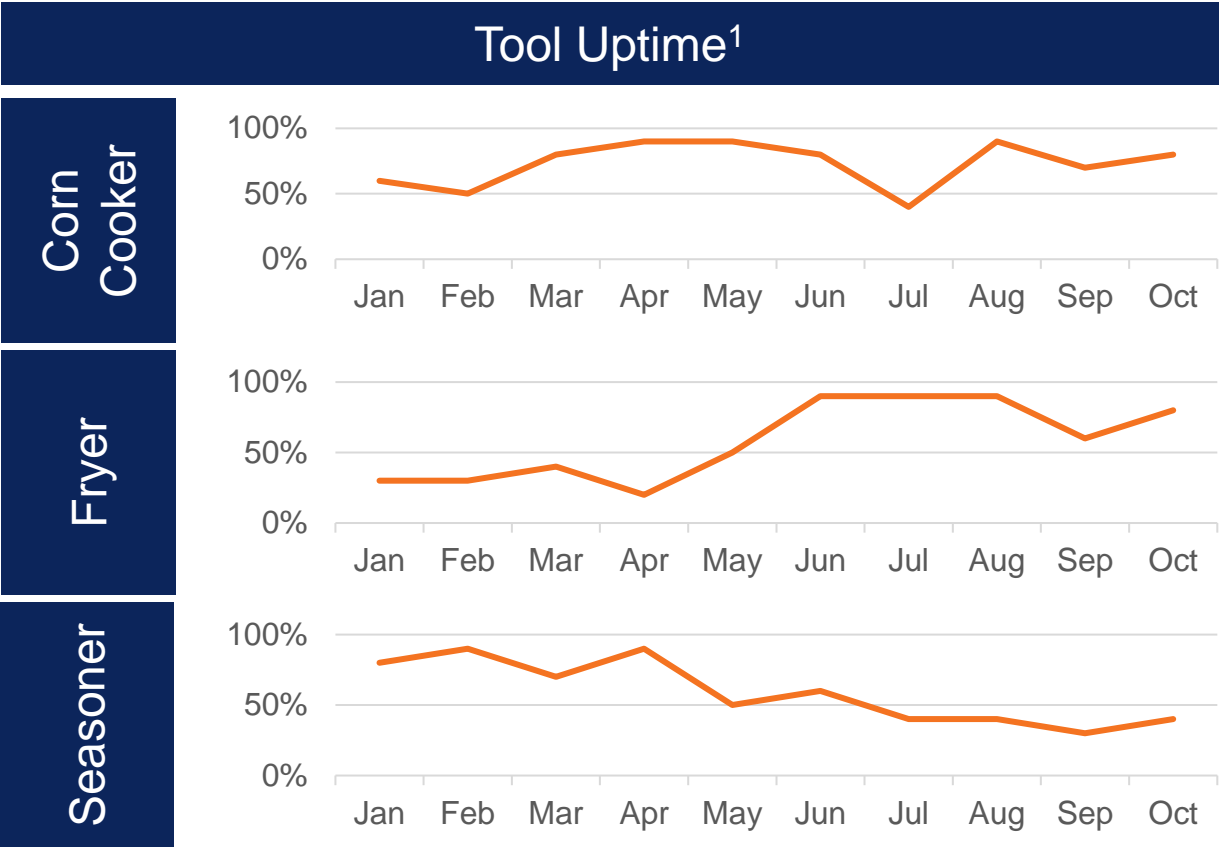
How to Move Forward:

The interviewee should identify that there are several different production factors that could influence ChipCo’s ability to meet customer commitments. A great candidate will have begun to hypothesize many potential root causes while communicating the assumptions in their framework. To drive the case forward, the candidate should ask if there is any available information about the production process (or about the idea they consider to be most important).



EXHIBIT 1

Production Dashboard



1. Uptime is calculated as: (total time the tool is available to process chips) / (total time the plant is operating)  
2. Attainment refers to the percentage of customer commitments that the plant meets successfully

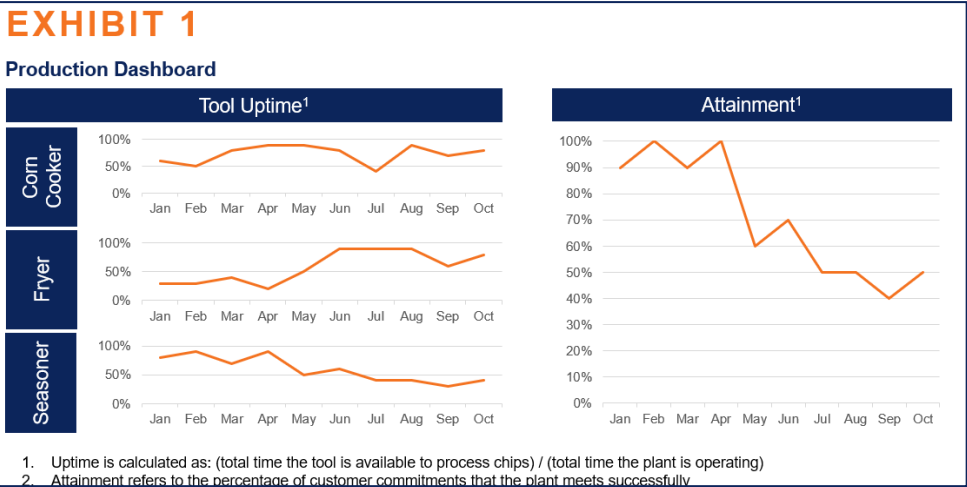


**Question 1** (The location of these question slides in your case is completely up to you)

- We gained access to the production floor’s tool uptime and attainment dashboard. **What can we learn about the potential root cause of the problem?**

**Exhibit 1 Guidance:**

- The candidate should recognize that this dashboard shows the uptime percentage of 3 processes tools, as well as the percentage of customer commitments that the plant has been able to meet, all for the current calendar year (10 months)
- None of the tools have had consistent uptime rates over the current calendar year; each have had strong and weak periods of uptime during the year
- The recent attainment issue began in May, and since May the plant has achieved a maximum attainment of only 70%
- The candidate should identify that the fall in attainment is strongly correlated with the drop in uptime of the Seasoner tool. This leads to a hypothesis that the Seasoner is bottlenecking the process and is the first place to look to resolve the attainment issues



**Moving Forward:**

To drive the case forward, a good candidate will hypothesize that by improving the uptime percentage of the Seasoner, the plant should be able to improve Attainment. The candidate could ask for any additional information about the Seasoner tool’s downtime to further dig into the root cause of the issue.



# BRAINSTORMING

**What are several reasons that the Seasoner may be experiencing poor tool uptime?**

## Brainstorming Guidance:

*Note: This is just one possible set of categories and answers. Many more are possible, and interviewers should assess both the volume and relevance of answers.*

### Machine-Related Issues

- Aging tool requiring increase maintenance
- Increased mechanical failures due to lack of maintenance
- Low availability of parts needs to run/maintain the machine
- Increase in the number of changeovers between different products

### Process and Operational Issues

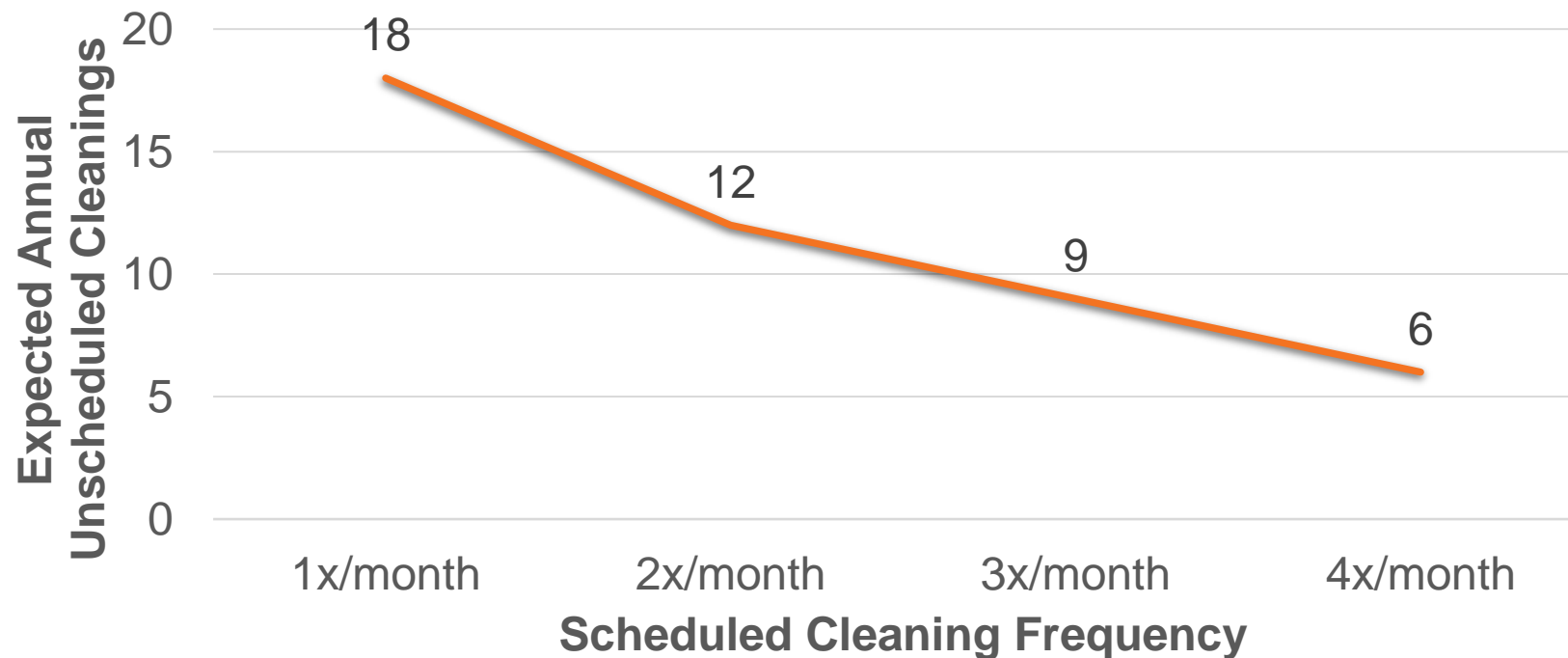
- Inexperienced operators making mistakes in processing
- Lack of skilled staff available to fix the machine
- Shortages in the supply of seasonings
- Upstream process sending low-quality chips to the seasoning tool

### Best candidates display:

Candidate should create a structured set of ideas. Ideas should be specific and detailed enough to perform additional analysis on. Each idea should represent a feasible cause of low uptime for the seasoning tool specifically.

## EXHIBIT 2

### Expected Rate of Unscheduled Seasoner Cleanings



1. A scheduled cleaning requires 4 sanitation workers (\$25/hour) for 8 hours of downtime
2. An unscheduled cleaning requires 4 sanitation workers (\$25/hour) and 1 mechanic (\$32/hour) for 20 hours of downtime
3. Downtime costs the plant \$50/hour in lost profits

Exhibit 2 Prompt:

In talking with the frontline operators, we’ve learned that in the summer, the increased humidity causes the seasoning to take a paste-like consistency. This causes tool stickiness in the seasoner more frequently in the summer months. The frontline operators perform periodic cleanings at an increased frequency to limit more costly unscheduled (emergency) cleanings. **With what frequency should the plant perform scheduled cleanings of the seasoner?**

Exhibit 2 Guidance:

- There are a couple of effective ways to use the exhibit to solve this problem. One is to calculate the total expected costs for each frequency separately. The second and simpler way is to first calculate the cost of a single scheduled cleaning and a single unscheduled cleaning, and then to scale those numbers by the frequency of cleanings expected. The second, simpler approach is shown below:
- Cost of a single scheduled cleaning = \$1,200**
  - Labor Cost = (4 sanitation workers) x (\$25/hour) x (8 hours) = \$800
  - Downtime Cost = (\$50/hour) x (8 hours) = \$400
- Cost of a single unscheduled cleaning = \$3,640**
  - Labor Cost = (4 sanitation workers) x (\$25/hour) x (20 hours) + (1 mechanic) x (\$32/hour) x (20 hours) = \$2,000 + \$640 = \$2,640
  - Downtime Cost = (\$50/hour) x (20 hours) = \$1,000
- The computations to the right indicate that scheduling 2 cleaning per month minimizes the total cost and total downtime duration of cleaning events

	1x/month	2x/month	3x/month	4x/month
Scheduled Monthly Frequency	1	2	3	4
Scheduled Cost	\$1,200 x 1 = \$1,200	\$1,200 x 2 = \$2,400	\$1,200 x 3 = \$3,600	\$1,200 x 4 = \$4,800
Unscheduled Monthly Frequency	1.5	1	0.75	0.5
Unscheduled Cost	\$3,640 x 1.5 = \$5,460	\$3,640 x 1 = \$3,640	\$3,640 x 0.75 = \$2,730	\$3,640 x 0.5 = \$1,820
Total Cost	\$6,660	\$6,040	\$6,330	\$6,620
Total Downtime	38 hours	36 hours	39 hours	42 hours

Moving Forward:

A good candidate will recommend a cleaning frequency. A good candidate will identify that cleaning 2x/month will minimize costs to the plant, and a great candidate will also point out the minimized downtime hours. Note that the key objective in the case is not to minimize cost, but to improve the plant’s ability to meet customer commitments. This analysis does not include any costs of failing to meet customer commitments. It would be fair to suggest that the plant schedule 4 cleanings per month, as this does not cost much more, and minimizing unscheduled cleanings maximizes predictability and likely increases the plant’s ability to plan for and meet customer commitments.





# BRAINSTORMING

Are there any non-financial factors Bryant should take into consideration when setting the scheduled cleaning frequency?

## Brainstorming Guidance:

*Note: This is just one possible set of categories and answers. Many more are possible, and interviewers should assess both the volume and relevance of answers.*

### Product

- Quality of chips produced
- Food safety requirements
- Consistency of product and flavor over time

### Operational

- Tool reliability
- Capacity constraints
- Manpower and Employee Safety
- Ramp Down and Ramp Up Inefficiencies
- Upstream and Downstream Disruptions to Processing

### Commercial

- Ability to meet customer commitments
- Regulatory requirements for cleanliness
- Any impact on brand should there be a product issue

## Best candidates display:

Candidate should create a structured set of ideas. Ideas should be specific and detailed enough to investigate further if asked to and should all be directly answers to the question posed.

# CONCLUSION

To conclude, the interviewee should provide one of the following (or something similar):

## Recommendation A:

- Conduct scheduled cleanings 2x/month

## Evidence:

- Minimizes the overall cleaning cost and cleaning downtime of the bottleneck tool

## Risks:

- Does not minimize unscheduled (and therefore unpredictable) cleanings, which could disrupt ability to meet customer commitments

## Next Steps:

- Implement the new cleaning schedule
- Work with operations and commercial team to align on reasonable customer commitments

## Recommendation B:

- Conduct scheduled cleanings 4x/month

## Evidence:

- Maximizes predictability of tool cleaning, allowing the commercial team to accurately define customer commitments

## Risks:

- Requires 6 hours more per month of additional expected cleaning than a 2x/week frequency, reducing the overall capacity of the process

## Next Steps:

- Implement the new cleaning schedule
- Work with operations and commercial team to align on reasonable customer commitments

# Hooville College

Education | Growth

# HOOVILLE COLLEGE

## EDUCATION | GROWTH

### PROMPT:

Hooville College is a liberal arts college that serves approximately 4,000 students from across the United States. It has a reputation for excellent humanities and arts departments (e.g., English or Foreign Language), however with the dual pressures of declining enrollment and increasing tuition expenses in higher education, Hooville's President is considering implementing an innovative tuition model that she believes would increase enrollment. She has engaged us to help think through the implications of this change.

**CLARIFYING INFORMATION:** *Provide this only if corresponding questions are asked*

**1. Can you provide more information about the proposed tuition model?**

Hooville currently charges a flat tuition rate, though the college gives financial aid and some students pay less than this flat rate. The proposed model would eliminate tuition altogether, replacing it with a binding commitment on the part of any Hooville student to pay 5% of their annual income back to Hooville for the entirety of their career, after graduating.

**2. What is Hooville College's mission?**

Hooville's mission is to educate a diverse population of students in order to prepare them for lifelong learning and success in their careers. Their motto is "Inspiring a Life of the Mind."

**3. Can you give any details about Hooville's current cost and enrollment?**

These details will be given later in the case.

**4. What are the objectives/goals of this new tuition model for Hooville College?**

The goal is to generate an immediate increase in student enrollment and realign the college with its original mission.



### BEHAVIORAL INTERVIEW QUESTIONS:

Discuss a time in which you had to convince others of a different way of doing something.

Framework Guidance:

*Note: There are many possible alternatives to this framework. These are only provided as possible suggestions.*

Does this provide financial value?	Will this align to our mission?	Can we implement this?
<ul style="list-style-type: none"><li>• What is the current state?<ul style="list-style-type: none"><li>• Number of students</li><li>• Tuition rate</li><li>• Discount for financial aid</li></ul></li><li>• What is the proposed state?<ul style="list-style-type: none"><li>• Number of students</li><li>• Average alumni salary</li><li>• Discount rate</li></ul></li><li>• How significant is the difference between the current and proposed states?</li></ul>	<ul style="list-style-type: none"><li>• What will be the impact on student recruitment?</li><li>• Will the demographics (e.g., areas of study, socio-economic levels, etc.) of students change with the new model?</li><li>• Will we be able to preserve and promote a diversity of student background, academic choice and interest</li></ul>	<ul style="list-style-type: none"><li>• What are the financial risks?<ul style="list-style-type: none"><li>• Cash flows during implementation</li><li>• Impact on alumni giving?</li></ul></li><li>• What are the operational risks?<ul style="list-style-type: none"><li>• How can we ensure collection?</li></ul></li><li>• What are the reputational risks?<ul style="list-style-type: none"><li>• How will other stakeholders (e.g., current alums, professors, Dept. of Education, etc.) react?</li></ul></li></ul>

How to Move Forward:

To move forward, the candidate should push toward understanding the current business model of the college to get a baseline for comparison of the proposed tuition model.



EXHIBIT 1

Comparison between current and proposed tuition models

	Current tuition model	Proposed tuition model
Number of applicants per year	2,000	3,600
Acceptance rate <sup>1</sup>	50%	33%
Tuition per year	\$50,000 <sup>2</sup>	\$0

1. Assume for simplicity that all admitted students enroll.  
2. Hooville College gives out 34% of total tuition as financial aid.  
Note: Average alumni salary for Hooville College is currently \$150,000 per year.





**Question 1**

Our admissions department has done some early-stage surveys with many of the main districts from which we recruit. They have summarized their findings in this forecasted model and compared it to our historical business model. What are the revenue implications of the proposed policy?

**Exhibit or Question Guidance:**

Interviewee should recognize the need to compare the financial implications of the two tuition models. Interviewer can steer them toward a perpetuity calculation for the proposed tuition model if necessary. When asked by the candidate (or in the interest of time) interviewer should give a 5% (0.05) discount rate for the perpetuity calculation.

Per student comparison:

**Current model:** \$50,000 sticker price per year \*  $(1 - 0.34) = \$33,000$  tuition collected per year \* 4 years = \$132,000 per student lifetime value

**Proposed model:** \$150,000 alumni annual salary average \* 0.05 required annual giving = \$7,500 / 0.05 discount rate = \$150,000 per student lifetime value

An exceptional candidate will recognize that a shortcut is possible in the proposed model. Because the alumni giving requirement equals the discount rate, the perpetuity calculation is  $\$150,000 * 0.05 / 0.05$ , and the two 0.05s can be cancelled out without any calculations being done.

Per class comparison:

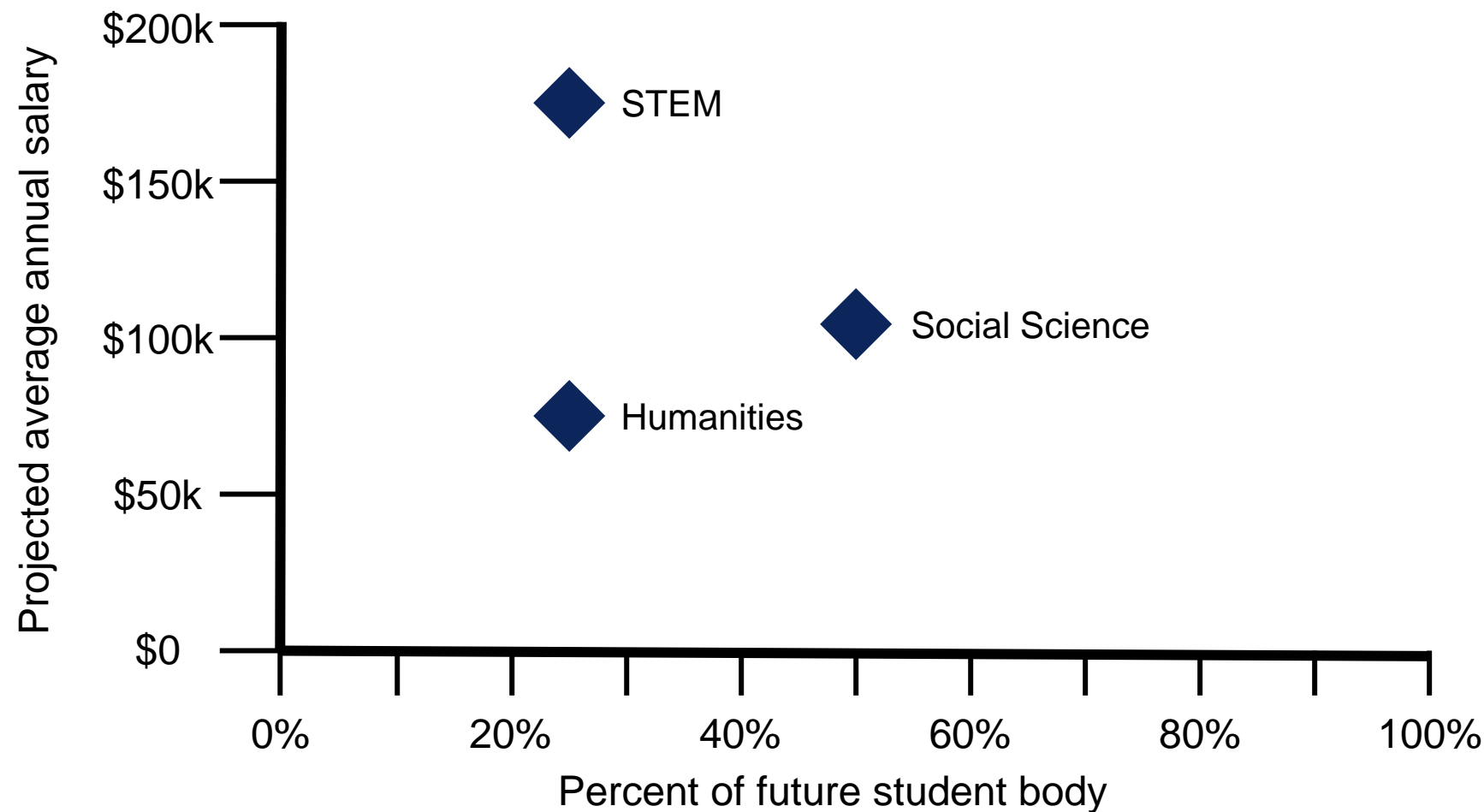
**Current model:** 2,000 applicants per year \* 50% acceptance rate = 1,000 enrolled students per year \* 132,000 per student lifetime value = \$132M per class lifetime value

**Proposed model:** 3,600 applicants per year \* 33% acceptance rate = 1,200 enrolled students per year \* \$150,000 per student lifetime value = \$180M per class lifetime value



EXHIBIT 2

Projected average alumni salary based on field of study, proposed tuition model



**Question 2**

The President also wondered whether the profile of Hooville students would change in the new model, and if this would impact the average salary of graduates. The admissions department gathered the following data showing expected areas of study under the new mode.

**Exhibit or Question Guidance:**

Interviewer should use this exhibit to calculate an average annual salary across all entering students under the proposed tuition model. A qualitative insight is that, by changing the tuition model to require no tuition up front, Hooville College will attract a somewhat different profile of students.

**Step 1:** Estimate the salaries and percentage share of each of the three areas of study

Social science = 50% of student body, \$100k average salary

Humanities = 25% of student body, \$75k average salary

STEM = 25% of student body, \$175k average salary

**Step 2:** Compute a weighted average to find the average salary across all areas of study. Average salary =  $50\% * 100k + 25\% * 175k + 25\% * 75k = \$112.5k$ . An exceptional candidate will recognize that a shortcut can be taken – because Humanities and STEM are 25% each, an unweighted average can be taken of these two, producing \$125k, and then because Humanities/STEM and Social Science each represent 50%, an unweighted average can be taken again of these two, producing an overall average annual salary of \$112.5k.

**Step 3:** Analyze the impact of this in the context of the previously calculated per class lifetime value from the previous exhibit.

Current model: remains the same: 1,000 enrolled students per year \* 132,000 per student lifetime value = \$132M per class lifetime value

Proposed model: 1,200 enrolled students per year \* \$112,500 per student lifetime value = \$135M per class lifetime value (2% increase)

**Next steps:** Candidate should recognize that the decision is now a toss-up financially. When candidate articulates that other factors need to be considered, interviewer will lead candidate on to the next section.



# BRAINSTORMING

**What additional effects can Hooville College expect if they decide to implement this new tuition model?**

Brainstorming Guidance:

*Note: This is just one possible set of categories and answers. Many more are possible, and interviewers should assess both the volume and relevance of answers.*

## Rewards

- Align interests between students and the college
- Increased applications, enrollment, and lifetime value of students
- With increased applications, there is an opportunity to optimize student mix for the college's desired brand and image
- Differentiate college from competitor colleges

## Risks

- Cash flow crunch during initial implementation
- Cannibalize future alumni giving and, more generally, lose support from alumni
- Upset current students
- Added oversight and scrutiny from accreditors and regulators (e.g., Department of Education)
- Students may not take classes and job outcomes as seriously

**Best candidates display:**

**Good candidates** will deploy a structured approach to answer this question, using mutually exclusive top-level categories with supporting reasons (e.g., rewards and risks, pros and cons, internal and external). A **great candidate** will tailor their ideas to the specific case question (e.g., type of college, the key problem facing the college) and consider the 2<sup>nd</sup> and 3<sup>rd</sup> order consequences to this decision (e.g., impact on alumni giving and support).



# CONCLUSION

To conclude, the interviewee should provide a concise recommendation (below is one example, many good recommendations are possible for both 'go' and 'no-go' outcomes):

## Recommendation:

- Hoosville College's enrollment is declining, in part, because of its high tuition rate.
- Hoosville College should restructure its tuition model to the proposed model because it increases the number of students enrolled, the lifetime value per class by approximately 2% (\$135M v. \$132M), and realigns the college to its original mission of advancing and promoting the liberal arts.

## Risks:

- Students lose key incentives to try hard in school and recruiting.
- Places significant pressure on the college's cash position during the transition phase.

## Next Steps:

- Conduct financial analysis of the project and the college's current financial position to see if Hooville College has the liquidity potential to fund the transition to the proposed model.



# HR Co.

Professional Services | Growth

# HR CO.

## PROFESSIONAL SERVICES | GROWTH

### PROMPT:

HR Co. is a leader in the human resource outsourcing (HRO) market in the United States. The firm was an early pioneer in such services as outsourced payroll and employee benefits admin for their clients, mostly small and medium-sized businesses. In the last 3 years, new and disruptive companies have entered the HRO market. Traditionally, the firm has paid little attention to new entrants. However, these companies have grown rapidly, using technology to acquire customers and revolutionize the outsourced HR service model. Their early success has caught the attention of HR Co.'s board and executive team. HR Co. has approached our consulting firm to assess the situation and recommend a course of action.

**CLARIFYING INFORMATION:** *Provide this only if corresponding questions are asked*

#### 1. Business Model:

Provide outsourced HR solutions, ranging from a la carte services (like payroll administration, workers comp) to fully-managed HR function for the entire employee lifecycle. HR Co. collects one-time and ongoing fees from clients for these services.

#### 2. Objective:

Assess threats of new entrants, recommending a competitive response if necessary

#### 3. Timeline:

Unspecified; safe to assume it's an issue of months, not years



### BEHAVIORAL INTERVIEW QUESTION:

Explain a challenging situation you encountered when working with someone with an opposing opinion.



# BRAINSTORMING (OPTIONAL-PRE FRAMEWORK)

**From an HR perspective, what stages make up an employee lifecycle?**

## Brainstorming Guidance:

*Note: This is just one possible set of categories and answers. Many more are possible, and interviewers should assess both the volume and relevance of answers.*

- Marketing/Awareness
- Recruitment
- Onboarding
- Development and Training
- Retention
- Separation/Firing/Retirement

Framework Guidance (Good):

*Note: There are many possible alternatives to this framework. These are only provided as possible suggestions.*

Outsourced HR Market Analysis	Competitor Sales and Service Strategy Analysis	HR Co. Internal Analysis	Strategic Options
<ul style="list-style-type: none"><li>• What is the size and growth rate of the market?</li><li>• What are the key segments to understand?</li><li>• Market expanding or taking from incumbents</li></ul>	<ul style="list-style-type: none"><li>• Business model, value proposition, pricing, use of tech</li><li>• Differences between incumbents and new entrants</li><li>• Customer Preferences?</li></ul>	<ul style="list-style-type: none"><li>• Customer service base and service mix</li><li>• Tech infrastructure</li><li>• Financial Health</li></ul>	<ul style="list-style-type: none"><li>• Internal: Modernize Sales and Service Model</li><li>• External: Acquire one or more new entrants</li><li>• Maintain Status Co.</li></ul>

How to Move Forward:

To move forward, the interviewee should request information on market size and distribution over the last 3 years.



EXHIBIT 1

HR Revenue by Company (\$M)

Company	2022	2023	2024
HR Co.	4,000	4,100	4,200
HR Inc.	14,000	14,700	15,400
Zeal	750	850	1,000
Wave	250	350	500
Others	6,000	6,200	6,400
Total	25,000	26,200	27,500



Question 1

- How would you assess HR Co’s position over time?
- If candidate doesn’t mention growth, prompt them to calculate the 2-year growth for all players and the market.

Exhibit or Question Guidance:

Company	2022	2023	2024	2-year growth
HR Co.	4,000	4,100	4,200	5%
HR Inc.	14,000	14,700	15,400	10%
Zeal	750	850	1,000	33%
Wave	250	350	500	100%
Others	6,000	6,200	6,400	6.66%
Total	25,000	26,200	27,500	10%

- HR Co. is growing at a slower rate than the overall HRO market
- While Zeal & Wave are currently tiny, their rapid growth merits further analysis



# BRAINSTORMING

HR Co.'s early hypothesis is that Zeal and Wave are using technology in new and innovative ways to disrupt the HRO market (see Exhibit 2). What are some ways technology can be used to disrupt the HR market?

## Brainstorming Guidance:

*Note: This is just one possible set of categories and answers. Many more are possible, and interviewers should assess both the volume and relevance of answers.*

### Customer acquisition:

- Leverage platforms like LinkedIn to acquire customers
- Lead/Customer Management
- Build online brand presence

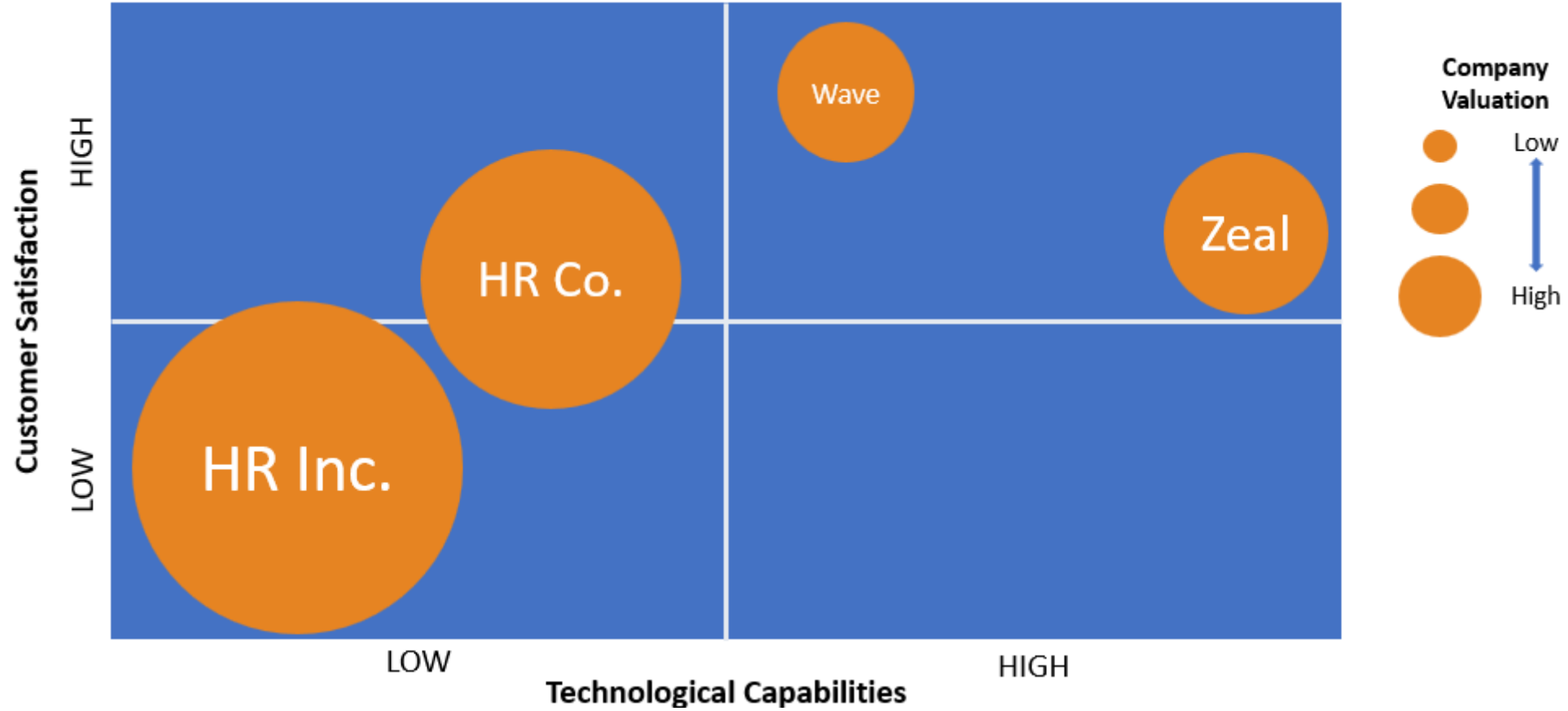
### Cost reduction:

- Reduced Customer Acquisition Costs
- Reduced cost of operations by creating an online website that can be accessed by anyone anywhere

### Best candidates display:

- Structured response; MECE buckets or clear rationale; calm when asked “what else?”

## EXHIBIT 2



### Question 2

What is the key takeaway you identify from this graph?

### Exhibit or Question Guidance:

- Incumbents (HR inc and HR co) have low technological capabilities and low customer satisfaction yet have a very high valuation
- New entrants are the exact opposite with high technological capabilities and high customer satisfaction
- **If interviewee says improve tech and doesn't mention acquisition;** ask what are different ways to gain technological capabilities

### Good Candidates will:

1. Highlight the need to acquire or invest in technological capabilities.



# CONCLUSION

The CEO would like your recommendation on how to respond to the competitive threat posed by these new entrants. What do you recommend?

## **Recommendation:**

- Acquire Wave/Zeal to gain technological capabilities/Invest in technological capabilities

## **Risks:**

- Risks of overpaying for a hot company/change in a large corporation is difficult

## **Next Steps:**

- Due Diligence and financing strategy/follow on project to assess internal capabilities

# Hydrogenous

Non-Profit | Other

# HYDROGENOUS

NON-PROFIT | OTHER

## PROMPT:

Hydrogenous is an international NGO that leads initiatives to combat extreme drought as part of the global effort led by the United Nations Convention to combat desertification. Mitigating desertification is a crucial component of tackling climate change, providing immense value for natural landscapes and human welfare (e.g., food security, employment, and sustainable development). The President, Luke, approached you and asked:

“What factors should the team consider when selecting the firm’s next project to combat desertification?”

**CLARIFYING INFORMATION:** *Provide this only if corresponding questions are asked*

### 1. What is Desertification?

“The process by which natural or human causes reduce the biological productivity of drylands (arid and semiarid lands).” – Britannica

### 2. What does Hydrogenous usually do to mitigate desertification?

Hydrogenous is mandated by UN to address desertification challenges. Most of the levers our client can pull are afforestation, reforestation, water supply support, and nature preservation, which are funded by global foundations, local governments, and other institutional donors.

### 3. What is Hydrogenous’ target?

Selecting the project with both the shortest payback period and biggest “impact.” Ideally, the project would also become a flagship model, attracting additional philanthropic support to fund future initiatives.



## BEHAVIORAL INTERVIEW QUESTIONS:

What is your “dream  
(consulting) project?”

Framework Guidance:

*Note: There are many possible alternatives to this framework. These are only provided as possible suggestions.*

Social/Humanity	Economic/Financial	Operational Feasibility	Risks/Challenges
<ul style="list-style-type: none"><li>• <b>Biodiversity gains.</b> Endangered species or ecosystems; reducing fragmentation to create a large-scale habitat for wildlife.</li><li>• <b>Climate impact.</b></li><li>• <b>Food security</b></li><li>• <b>Sustainable development</b> Improve local living standards, creating more opportunities for the younger generation.</li></ul>	<ul style="list-style-type: none"><li>• <b>Benefits</b> <b>Expense saving</b> Offset the annual fiscal spending on rebuilding /repairing/dealing with setbacks post-desertification. <b>Additional income</b> New economic opportunity, etc.</li><li>• <b>Cost</b> <b>One-time:</b> Infrastructure; PP&amp;E; Study Investigation <b>Recurring:</b> Annual Maintenance; Labors, Materials</li></ul>	<ul style="list-style-type: none"><li>• <b>Capability</b> Experience? Expertise?</li><li>• <b>Local resource accessibility</b> Local team? International team?</li><li>• <b>Fundraising</b> Local Funding? Global Budget?</li></ul>	<ul style="list-style-type: none"><li>• <b>Opportunity cost</b> of alternative development in this area</li><li>• Local development agenda</li><li>• <b>Geopolitics</b></li><li>• <b>Corruption</b></li></ul>
Motivations		Constraints	




The rationale here is to understand that the framework is supposed to address both the motivation (here, the first two dimensions) and constraints (here, the third and fourth dimensions) prioritizing impact first as the organization is an NGO

How to Move Forward:

To move forward, the interviewee should ask for either the details, profiles, benefits, costs, or similar points related to the further exploration of the details for each project that will be under consideration.



EXHIBIT 1 - PROJECT PROFILES

Description	A	B	C
Project Name	<div>Combat Drought</div> <div></div>	<div>Nature Charm</div> <div></div>	<div>Clean Air</div> <div></div>
Primary remedial action	Construct stable water supplies	Invest to protect a nature preserve	Begin reforestation efforts to reduce the incidence of sandstorms
Beneficiaries	30,000 local residents (demographic skew: age – young, gender – women)	300 jobs created for local economy	Multiple nations impacted by regional sandstorms

### Question 1

Which project do you prefer? Why? And what additional information would you need to advance your analysis?

### Exhibit & Question Guidance:

After looking at exhibit 1, candidates should be able to identify and call out the following:

- This exhibit gives the qualitative impact of each project.
- Looking for financial data to determine the payback period
- Call outs:
  - **Project A:** substantial impact on local residencies and could have long-term implications for food security.
  - **Project B :** would benefit the local economy and promote environmental protection to international tourists.
  - **Project C:** It will benefit multiple nations.
- This exhibit just gives an overview of the project profiles, and every project is qualified for the client's objective of "great impact" in different ways. The candidate should be able to determine that more information is needed to evaluate each project's payback period, based on the client's objective.

# EXHIBIT 2 - THE ECONOMICS OF PROJECTS

	A	B	C
<b>Project Name</b>	<b>Combat Drought</b>	<b>Nature Charm</b>	<b>Clean Air</b>
<b>Potential savings through disaster reduction</b>	\$5,000,000 (Annually)	-	\$25,000 (Annually)
<b>Additional income generated for the local economy</b>	-	Ecotourism <sup>1</sup> : <ul style="list-style-type: none"> <li>Annual tourism numbers will increase by <b>20%</b>.</li> <li>The average length of a tourists stay will increase by <b>1 day</b>.</li> <li>Average spending per tourist will remain constant.</li> </ul>	-
<b>Cost</b>	<ul style="list-style-type: none"> <li><b>5-year</b> construction period</li> <li>Required number of functional units: <b>20,000 units</b></li> <li>1/5 of units are constructed each year for 5 years</li> <li>Construction cost per 1,000 units: <b>\$300,000</b></li> </ul>	<ul style="list-style-type: none"> <li>Preservation infrastructure development fee (one-time): <b>\$2,000,000</b></li> <li>Annual maintenance: <b>\$1,500,000</b></li> </ul>	<ul style="list-style-type: none"> <li>Reforestation cost (one-time): <b>\$40,000</b></li> <li>Annual maintenance: <b>\$5,000</b></li> </ul>
<b>Benefits realization</b>	Savings of functional units are realized starting in the next year after construction	Immediately upon launch	Immediately upon launch
<b>Special project characteristics</b>	Due to the extreme weather, <b>20% of units are expected to be non-functional</b>	-	-

1. Currently, we welcome 5000 visitors each year. The average stay is 4 days, and the average spending is \$200/day.

Question 2

How many years until the economic impact of the projects outweigh the NGO’s investment?

Project A:

- To restore 20,000 units, you will need to calculate the number of units that will need to be constructed to accomplish this goal, given the 80% success rate:  
 $20,000/80\% = 25,000$  units.
- 1,000 units cost \$0.3M; total expenditure would be  $\$0.3M \times 25,000/1000 \text{ units} = \$7,500,000$  Total Project Cost
- Considering the 5-year planning period, these costs will be distributed evenly across the timeframe.  $\$7,500,000/5 = \$1,500,000/\text{year}$ . It also can be calculated by taking  $25,000 \text{ units}/\text{years} = 5,000 \text{ units}/\text{year}$  purchased.  $5,000 \text{ units} \times \$0.3M = \$1,500,000$
- Given end-state cost savings of \$5,000,000/year and that benefits from the previous year will be realized in the subsequent year, see the table below for how much benefit will be realized over the planning period:

	Year 1	Year 2	Year 3	Year 4	Year 5
Annual Cost	\$1,500,000	\$1,500,000	\$1,500,000	\$1,500,000	\$1,500,000
Cumulative units	0	5,000	10,000	15,000	20,000
Proportion of Benefit Realized	0%	20% (5,000/25,000)	40%	60%	80%
Annual Savings	\$0	\$1M (20%*\$5M)	\$2M	\$3M	\$4M
Net Savings	\$0	-\$500,000	\$500,000	\$1,500,000	\$2,500,000
Cumulative Net Savings	-\$1,500,000	-\$2,000,000	-\$1,500,000	\$0 (BE)	\$2,500,000





### Exhibit or Question Guidance:

#### Project B:

- **Additional Revenue from Current visitors:**  $5000 * 1 \text{ day (additional length of stay)} * \$200 = \$1,000,000$
- **Additional Revenue from New visitors:** Given that an additional 1,000 tourists will visit per year for an average of 5 days, and with an average revenue of \$200 per tourist per day, total annual revenue will be \$1M.
  - $(1,000 * 5 * \$200 = \$1,000,000)$
  - Total incremental revenue = 2M
- **Cost:** \$2M upfront cost the first year, \$1.5M annual maintenance fee each year
- **Breakeven** =  $FC / \text{Profit} = 2M / (2M - 1.5M) = 4\text{yrs}$

#### Project C:

- **Annual Cost Saving:** \$25K
- **Cost:** \$40K upfront cost the first year, \$5K annual maintenance fee each year
- **Breakeven** =  $\$40K / (\$25K - \$5K) = 2\text{yrs}$

#### Summary:

**Breakeven:** A=4 years B=4 years C=2 years

**Investment Scale:** A>B>C

**Long-term benefits:** A>B>C, but B provides additional revenue, while A&C are savings-based models

- After the candidate summarizes the findings, hand out the next exhibit and ask: **How would this new information change your recommendation, if at all?**

# BRAINSTORMING

*What are some other factors that should be considered in the decision?*

## Brainstorming Guidance:

*Note: This is just one possible set of categories and answers. Many more are possible, and interviewers should assess both the volume and relevance of answers.*

### Positive Factors

- Urgency of the need in the location
- Long-term impact?(compare forecast if we implement the project)
- Global recognition of the project

### Negative Factors

- Corruption in the country and non-profit organizations
- Technical execution of projects
- Acceptance by the local community

### Best candidates display:

1. Consistency with their framework and our client's objective.
2. Ability to seamlessly factor new information into their analysis.
3. Creative approach to use data.



# CONCLUSION

As Luke enters the stunning conference room facing New York City's Hudson River, could you share your findings with him?

## Recommendation:

- Which project should Luke prioritize & why?
  - Mention:
    - What makes the project attractive?
    - What are the financial implications?

## Risks:

- Depending on which project they choose, the risks could include high costs, construction disruptions, estimation errors regarding tourists, a low success rate, etc.

## Next Steps:

- Specific mitigations of aforementioned risks. For example, working on a robust sourcing method to collaborate with the best constructors to improve the success rate of project A.

# Jane Darden's Ranch

Hospitality | Market Entry

# JANE DARDEN'S RANCH

HOSPITALITY | MARKET ENTRY

## PROMPT:

Your client is Jane Darden, a longtime owner, and operator of the Wahoo Cattle Ranch, which has been in the family since 1883. However, since the early 2000s, the Montana economy has experienced a dramatic shift in its local businesses and consumers. The ranch is now surrounded by high-end resorts, fine dining, and a burgeoning outdoor mall, which have increased the cost of property taxes and tightened the Wahoo Cattle Range profit margins. Concerned about the outlook of her ranch, Jane Darden has approached our team to determine whether she should enter the hospitality industry or not.

**CLARIFYING INFORMATION:** *Provide this only if corresponding questions are asked*

**1. How does Wahoo Cattle Ranch make money?**

In addition to selling beef and milk, the ranch offers horseback riding, fly fishing, and hiking tours.

**2. Is there a timeline for when Jane Darden would want to make this potential pivot into hospitality?**

Jane is fine with an investment as long as it reaches a breakeven in at most three years after construction begins.

**3. What is Jane Darden's primary goal if makes this pivot?**

Long term, Jane wants to maximize annual net income for her business.



## BEHAVIORAL

### INTERVIEW QUESTION:

Give me an example of a time you used data to solve a problem at work.

Framework Guidance:

*Note: There are many possible alternatives to this framework. These are only provided as possible suggestions.*

Montana Hospitality Market	Finance	Potential options	Other considerations
<ul style="list-style-type: none"><li>Population</li><li>Size of the Hospitality/tourism market</li><li>Disposable income</li><li>Consumption pattern</li><li>Growth trends</li><li>Competitors</li></ul>	<ul style="list-style-type: none"><li>Investment</li><li><math>\Delta</math> Revenue</li><li><math>\Delta</math> Cost (VC/FC)</li><li>Synergies with current business</li></ul>	<ul style="list-style-type: none"><li>Acquire an existing resort</li><li>Open her own resort</li><li>Keep farm (Do Nothing)</li><li>Sell ranch to a big-brand hotel</li></ul>	<ul style="list-style-type: none"><li>Regulation</li><li>Competitive response</li><li>Human resources</li><li>Brand alignment</li></ul>









How to Move Forward:


The candidate should recognize this is a market entry case. The interviewer should push the candidate to tackle the potential options of entering a new market, including M&A or setting up its own operation. Once the candidate identifies at least two ways of entering the new market, move to Exhibit 1.



EXHIBIT 1

Jane is considering the four options below.

Proposal	Revenue from operation	Profit margin
Sell ranch to hotel chain XYZ		
Partner with hotel chain XYZ passive investor		
Buy existing old resort ABC and sell ranch operator		
Build new hotel		

 = How optimal each option’s finances are

### Guiding question 1

- Based on Jane's available options, which would you recommend?
- If the candidate chooses option 4: What other qualitative or quantitative factors should Jane consider?

Quantitative options: IRR, NPV, breakeven timeline, execution risk, cash on hand, raising debt, etc. Qualitative: control, experience, brand, family

### Exhibit or Question Guidance:

Provide when asked by candidates:

- Candidate should conduct a structured analysis of the available options (e.g., pros and cons)
- Investment requirements: Only option 4 requires initial investment and only option 1 has an upfront cash inflow.

Best candidates

- Realize that the goal is obtaining the highest revenue in the long term.
- Realize that loss of income is not included in the Harvey Ball analysis
- Hypothesize the reason behind the downside of other options (lower margin for option 2 due to hefty management and royalty cost; low margin and revenue for option 3 due to high maintenance cost and lower demand associated with old property)



# EXHIBIT 2

Financial projection of the new resort

Options	# of rooms	Average utilization	Rate	Initial Investment	Fixed Cost	Variable Cost
Wahoo Holiday Resort	400	80%	\$300/night	\$10 M	\$15 M	10%
Wahoo Prime Resort	300	75%	\$500/night	\$30 M	\$15 M	15%

Note: Existing Wahoo Cattle Ranch earns an average of \$ 7 M in annual revenue.



## Question 2

- Which option should Jane consider in order to break even in three years?

	Holiday Resort	Prime Resort
Days-room available	(400 rooms * 360 days * 80% utilization) = 115,200 days available	(300 rooms * 360 days * 75% utilization) = 81,000 days
Total revenue	115,200 days * \$300/days = \$34.56 M (round to \$35 M)	81,000 days * \$500/days = \$40.5 M (round to \$40 M)
Variable cost (cleaning (service and staff), sales & marketing, F&B)	10% * \$35 M = \$3.5 M	15% * \$40 M = \$6 M
Fixed cost (utility, depreciation, G&A, IT, labor cost)	\$15 M	\$15 M
Net profit	(\$35 M - \$3.5 M - \$15 M) = \$16.5 M	\$40 M - \$6 M - \$15 M = \$19 M
Loss of income from ranch	\$7 M	\$7 M
Net profit after loss of income	\$16.5 M - \$7 M = \$9.5 M	\$19 M - \$7 M = \$12 M
Payback period of initial investment	\$10 M paid back in just over 1 year	\$30 million paid back in ~2.5 years

## Provide if asked:

- Assumption: 360 days per year
- Drive calculation using a simple payback period (no time value of money)

## Best candidates:

- Remember the breakeven requirements and highlight that although the holiday resort has a lower payback period, the primary goal is to maximize long-term income



# BRAINSTORMING

Aside from the ROI/profit calculation we just did, what other factors should Jane consider to pursue this endeavor?

## Brainstorming Guidance:

*Note: This is just one possible set of categories and answers. Many more are possible, and interviewers should assess both the volume and relevance of answers.*

### External

- Competitor Response – expectation of pricing war among players, response of other ranch owners, etc.
- Difference in regulation between resort and ranch business (e.g., high tax cost, licensing/permit issues, etc.)
- The volatility of hospitality industry (particularly after the pandemic, as ranch seems to be less volatile)

### Internal

- Labor – labor issue when firing/transforming current work force from ranch to resort business
- Execution risk – Ability to fully materialize expected revenue and profit. Will there be a ramp period where the resort doesn't make the full 100% projected revenue?
- Family business – Due to the nature of family business, will the family object against such drastic change and risk?

## Best candidates display:

Great candidates will structure their brainstorming (pros vs. cons, short-term vs. long-term options, etc.), and finish by driving the case forward to determine whether the pivot to resort business make sense. Great candidate will also realize that our assumption in the profitability assessment might be flawed, hence putting additional consideration in the financial analysis is acceptable.

# CONCLUSION

We are meeting with Jane Darden shortly regarding our findings, what do you think we should recommend?

## **Recommendation:**

- Example: We recommend that Jane build Wahoo Prime Resort based on the projected long-term revenue. This should meet Jane's investment requirement and increase her annual income by \$12M (\$7M to \$19 M) and accomplish a breakeven within the 3-year timeline.
- Candidate can go with either option (holiday resort and prime resort) if there are adequate reasons.

## **Potential risks and next steps for the candidate to talk about:**

- There are a few risks associated with this deal. Below are some examples, but the candidate should focus on just one:
  - Capability mismatch-> The current workforce competencies may not align with future requirements, so develop a strong transformation plan for the current headcount
  - Regulatory risk-> The current land may be subject to zoning/regulatory restrictions under a number of different laws, so make sure to conduct adequate due diligence
  - Competitive response-> Competitors may respond with a price war, so ensure that a pricing strategy analysis is conducted to determine the optimum price level

# Kegging Costs

Food and Beverage | Operations

# KEGGING COSTS

## FOOD AND BEVERAGE | OPERATIONS

### PROMPT:

Our client is a large craft brewery that primarily sells beer nationally through its distribution network. The brewery has grown from an annual production of 100,000 BBL (beer barrels) three years ago to 500,000 BBL today. The brewery packages its beer in kegs, which are used to serve beer on tap at bars and restaurants, and into 24-pack cases of cans, which are purchased at stores and consumed later.

The CEO is preparing for the annual board meeting and has asked us to investigate two initiatives. There are currently \$20 million available in the budget and the company would like to identify how to best employ these funds. While they are always interested in new opportunities for growth, the two initiatives focus on making their current processes more efficient. The first initiative is a recommendation to purchase kegs outright rather than renewing a long-term agreement to lease them from a national provider. The second is a recommendation to purchase an upgraded canning and packaging system.

How would you advise our client?

**CLARIFYING INFORMATION:** *Provide this only if corresponding questions are asked*

**1. What are the brewery's primary goals moving forward?**

The CEO is primarily interested in identifying which option provides the best opportunity for cost savings. Given the company's trajectory over the last three years, they are also interested in projects that support future growth.

**2. What portion of the brewery's production is packaged in kegs vs. cans?**

Of the 500,000 BBL produced, 60% is packaged in cases of cans and 40% is packaged in kegs.

**3. How many kegs and cases are in one BBL?**

Each BBL (approximately 31 gallons) produces two kegs or fourteen 24-can cases of beer.

**4. How does the value chain work?**

The brewery will produce beer and package it in either kegs or cases of cans. Nearly all the kegs and cans are then sold to a network of national distributors, who in turn sell them to restaurants, bars, and retail stores, who sell them to the end consumer.



### BEHAVIORAL

### INTERVIEW QUESTIONS:

What is the most significant lesson you have learned from a failure?

Framework Guidance:

*Note: There are many possible alternatives to this framework. These are only provided as possible suggestions.*

Cost Savings from Purchasing Kegs	Cost Savings from Purchasing Canning System	Non-Cost factors that Should be Considered
<ul style="list-style-type: none"><li>Initial contract cost</li><li>Lease costs per keg</li><li>Purchase price of individual kegs</li><li>Useable life and replacement rate of kegs</li></ul>	<ul style="list-style-type: none"><li>Efficiency gained from new canning system<ul style="list-style-type: none"><li>Faster canning rate</li><li>Lower waste</li></ul></li><li>Labor rate and savings associated with more efficient canning</li><li>Cost savings associated with a smaller amount of waste</li><li>Potential utilities savings due to less operational time (ignored here because the brewery is assumed to be operating 24 hours/day)</li></ul>	<ul style="list-style-type: none"><li>Best support for future growth</li><li>Quality control</li><li>Operational complexity</li><li>Long-term flexibility</li></ul>

How to Move Forward:

The interviewee should naturally drive towards identifying the cost savings associated with each initiative to identify which is more appealing. If they do not, the interviewer should help push them in that direction. It may be helpful to conduct a mini brainstorming session after the interviewee has laid out their initial framework, asking them to identify what they think the key costs are under each alternative.

A strong candidate will identify that there are other factors outside of costs that need to be considered, the most notable of which is the ability to support future growth.

To move forward, the interviewee should ask for cost information associated with one of the initiatives. They can be done in either order. Once asked, move forward to the appropriate exhibit.



## EXHIBIT 1

Cost of Leasing vs. Purchasing Kegs **\*\*Only give information verbally\*\***

#### Leasing Contract:

Contract Term: 10 Years

Annual cost to lease one keg: \$10

Provider will waive all one-time fees if the brewery renews

#### Purchasing Kegs:

Cost per keg: \$50

Replacement Rate: 5% per year

Useful life: 10 years

#### Other information:

Interviewees should remember from the prompt and/or clarifying questions or give this information if the interviewee has not received these yet

Annual production: 500,000 BBL

Portion of production that is kegged: 40%

1 BBL = 2 Kegs



### Question 1

- Given the information available, what do you estimate are the cost savings associated with purchasing kegs rather than leasing them?

### Exhibit or Question Guidance:

If the interviewee asks about production levels, the percentage of beer packaged in kegs, or the conversion of BBLs to kegs, provide them the data available in the clarifying questions section.

*\*Strong candidates will also ask about time value of money. Encourage them to evaluate both projects before deciding whether that analysis is necessary\**

- 500k BBL x 40% = 200k BBLs kegged
- 200k BBL x 2 kegs ea. = 400k kegs needed per year
- \*simplifying assumption is a keg will only be used once per year given the total time from cleaning through filling, distribution, consumption, and return to the brewery\*
- Leasing
- (400k kegs x \$10 ea.) x 10 years
- \$4m x 10 = \$40m
- Purchasing
- (400k kegs x \$50 ea.) + (400k x 5% x \$50) x 10 years
- \$20m + 20k x \$50 x 10
- \$20m + \$1m x 10 = \$20m + \$10m = \$30m
- Total cost savings = \$10m**

**After finding the cost savings, the interviewee should ask for information about the canning system. Move to Exhibit 2.**

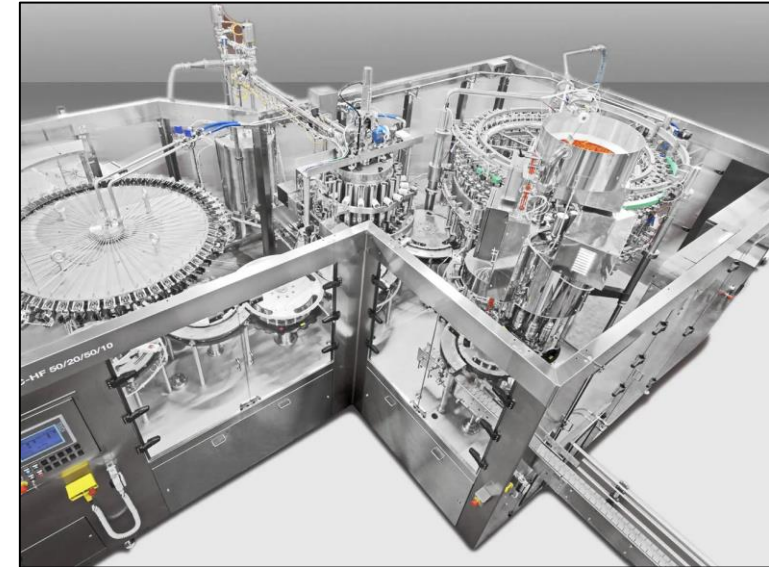


## EXHIBIT 2



**Cantastic 3000 (current)**

Operators	4
Rate (Cases/hr)	600
Waste (Cases)	10%
MSRP	\$10m



**Beer-zilla 5000 (proposed)**

Operators	4
Rate (Cases/hr)	1,200
Waste (Cases)	7%
MSRP	\$20m

\*The canning system is not expected to have any impact on the brewery's overall energy consumption

Question 2

- What other information do you need to assess this option?
- Given this information, what are the cost savings expected from buying a new canning system?

Exhibit or Question Guidance:

While this exhibit is simple, the trick will be for the candidate to gather the information they need to estimate cost savings. First, they should remember that 300k BBLs will be canned (500k x 60%) and that there are 14 cases per BBL. Next, the interviewee should ask about the hourly wage paid to operators, the cost associated with waste, the useful life of the new canning system, and the salvage value of the current canning system.

Hourly Wage: \$25 / hr  
Cost of Waste: \$20 / case  
Useful life: 10 years  
Salvage value of current canning system: \$1.3m

With this information, the interviewee should calculate the cost of operating the current canning system and the cost of acquiring and operating the new canning system. If the candidate asks to round, encourage them to find an exact number.

Current System

- Cases canned per year: 4.2m
- Canning hours:  $4.2\text{m} / 600 = 7\text{k}$
- Labor hours:  $7\text{k} \times 4 = 28\text{k}$
- Labor cost:  $28\text{k} \times \$25 = \$700\text{k}$
- Waste (cases):  $4.2\text{m} \times 10\% = 420\text{k}$
- Waste cost:  $420\text{k} \times \$20 = \$8.4\text{m}$
- Annual cost:  $\$700\text{k} + \$8.4\text{m} = \$9.1\text{m}$
- 10-year cost = **\$91m**

New System

- Cases canned per year: 4.2m
- Canning hours:  $4.2\text{m} / 1,200 = 3,500$
- Labor hours:  $3,500 \times 4 = 14\text{k}$
- Labor cost:  $14\text{k} \times \$25 = \$350\text{k}$
- Waste (cases):  $4.2\text{m} \times 7\% = 294\text{k}$
- Waste cost:  $294\text{k} \times \$20 = \$5.88\text{m}$
- Annual cost:  $\$350\text{k} + \$5.88\text{m} = \$6.23\text{m}$
- 10-year cost + (Acq. – Sal.) =  $\$62.3\text{m} + \$18.7\text{m} = \textbf{\$81m}$

**Total Cost Savings: \$91M - \$81 M = \$10m**



# BRAINSTORMING

**Given that both options have identical cost savings, what other factors do you think our client should consider when making this decision?**

### Brainstorming Guidance:

*Note: This is just one possible set of categories and answers. Many more are possible, and interviewers should assess both the volume and relevance of answers.*

#### Operational Advantages

- Canning system efficiency supports future growth
- Owning kegs adds complexity
- Training required on new canning system

#### Safety and Quality

- How will new canning system impact quality?
- Does owning kegs add brand recognition?
- Risks in operating new equipment?

#### Durability of forecast:

- Will leasing / keg costs remain the same for ten years?
- Will labor costs rise faster than other costs?
- Will new equipment make this system obsolete within ten years?

### Best candidates display:

Candidates should remain focused on the client's stated goal (supporting future growth) and provide answers relevant to that goal. The best candidates will also acknowledge the extended time horizon of this forecast and identify key risks associated with the analysis of each option (i.e., how inflation may impact various costs over time, whether the lease contract fixes the rate for the life of the contract, and whether advances in technology will render the new canning system obsolete).



# CONCLUSION

To conclude, the interviewee should provide the following:

### Recommendation:

- Either option is acceptable, but the interviewee should choose one and provide definitive reasoning for it. A potential reason to choose purchasing the new canning system would be that the increased efficiency provides room for additional growth in the future. A potential reason for choosing to purchase kegs is that the upfront investment now can act as a hedge against future price increases from the leasing company.

### Risks:

- A key risk associated with purchasing the canning system is that technology may advance fast enough that it will need to be replaced within ten years.
- A key risk associated with purchasing kegs is that managing the property through a national distribution network will add unexpected complexity and costs.

### Next Steps:

- An appropriate next step when purchasing the canning system would be to evaluate what training and integration is necessary to incorporate the new equipment into the brewery.
- An appropriate next next when purchasing kegs would be to research a system for effectively managing kegs through the distribution network.



# NewsCo.

Media | Customer Experience

# NEWS.CO.

MEDIA | CUSTOMER EXPERIENCE

## PROMPT:

NewsCo. is a TV network that offers live news and pre-recorded entertainment programming. They're concerned about a recent survey showing a decline in viewers' trust. This is particularly worrisome because NewsCo. prides itself on high-quality journalism and uses the tagline "News You Can Trust." Our team was hired to identify the root causes and provide recommendations.

**CLARIFYING INFORMATION:** *Provide this only if corresponding questions are asked*

### 1. What can you tell me about the survey?

A US-based consumer intelligence agency compared NewsCo. to other major news networks across several dimensions. While NewsCo. scored well in most dimensions, only 46% of viewers considered it trustworthy. It ranked fourth most trustworthy out of six major news networks. In 2018, over 75% of consumers rated NewsCo. as trustworthy, ranking first. Survey respondents were asked to assess "NewsCo. is a reliable and trustworthy news source."

### 2. Does NewsCo. publish other forms of news, such as print or digital?

Yes, NewsCo. operates a website, but management is currently focused only on its television programming.

### 3. What is the client's objective?

NewsCo. wants to understand the root cause of the low trustworthiness score and recommended actions to improve it.

### 4. How does NewsCo. generate revenue?

NewsCo. earns most of its revenue from advertising on its TV programming, but it also earns revenue through cable subscriptions, website advertising, and selling prepackaged content to third parties such as airports and hotels.



## BEHAVIORAL

### INTERVIEW QUESTION:

Tell me about an important skill you developed. What was it and how did you go about developing it?

# BRAINSTORM 1

**“Before we begin, I want to take a step back and examine this issue from a wider lens. In what ways does viewer trust in news networks affect society at large?”**

## Brainstorming Guidance:

*Note: This is just one possible set of categories and answers. Many more are possible, and interviewers should assess both the volume and relevance of answers.*

### Political Implications

- Media sources influence voter decision making and the perceived fairness of elections.
- News networks can hold public figures accountable, sustaining trust in political institutions.
- News coverage affects public discourse and shapes opinions on important policy issues.

### Social Implications

- Misinformation and bias erode public trust and fuel polarization and distrust in society.
- Accurate news benefits public safety and health.
- News raises awareness about social issues, shaping public attitudes on civil rights and diversity.
- Trustworthy news educates viewers about important business events, affecting financial decision-making.

## Best candidates display:

- Structured brainstorming with multiple mutually-exclusive categories to examine the impact of trusted news sources on society from multiple angles
- Avoidance of discussing financial implications of trust on a business

## To move forward...

- **“Thank you. Let’s now step back into the problem at hand. Please take a couple minutes and then walk me through how we should approach this problem.”**





## Framework Guidance: *Note: More information is provided here than expected. Candidates not expected to include every subcategory.*

### Content-Related Factors

#### Quality

- Do we get the facts right when reporting stories?
- Are our sources seen as credible?
- Is our news coverage timely and relevant to viewers?

#### Tone

- Do audiences perceive our reporting as biased?
- Do they perceive our reporting as sensationalistic?

#### Types of Stories

- What proportion of fact-based news programming do we air compared to opinion-based or entertainment shows?
- Do we cover a wide variety of issues from different perspectives?

### Organizational Factors

#### Staffing

- Do viewers perceive our on-air talent as lacking diversity? What about the executive team?
- Do viewers perceive our on-air talent as authoritative?

#### Organizational Culture

- Have there been any organizational scandals that have eroded trust among our viewership?

#### Management Decisions

- Has NewsCo. made any recent acquisitions or partnerships with organizations viewers deem as untrustworthy?
- Has management interference compromised editorial oversight of NewsCo.'s news division?

### External Factors

#### Societal

- Has the uptick in misinformation from other news mediums negatively affected our viewers' perceptions about NewsCo.?
- Have viewers changed what they consider to be "trustworthy news" (i.e., polarized news = trustworthy)?

#### Competitive Landscape

- Have competitors become faster or more accurate at breaking important news stories?
- Has the rise of social media and online news sources given viewers a wider range of options for consuming news?

#### Technological Advancements

- Has new technology, such as AI algorithms and deepfake technology made it harder for viewers to discern what is real?

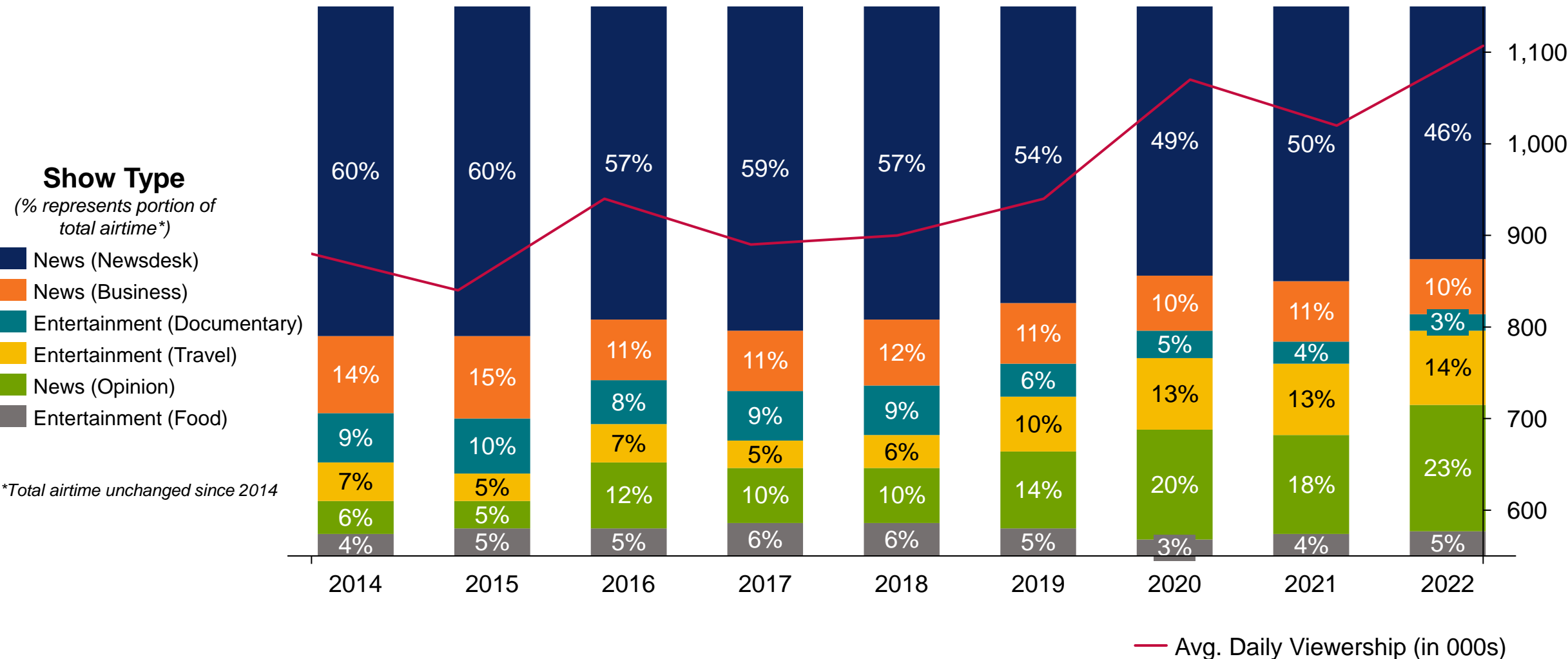
## How to Move Forward:

Candidates must not suggest a "Financial" category but instead focus on internal and external factors affecting trust. Candidates can acknowledge that lack of trust can have financial implications but that is not the primary focus. *If a candidate lists a "Financial" category, ask how examining financials will aid in understanding the cause of declining trust.*

**Candidates should note that NewsCo.'s trust rating has decreased and inquire about changes in its programming or operations. Refer to Exhibit 1 and prompt with questions as needed to progress.**

EXHIBIT 1

Airtime Allocation and Annual Viewership



## Question 1

Our client provided us with data about their programming for the last nine years. What insights are you seeing?

**Exhibit or Question Guidance:** Candidates are not expected to calculate anything here. Rather, they should visually examine the exhibit and glean important insights.

### Expected Insights:

- News (Newsdesk) and Entertainment (Documentary) coverage has declined the most since 2014, with News (Opinion) and Entertainment (Travel) coverage increasing the most during the same period. Bonus points for contextualizing the % change (e.g., “Opinion shows are being aired roughly four times more frequently in 2022 than in 2014”, or “Newsdesk shows are aired about 25% less in 2022 than in 2014”).
- Viewership has increased steadily since 2014, by over 200k viewers/day. Bonus points for estimating the % change as a 25%-30% increase.
- **Candidates should offer a hypothesis explaining why this matters.** Good hypothesis: Opinion shows may be less trustworthy than Newsdesk and Documentary shows due to lower journalistic standards. Therefore, increasing preference towards Opinion may result in more biased and less trustworthy news.

### Great Insights:

- Candidate notes last survey took place in 2018 and observes sharp increases in Opinion and Travel, and large decreases in Newsdesk and Documentary.

### Outstanding Insights:

- Candidate identifies a positive correlation between Opinion airtime and viewership (more Opinion = more viewers and vice versa). Candidate integrates this observation into their hypothesis and infers that Opinion shows are driving TV viewership.

**To move on, candidate should hypothesize that increased Opinion airtime may be boosting nightly viewership at the expense of trustworthiness. However, they need data to validate this and should ask for data about how each show type affects trustworthiness.**

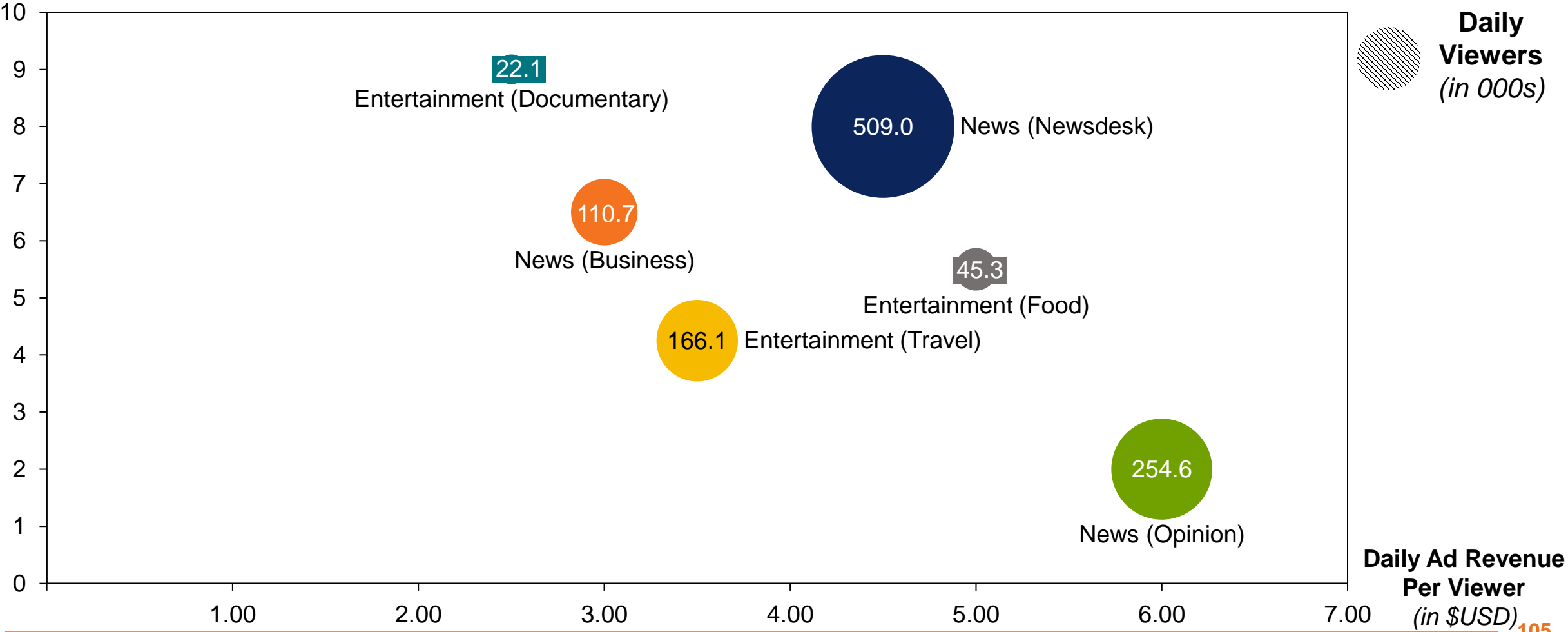
**If needed, ask candidate to provide hypothesis and make connections explicit.**



EXHIBIT 2

Viewer Perception of Trustworthiness

2022 Market Intelligence Report (NewsCo.)



Question 2

“This analysis that explores the relationship between viewer trust and revenue. What is the value of each show type to NewsCo.?”

Exhibit 2 Guidance:

- Candidate should identify that exhibit maps each show category across three dimensions: viewership, trust, and revenue.
- News (Opinion) is the second most-watched show type but has the worst trust rating. Candidate should pull in previous information that News (Opinion) airtime has more than doubled since the last survey and identify this shift as the primary driver in declining trust.
- Candidate should calculate **daily revenue for each show type (prompt candidate if needed)**.

Solution:

Show Type	Daily Revenue Per Viewer	# Daily Viewers (in 000s)	# Daily Viewers (Rounded)	Total Daily Revenue	% of Total
News (Newsdesk)	\$4.50	509.0	510,000	\$2,295,000	46%
News (Business)	\$3.00	110.7	110,000	\$330,000	7%
Entertainment (Documentary)	\$2.50	22.1	20,000	\$50,000	1%
Entertainment (Travel)	\$3.50	166.1	170,000	\$595,000	12%
News (Opinion)	\$6.00	254.6	250,000	\$1,500,000	30%
Entertainment (Food)	\$5.00	45.3	45,000	\$225,000	5%

Candidates not required to calculate the % Total (orange column) but should understand relative order of magnitude between show types



More guidance on next page...



### Question 2 (Cont.)

“One of our associates just sent me this analysis that explores the relationship between viewer trust and revenue. What is the value of each show type to NewsCo.?”

### Exhibit 2 Guidance (cont.):

Excellent responses will identify some the following insights:

- Opinion news is more profitable per viewer compared to Newsdesk but has the lowest trust rating.
- Food shows are more trustworthy and more lucrative than Travel shows (by \$1.50, the same difference between Opinion and Newsdesk).
- NewsCo. may have an opportunity to streamline its news programming by replacing Travel shows with Food.
- An excellent response will incorporate new insights into hypotheses, such as recognizing NewsCo.'s financial incentive to air Opinion shows despite the declining viewer trust they generate.

### To move forward...

Tell the candidate “Our client wants an update on our project status. Please summarize our progress so far and give preliminary recommendations to NewsCo.”

# CONCLUSION

To conclude, the interviewee should provide concise recommendation (below is one example, many good recommendations are possible):

## Recommendation:

- NewsCo.'s trust rating is declining because it has significantly increased Opinion programming, which viewers perceive to be untrustworthy.
- NewsCo. should reduce Opinion programming, which viewers perceive as untrustworthy and instead explore ways to increase viewer engagement and ad revenue for Newsdesk shows.
- Re-allocating airtime from Travel to Food may help subsidize reduced Opinion airtime in favor of more Newsdesk.

## Risks:

- Reducing Opinion airtime may decrease audience engagement and ad revenue.

## Next Steps:

- Conduct focus groups to identify innovative ways to capture audience engagement for Newsdesk shows to generate additional ad revenue.

### Poor recommendations will...

- Suggest client ignores trust and focuses on revenue (Trust is stated value of client).
- Ignore financial implications of recommended action (Revenue matters too!)

# Opus Two

Consumer | Market Entry



# OPUS TWO

## CONSUMER | MARKET ENTRY

### PROMPT:

Our client, Opus Two, is one of the most prestigious wineries in Napa Valley. The winery is renowned for crafting a single, exceptional wine – a Meritage Red Blend. Despite its reputation, Opus Two faces significant challenges due to climate change. Rising temperatures, extended droughts, and recent forest fires have made their location unsuitable for grape growing. As such, Opus Two is looking to relocate outside of Napa Valley and is seeking the firm's help in choosing a new region and wine to produce. What factors should be considered when selecting a new location for Opus Two?

**CLARIFYING INFORMATION:** *Provide this only if corresponding questions are asked*

#### 1. What is a Meritage Red Blend?

A Meritage Red Blend combines several grapes (vs. just one varietal like Pinot Noir) into a single wine. A portmanteau of "merit" and "heritage," the name conveys high quality and tradition.

#### 2. What is the client's goal?

Opus Two is a passion project jointly owned by Darden's Wine and Cuisine Club (WACC) and a sommelier from Philadelphia. Their primary goal is not to achieve a specific financial return, but rather to maintain their current level of production, quality of wine, and brand reputation.

#### 3. How does Opus Two sell its wine?

They sell a limited supply of 10,000 cases (120,000 bottles) of wine per year to high-end restaurants all around the world as well as DTC online and in-person at the winery. A bottle sells for \$500.

#### 4. When does Opus Two want to move? As soon as a new region and wine is identified.

#### 5. Has Opus Two identified any potential locations? Yes, we will see explore these locations later in our analysis.



### BEHAVIORAL INTERVIEW QUESTION:

Tell me about a decision you made at work that showcased your integrity



Question 1: “What factors should be considered when selecting a new location for Opus Two?”

Framework Guidance:

*Note: There are many possible alternatives to this framework. These are only provided as possible suggestions.*

Production Size & Quality

*These factors affect the type and quality of wine Opus Two can produce.*

- Location (vineyard size, grape varieties grown)
- Climate (temperature, rainfall, seasonality)
- Geography (soil type, altitude, land features)
- Resources (water, energy)
- Threats (climate change, inclement weather, natural disasters, wild animals, fungus)

Region’s Perception

*These factors affect Opus Two’s ability to maintain their brand’s prestige and attract consumers.*

- Region’s Reputation
- Region’s Level of Recognition
- Preference Among Consumers
- Accessibility (proximity to major markets, transportation, and local tourism)

Capabilities / Feasibility

*These factors affect the viability of Opus Two making the move to a new location.*

- Non-Financial (customer & employee buy-in, regional expertise/know-how)
- Financial (revenues, cost of land, labor, and materials, etc.)
- Local Regulations (distribution & consumption laws, land use requirements, permits/licenses)

How to Move Forward:

This is a McKinsey-style case, and although the interviewer will lead the candidate to the next question, the best candidates will identify Production Size & Quality as a logical starting point. Opus Two's priority is to maintain their current level of production, wine quality, and brand reputation, making this category a top consideration as they contemplate a new location.



**Question 2:** Our client is committed to maintaining their current annual production of 10,000 cases/year (a case is 12 bottles of wine). As such, size is a top consideration when selecting a new vineyard site. How would you estimate the number of acres Opus Two must acquire to produce 120,000 bottles of wine per year?

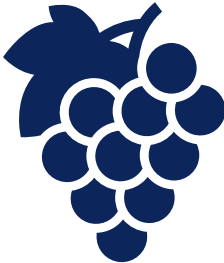
Market Sizing/Estimation	
Candidate's Framework	Numbers You Provide
# of Bottles of Wine	120,000 bottles
# of Grapes per Bottle	10 grape clusters/bottle
= Total Grapes Required	1,200,000 grape clusters
# Grapes per Vine (annual)	40 grape clusters/vine
# Vines per Acre	1000 vines/acre
= Grapes per Acre	40,000 grape clusters/acre
# of Acres Required	<b>30 Acres</b> (1,200,000 clusters ÷ 40,000 clusters/acre)

- Question 2 Guidance:**
- Answer:** In a Market Sizing, the candidate develops the framework (left), you provide the numbers (right), and they do the math to arrive at **a minimum of 30 acres to produce 120,000 bottles of wine.**
  - Hint:** Tell the candidate to figure out what information they need to solve for # of Acres and construct a framework/equation. If they need further guidance, tell them to find the # of grapes required to make one bottle of wine and the # of grapes that grow on a vine. **Provide them the gray-highlighted pieces of information**
  - Alternatively:** The candidate may also calculate the number of bottles of wine that can be produced per acre (4000 bottles/acre) and can arrive at the same answer.
  - Transition:** “Keep these numbers and this structure on hand as it will be used to compare prospective sites in the next question.”



EXHIBIT 1

Wine Regions

<p><u>The Finger Lakes, New York</u></p> <div>36 Acres</div> <p><b>Prospective Site has 36 Acres of land right along the Lake Seneca.</b></p> <p>Cooler climate results in a lower yield of 32 clusters of grapes/vine.</p>	<p><u>Albemarle County, Virginia</u></p> <div></div> <p><b>Prospective Site can produce up to 1,300,000 clusters/year.</b></p> <p>Inclement weather will destroy 10% of the grape crop each year.</p>	<p><u>Walla Walla Valley, Washington</u></p> <div>Vine</div> <p><b>Prospective Site has 40 Acres of land with beautiful vistas of the Valley.</b></p> <p>Washington State Law requires no more than 750 vines per acre.</p>
---	--	---

*\*The number of grape clusters needed to make one bottle of wine remains the same at 10 clusters/bottle.*

**Question 3:** The client has identified three desirable vineyard sites in the United States. Using the data from the Market Sizing as a key, which site will allow Opus Two to maintain production of 120,000 bottles of wine a year?

### Exhibit 1 Guidance:

- **Answer:** Opus Two should move to the **Walla Walla Valley, Washington**.
- **Hint #1:** Use the framework and numbers (see Hint #2) from the previous Market Sizing as a key for calculations.
- **Hint #2:** The number of grape clusters needed to make one bottle of wine remains the same at 10 clusters/bottle, so the new site must have the capacity to yield 1,200,000 grape clusters annually. Use this parameter to assess and choose the appropriate site.
- **The Finger Lakes:**  $32 \text{ clusters/vine} * 1000 \text{ vines/acre} = 32,000 \text{ clusters/acre} * 36 \text{ acres} = 1,152,000 \text{ clusters} < 1.2\text{M clusters required}$ .
  - **Watch Out!:** a 20% *decrease* in clusters/vine does NOT balance out the 20% *increase* in acreage. This is a common % mistake.
- **Albemarle County:**  $1.3\text{M clusters} * 10\% = 130,000 \text{ clusters lost}$ .  $1.3\text{M} - 130,000 = 1,170,000 \text{ clusters} < 1.2\text{M clusters required}$ .
  - **Shortcut:** Recognize that the prospective site produces 100,000 extra grape clusters (1.3M-1.2M). If 10% of 1.3M is lost each year, that means 130,000 clusters are not able to be used for wine, which is more than 100,000 extra margin of the Prospective Site.
- **Walla Walla Valley:**  $750 \text{ vines/acre} * 40 \text{ acres} = 30,000 \text{ vines}$ .  $30,000 \text{ vines} * 40 \text{ clusters/vine} = 1.2\text{M clusters}$ . Opus Two moves here.



# BRAINSTORMING

**“We’ve talked a lot about where Opus Two should open their new winery. What are some potential uses for Opus Two's original location in Napa Valley after they move?”**

## Brainstorming Guidance:

*Note: This is just one possible set of categories and answers. Many more are possible, and interviewers should assess both the volume and relevance of answers.*

Agricultural Uses	New Uses	Sell/Donate
<ul style="list-style-type: none"><li>• Grape growing for general consumption (e.g., fruit juice) outside of wine</li><li>• Fruits / Vegetables</li><li>• Grains / Olives / etc.</li></ul>	<ul style="list-style-type: none"><li>• Hotel / Restaurant</li><li>• Event Space (weddings, concerts)</li><li>• Conferences / Corporate Retreats</li><li>• Tourism (Napa Valley Wine Tours, farmer's market, hot air balloons)</li></ul>	<ul style="list-style-type: none"><li>• Sell</li><li>• Donate (philanthropic / PR opportunity)</li></ul>

## Best Candidates Display:

A strong candidate demonstrates an understanding of the potential for repurposing a vineyard in a world-famous wine region for both agricultural and non-agriculture use. They would think creatively within this framework, considering the market demand for other crops/produce or activities/events.

Additionally, the candidate should remember that Opus Two's vineyard in Napa Valley is no longer suitable for growing grapes to produce wine. They would avoid suggesting ideas that are misaligned with case facts (e.g., planting different grape varieties or selling the land to another winery).



# CONCLUSION

“The President of the Darden Wine and Cuisine Club (WACC) is calling and would like to hear an update on the project. What is your recommendation at this point in the analysis?”

## Recommendation:

- Opus Two moves to the Walla Walla Valley, Washington
  - The Walla Walla Valley site is large enough to maintain production of 120,000 bottles of wine/year.

## Risks:

- Moving an entire business to another state is inherently risky. Any number of concerns around consumer pushback, Walla Walla’s lower reputation compared to Napa Valley, and a decline in quality are valid.

## Next Steps:

- Reasonable mitigation strategies include surveying current customers about the move or conducting a competitive analysis comparing wineries in Walla Walla with those in Napa to forecast impacts on Opus Two’s brand image and wine quality. Mentioning new uses for their Napa vineyard is also a logical next step and a great way to end the case.

# Pedal Pals

Technology | Cost Improvement



# PEDAL PALS

## TECHNOLOGY | COST IMPROVEMENT

### PROMPT:

Pedal Pals is an interactive fitness platform with millions of members, offering connected, technology-enabled fitness classes that utilize its proprietary hardware, the Pedal Pal stationary bicycle.

Recently the company has been challenged by a large, activist investor. The activist investor is citing the plummeting stock price impacting shareholder returns. The activist has attributed the issue directly to poor cost control throughout Pedal Pals. Pedal Pals CEO has hired your organization to determine how to manage its cost issue.

---

**CLARIFYING INFORMATION:** *Provide this only if corresponding questions are asked*

**1. Does Pedal Pals have a goal for their cost restructuring?**

If Pedal Pals CEO cannot decrease their costs to start obtaining an annual profit again, there is a high risk that the investor will engage in a leveraged buyout. Currently the CEO would like to cut costs enough to achieve a 5% profit target.

**2. What is Pedal Pals current business model?**

Pedal Pals earns its revenue through the subscription revenue of its members, hardware sales of its stationary bicycle, and branded fitness gear.

**3. What is the timeline for Pedal Pals to perform the cost restructuring?**

Investors are demanding cost decreases in the next two quarters to meet year end corporate goals.

**4. How is Pedal Pals supply chain structured?**

Pedal Pals has an international supply chain made of up suppliers across multiple countries to source parts for their bicycle. For distribution, they distribute online through their own website as well as offline through retail locations owned by the company.



### BEHAVIORAL

#### INTERVIEW QUESTION:

Can you walk me through a time when you had to quickly adapt to a new work environment or team? What did you do to ensure your success?

Framework Guidance:

*Note: There are many possible alternatives to this framework. These are only provided as possible suggestions.*

Internal Cost Cutting Measures		Cost Cutting Considerations	
<u>Labor</u> <ul style="list-style-type: none"><li>• Cut Benefits</li><li>• Reduce Overtime</li><li>• Cross-Train Employees</li><li>• Perform Layoffs</li><li>• Condense Geographic Footprint</li><li>• Encourage Early Retirement</li><li>• Encourage remote work</li></ul>	<u>Production</u> <ul style="list-style-type: none"><li>• Manufacturing Warehouses</li><li>• Real Estate to Offer Live/ Record Programs</li><li>• Inventory</li><li>• Automate</li><li>• Renegotiate</li><li>• Outsource</li></ul>	<u>External Impacts</u> <ul style="list-style-type: none"><li>• Existing Customers Willingness to Pay</li><li>• Acquisition of New Customers</li><li>• Emerging tech in this industry</li><li>• Competition in this industry</li><li>• Consumer trends in going to gyms</li></ul>	<u>Risks</u> <ul style="list-style-type: none"><li>• Employee retention</li><li>• Company morale from layoffs</li><li>• Quality reduction in service/ product</li><li>• Competitive response to price cuts</li></ul>
<u>Finance</u> <ul style="list-style-type: none"><li>• Overhead</li><li>• Payment Terms</li><li>• Liquidate</li></ul>			

How to Move Forward:

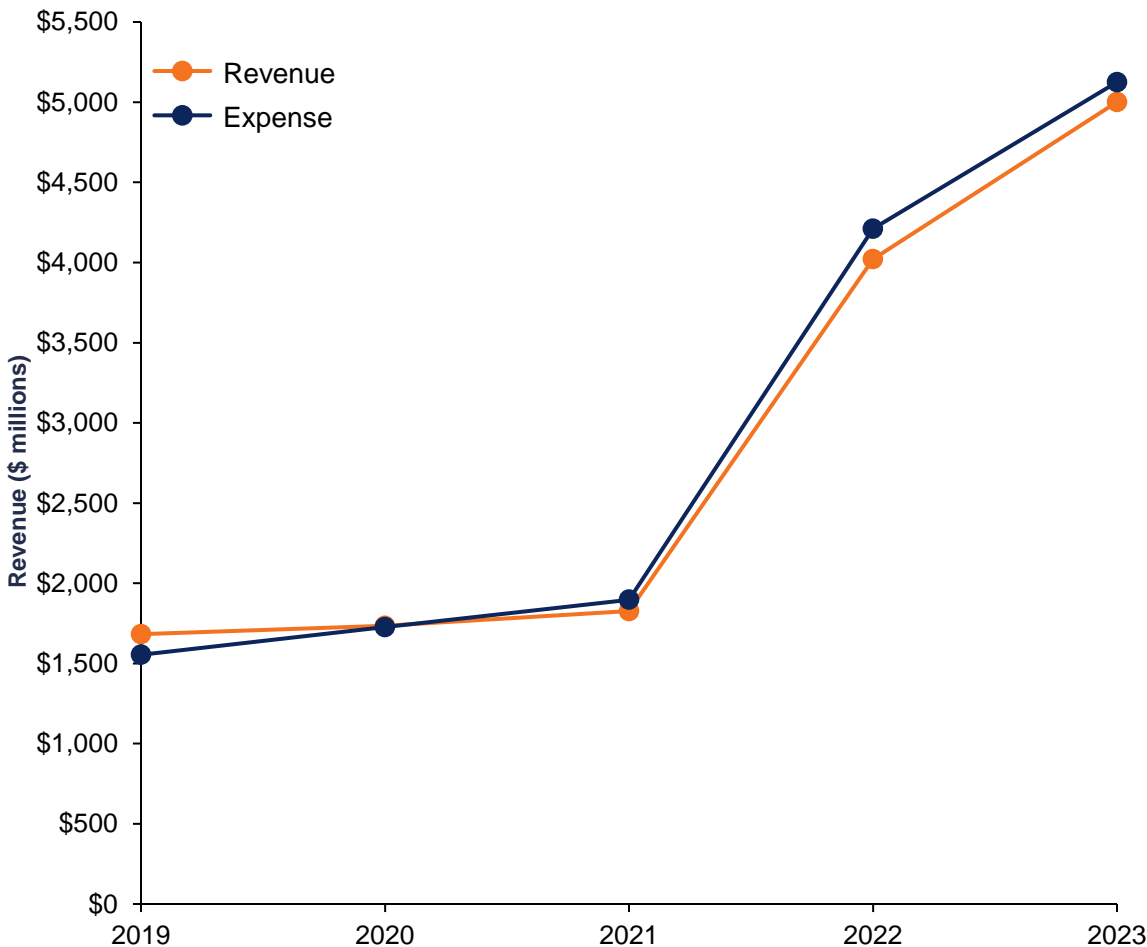
The candidate should recognize this as a pure cost case and request to see the financials to assess 1) where the cost issue is arising from, 2) what cost decrease is needed to achieve the 5% profit margin, and 3) whether it is a realistically achievable number.

Provide Exhibit 1 only after the candidate has identified a clear path forward.



EXHIBIT 1

Pedal Pals 5-Year Trend



Pedal Pals Financial Statement

	millions (\$)		
	2021	2022	2023
Consolidated Statement of Operations Data:			
Revenue			
Connected Fitness Products	\$1,462	\$3,150	\$3,313
Subscription	\$364	\$872	\$1,687
Total revenue	\$1,826	\$4,022	\$5,000
Cost of revenue			
Connected Fitness Products	\$833	\$2,237	\$2,242
Subscription	\$156	\$331	\$335
Total cost of revenue	\$988	\$2,567	\$2,577
Gross profit	\$838	\$1,454	\$2,424
Operating expenses			
Manufacturing	\$477	\$728	\$1,190
Real Estate & Office Space	\$351	\$662	\$839
General & administrative	\$90	\$253	\$478
Total operating expenses	\$918	\$1,643	\$2,507
Loss from operations	(\$80)	(\$189)	(\$83)
Other (expense) income, net:	\$12	(\$10)	(\$21)
Loss before provision for income taxes	(\$68)	(\$199)	(\$104)
Income tax expense (benefit)	\$3	(\$9)	\$20
Net gain/ loss	(\$71)	(\$190)	(\$125)

\*Revenues and expenses are expected to be equal in 2024.



**Question 1** (The location of these question slides in your case is completely up to you)

- Given the financial information in Exhibit 1, what cost decrease does Pedal Pals need to achieve a 5% profit in 2024 and where should cost cutting be focused?

**Exhibit or Question Guidance:**

The candidate should ignore revenue for the purpose of the case. If a question regarding growth of revenue or cost in 2024 arises, reference that each should be similar to 2023.

To assess the costs, the candidate should identify the large growth in expenses for Connected Fitness Products, Manufacturing, G&A, and Real Estate & Office Space. Strong candidates will determine the percentage each is of total expenses to highlight where cost cuts should originate. The candidate should realize that by subtracting the net gain/ loss from the total revenue, they can quickly aggregate the total expenses and see breakeven to determine 5% profit.

- Revenues and expenses are expected to be equal in 2024.
- $\$5b \times 95\% = \$4.75b$  target costs
- $\$5b - \$4.75b = \$0.25b$
- $\$0.25b / \$5b = 5\%$
- Target cost cutting= $(-\$0.125b) + x = \$0.25b$   
 $x = \$0.375b$

Strong candidates should then begin identifying ways to conduct the cost-cutting measures in the business areas.

	2021	2022	2023
Total revenue	\$ 1,826	\$ 4,022	\$ 5,000
Net gain/ loss	(71)	(190)	(125)
Total Expenses	\$ 1,897	\$ 4,212	\$ 5,125

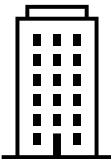
	2021	2022	2023
Connected Fitness Products	\$ 833	\$ 2,237	\$ 2,242
Manufacturing	\$ 477	\$ 728	\$ 1,190
Real Estate & office space	\$ 351	\$ 662	\$ 839
General & administrative	\$ 90	\$ 253	\$ 478



EXHIBIT 2

Annual Savings from Alternative Manufacturer = \$210 M

Reduce Real Estate Footprint (30 of 90) Offices



Expense Type	Average Annual Savings
Utilities	\$30,000
Rent	\$170,000
Management	\$300,000

SG&A Layoffs (? of 20,000) FTEs



FTE Expenses	Average Annual Savings
Salary	\$130,000
Benefits	\$40,000
Severance package	\$20,000

### Question 2

Our team has determined that the two most efficient approaches to reducing costs are by pursuing an alternative manufacturer and buy reducing head count and office space. Based on the information provided, by what percentage will Pedal Pals have to reduce their work force to achieve their cost savings target?

#### Exhibit or Question Guidance:

To reach the \$375 M in cost savings target, the candidate should piece the costs into three categories that can then be combined to determine the percentage of workforce to be laid off : the savings from finding a new manufacturer, the reduction in the real estate footprint, and the SG&A layoffs.

Alternative Manufacturer = \$210 M

#### Reduction in Real Estate Foot Print

$\$30 \text{ k (Utilities)} + \$170 \text{ k (Rent)} + \$300 \text{ k management} = \$500 \text{ k} * 30 \text{ (Offices)} = \$15 \text{ M}$

$\$375 \text{ M (Total Annual Savings Target)} - \$210 \text{ M (Alternative Manufacturer)} - \$15 \text{ M (Reduction in Real Estate)} = \$150 \text{ M additional cost reduction remaining}$

#### SG&A Layoffs

Cost savings of \$170k – Severance of \$20k = \$150k. Therefore, 1000 employees need to be laid off, or 5% of the workforce.

# BRAINSTORMING

The Pedal Pals team agrees with your cost cutting recommendations. What concerns, specifically in regard to layoffs, do you believe Pedal Pals should consider before moving forward?

## Brainstorming Guidance:

*Note: This is just one possible set of categories and answers. Many more are possible, and interviewers should assess both the volume and relevance of answers.*

### ***Internal Considerations***

---

- Fairness in layoffs
- Timing of layoffs
- Support to impacted employees
- Financial cost
- Company culture
- Workforce productivity

### ***External Considerations***

---

- Legal requirements
- Legal liabilities
- Corporate brand & reputation
- Economic conditions
- Competition/ industry trends
- Industry/ country regulations
- Customer impact

## **Best candidates display:**

Great candidates will structure their brainstorming (pros vs. cons, internal vs. external options, etc.), and finish by driving the case forward to determine whether the tradeoff of meeting the 5% goal in a short time frame (two quarters) is worth the potential risks to the firm. The candidate should note that this would remove the pressure from the activist investor yet risk pressure from media and shareholders.

# CONCLUSION

We are meeting with Pedal Pal's CEO shortly regarding our findings, what should we recommend?

## Recommendation:

- To reduce costs by \$375m in the next two quarters and achieve a profit margin goal of 5%, I recommend Pedal Pals address their labor, manufacturing, and real estate expenses by shifting to an alternative manufacturer (\$210m) and reducing office space (\$15m) while conducting layoffs of 1k FTEs (\$150m).

## Risks:

- Mass layoffs (1k employees) impact external brand, internal morale, and culture, and could cause legal repercussions
- Outsourcing manufacturing could lead to quality control issues, intellectual property theft, and regulatory compliance problems
- Revenue could decrease due to the impact of layoffs on our brand equity, leading Pedal Pals to not achieve the desired revenue target.

## Next Steps:

- Assist with building out a timeline for the recommended actions to ensure successful execution, manage shareholder expectations, and ease the company's concern about handling mass layoffs.



# PharmaCo

Pharmaceuticals | M&A

# PHARMACO

## PHARMACEUTICALS | M&A

### PROMPT:

PharmaCo is a pharmaceutical company with \$10 billion in annual revenue. It's corporate HQ and primary R&D centers are in Switzerland, with regional sales offices worldwide. PharmaCo is interested in entering a new, rapidly growing segment of drugs called "biologicals." To gain the R&D capabilities requisite for biologicals, PharmaCo is considering acquiring BioLead, a biologicals start-up in Austin. BioLead is privately owned and has an estimated valuation of \$1 billion. Our firm has been hired to evaluate the BioLead acquisition and to advise on its strategic fit with PharmaCo's biologicals strategy. What factors should the team consider when evaluating whether PharmaCo should acquire BioLead?

**CLARIFYING INFORMATION:** *Provide this only if corresponding questions are asked*

#### 1. What is PharmaCo's core business?

GP has a long, successful tradition in researching, developing, and selling "small molecule" drugs. This class of drugs represents the vast majority of drugs today, including aspirin and most blood-pressure or cholesterol medications.

#### 2. Is entry-by-acquisition the only approach we should consider?

R&D for biologicals is vastly different from small-molecule R&D. Since its competitors are already several years ahead of PharmaCo in the biologicals market, PharmaCo wants to jumpstart its biologicals program via acquisition.



### BEHAVIORAL INTERVIEW QUESTION:

Tell me about a time when you had to persuade someone to do something that they at first didn't want to do.

### Question 1

- What factors should the team consider when evaluating whether PharmaCo should acquire BioLead?

### Exhibit or Question Guidance:

A **good answer** would include the following:

- The value of BioLead's **drug pipeline**, number of drugs currently in development, likelihood of success, estimated revenues and profits
- BioLead's **R&D capabilities** (future drug pipeline), scientific talent, intellectual property (for example, patents, proprietary processes or know-how for biologicals research), and buildings, equipment, and other items that allow BioLead's R&D to operate.
- BioLead's **marketing or sales capabilities**. Especially how promotional messages will be delivered, for example, relationships with key opinion leaders that can promote biologicals; key opinion leaders can come from the academic arena, like prominent medical school professors, or from the public arena, like heads of regulatory bodies or prominent telejournalists.
- **Acquisition price**

A **very good answer** might also include:

- BioLead's existing partnerships or other relationships with pharmaceutical companies.
- PharmaCo's **capability gaps** in biologicals, R&D, sales and marketing, etc.
- PharmaCo's **alternatives to this acquisition**. Alternative companies PharmaCo could acquire. Other strategies for entering biological segment, for example, entering partnerships rather than acquiring, and pursuing other strategies than entering the biological segment

# BRAINSTORMING

The team wants to explore the value of BioLead's current drug pipeline. Based on market research, BioLead's only promising drug, SM1, is estimated to generate \$10B in sales if brought to market. That said, **what costs should be considered throughout the entirety of a drug's lifetime?**

## Brainstorming Guidance:

*Note: This is just one possible set of categories and answers. Many more are possible, and interviewers should push candidates to be specific and comprehensive.*

### Research

- Highly skilled labor (scientists)
- Specialized equipment and labs
- Materials
- Phase I, II, III testing – proper testing and documentation
- Cost of failed drugs

### Regulatory approval

- Regulatory fees paid to governing bodies
- Salary / wages for in-house council to file patents, trademarks, and other legal documentation

### Commercialization

- Promotional materials
- Marketing campaigns
- Production costs (materials, quality, sourcing)
- Adding personnel (sales, marketing, administrative, regulatory)
- New facilities
- Packaging materials
- Distribution and shipment (logistics)
- Taxes
- Patent infringement

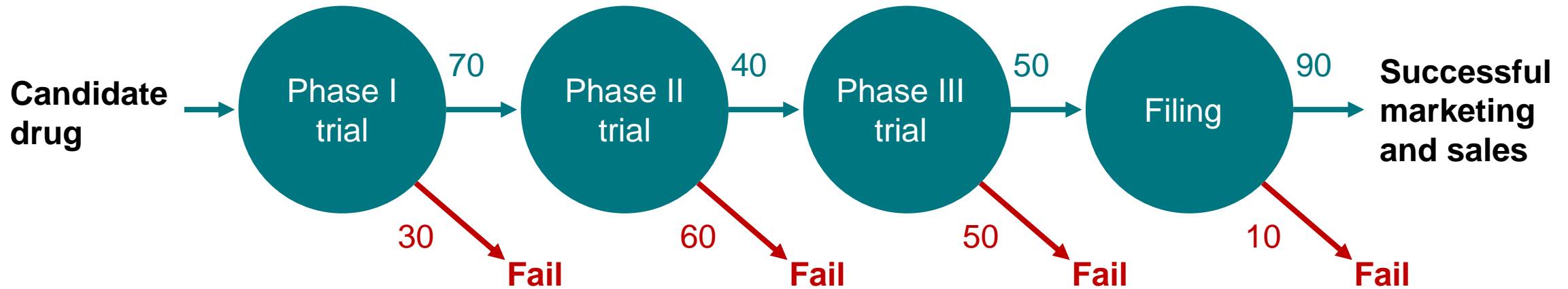
## Best candidates display:

The best candidates will apply a customized structure and will brainstorm cost items specific to pharmaceuticals. **Push candidate to produce a comprehensive list by asking “What else?” one or two times.**



# EXHIBIT 1

Expected probability of success, by stage of research and development, %



*Note: "Filing" is the process of submitting all of the clinical and safety evidence from Phase I, II, and III trials, and asking for regulatory approval to actually sell the drug.*

### Question 3

- The team has pulled together the following data (show Exhibit 1). What is the value of BioLead's drug, SM1?

#### Supply the following information only when asked:

- Costs by phase: Phase I \$160M, Phase II \$125M, Phase III \$75M, Filing \$5M. Costs are incurred only if the drug reaches a particular phase.
- Costs of production: Manufacturing 5% of sales, Logistics 5% of sales, Other 10% of sales
- Lifetime revenue: \$10B – **great candidates** will recall that this information was previously provided

### Question Guidance:

- Revenue (discounted by chance of success):  $\$10\text{B} \times 70\% \times 40\% \times 50\% \times 90\% = \$1,260\text{MM}$
- Production costs:  $\$10\text{B} \times (5\% + 5\% + 10\%) = \$2\text{B}$ , then discounted by chance of success = \$252MM
- Phase 1 has a 100% chance of completion = \$160MM
- Phase 2 achieved 70% of the time (probability a drug completes Phase 1) =  $\$125\text{M} \times 70\% = \$87.5\text{M}$
- Phase 3 achieved 70% x 40% of the time =  $\$75\text{M} \times 70\% \times 40\% = \$21\text{M}$
- Filing achieved 70% x 40% x 50% of the time =  $\$5\text{M} \times 70\% \times 40\% \times 50\% = \$0.7\text{M}$
- Revenue (\$1,260MM) – Production costs (\$252MM) – R&D costs (\$269.2MM) = **\$738.8MM SM1 drug valuation**

This drug valuation essentially represents known future cash flows of the business. **Great candidates** will compare this figure against the \$1B BioLead company valuation mentioned in the prompt and hypothesis why the figures are different.

### Question 3

- What are your hypotheses on the major risks of integrating the R&D functions of BioLead and PharmaCo?

### A very good answer would include the following:

- Little to no overlap in research or expertise leading to minimal collaboration
- Culture clash. PharmaCo is an established, mature business while BioLead is a young, entrepreneurial business
- Language barriers hinder communication and sharing of information
- Physical distance and time difference may lead to a poor sense of community
- Talent may leave BioLead after the acquisition – either as a result of newfound wealth from the sale of the business or because they don't want to be a part of a large corporation

The **best candidates** will recognize the human element of organizational change

# Pineapple Express

Technology | Pricing



# PINEAPPLE EXPRESS

## TECHNOLOGY | PRICING

### PROMPT:

Your client is Alex DSouza, CEO of a new semi-conductor startup, Moore Semiconductors, based in the US. Moore Semiconductors has recently built a new microchip, the ID-5, that is significantly faster and more efficient relative to other chips for smartphones in the industry. Pine-apple has approached Moore Semiconductors to use the chip in the new PA-25, a cutting-edge smartphone to be release in a year. Negotiations with Pine-apple are to take place in a week. The client wants your assistance in figuring out how to price the product for Pine-apple.

---

**CLARIFYING INFORMATION:** *Provide this only if corresponding questions are asked*

**1. What does Moore Semiconductors want from the negotiations?**

Moore Semiconductors wants to price the product at a price that best considers all their interests as a startup.

**2. What is the micro-chip manufacturing process?**

Microchip manufacturing involves creating tiny circuits on a silicon wafer using light, chemicals, and precise machinery in ultra-clean environments. These circuits contain billions of transistors that work together to process and store information, powering devices like smartphones, computers, and cars.

**3. Do we have an existing relationship Pine-apple?**

We currently do not have an existing relationship with Pine-apple.



### BEHAVIORAL

#### INTERVIEW QUESTIONS:

What accomplishment are you most proud of?

Framework Guidance:

*Note: There are many possible alternatives to this framework. These are only provided as possible suggestions.*

Pricing strategies	Chip considerations	Deal mechanics	Relationship considerations
<ul style="list-style-type: none"><li>• Cost based pricing<ul style="list-style-type: none"><li>• Cost of production</li><li>• Margin required</li></ul></li><li>• Value based pricing<ul style="list-style-type: none"><li>• Maximum value the market will pay for the chip</li></ul></li><li>• Competitor based pricing<ul style="list-style-type: none"><li>• Competitor pricing schedules</li></ul></li></ul>	<ul style="list-style-type: none"><li>• Volume requirements</li><li>• Timely delivery</li><li>• Quality control<ul style="list-style-type: none"><li>• Standards of operation</li><li>• Standards of failure</li></ul></li></ul>	<ul style="list-style-type: none"><li>• Payment terms – lumpsum or royalty-based</li><li>• Duration of the contract</li><li>• Exclusivity with Pine-apple</li><li>• Geography – US or global</li><li>• Termination – when can parties walk away from the deal and what happens then?</li></ul>	<ul style="list-style-type: none"><li>• Co branded marketing – Can we market the smartphone as ‘the new PA-25 powered by ID-5’</li><li>• Long term relationship with Pine-apple</li><li>• Rights to future Moore Semiconductors chips</li></ul>

How to Move Forward:

A great framework will cover all 3 pricing strategies. Interviewee should ask for costs of manufacturing the chip.

**Before moving forward,** If the interviewee has not covered different pricing strategies, ask the interviewee – **What are different ways to price products?**

**Interviewee covers:**

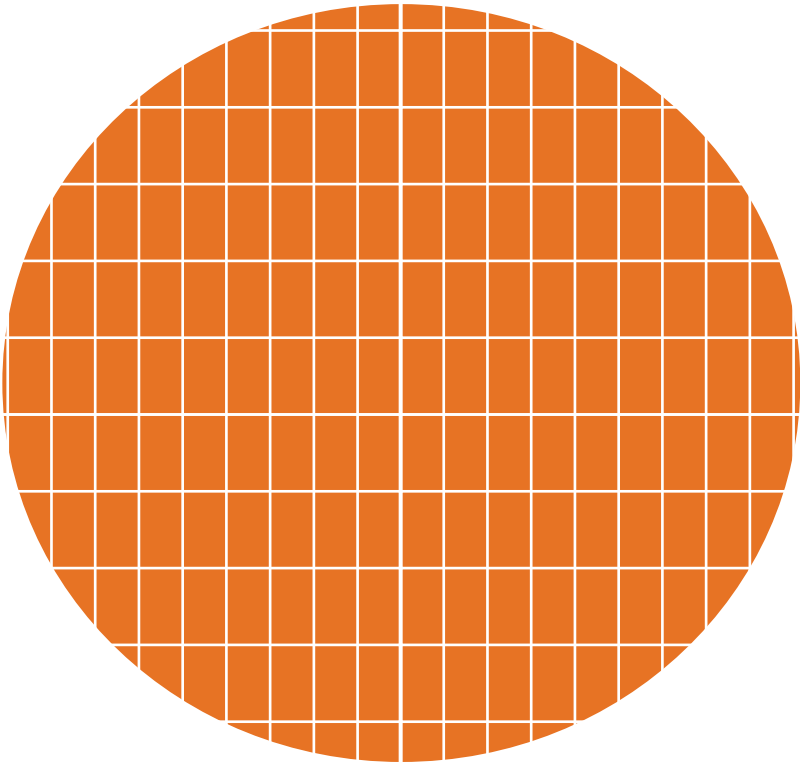
- 1. Cost based pricing
- 2. Value based pricing
- 3. Market based pricing (competitor based)



# EXHIBIT 1 – COST OF MANUFACTURING

Description	Value
Pre-fabrication Silicon Wafer	\$1500 per wafer
Number of chips per wafer	60
Yield	80%
Fabrication*	\$900

*\*fabrication is the process of building chip designs on a wafer*



Silicon wafer  
and chips

**Question 1** (The location of these question slides in your case is completely up to you)

- What is the cost to produce 1 chip?

Explain chip manufacturing process if the interviewee asks about wafers and microchip cutting from CQs

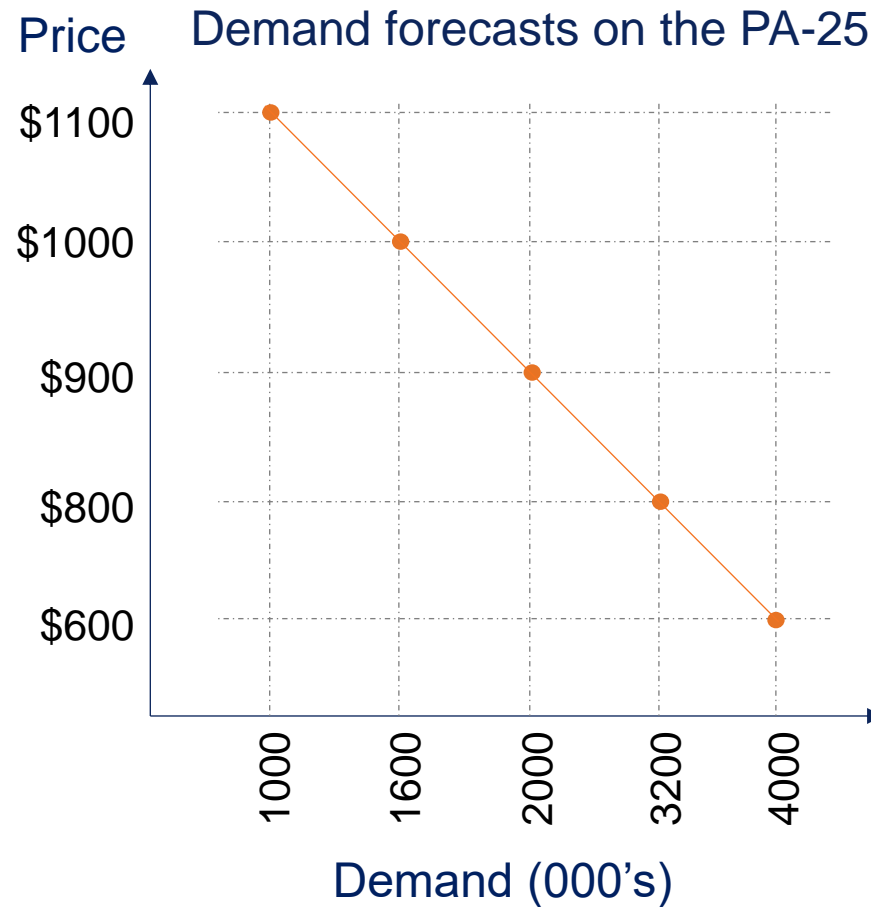
### **Exhibit or Question Guidance:**

- Cost to produce a chip:
  - \$1500 per wafer + \$900 for fabrication = \$2400
  - Number of chips =  $60 * 80\%$  (yield) = 48
  - Cost per chip =  $\$2400/48 = \$50$

### **Good to great answer (more points for different factors the interviewee brings in):**

- This cost is only the cost for the manufacturing process; for our pricing strategy we need to include a profit margin on top
- Significant investments would have gone into the R&D of the chip which have not been accounted for in considering the cost-based pricing method

## EXHIBIT 2 – MARKET RESEARCH DATA



1. Graph not to scale

2. Cost to manufacture and assemble all other components in a smartphone apart from a microchip = \$600



**Exhibit Guidance:** Calculate the max possible chip price from the price of the smart phone

- Prices can range from \$600 - \$1100 for phones
- \$600 can be excluded from consideration, as it costs \$600 to manufacture the phone without a microchip

Price	Cost	Demand	Profit
\$800	\$600	3.2 M	$(800-600)*3.2 = 640 \text{ M}$
\$900	\$600	2 M	$(900-600)*2 = 600 \text{ M}$
\$1000	\$600	1.6M	$(1000-600)*1.6 = 640 \text{ M}$
\$1100	\$600	1 M	$(1100-600)*1 = 500 \text{ M}$

- Pine-apple can set 2 prices to maximize their profit

**Good to Great**

- However, the cost of the chip and profit margins are not included. Including these, it is reasonable to assume that Pine-apple will sell the smartphone at \$1000
- If the smartphone is priced at \$1000 and the cost of all other parts except the chip is \$600; \$400 will be leftover for the chip and Pine-apple's profit margin
- The interviewee should drive towards assuming a profit margin. **Once they assume a reasonable number ask them to use 20%**  
 $\rightarrow \$1000*20\% = \$200$ ; Subtracting \$200 from the leftover \$400 dollars the **max price we can get for the chip is \$200**



# BRAINSTORMING

**What options does Moore Semiconductors have if negotiations fail?**

## Brainstorming Guidance:

*Note: This is just one possible set of categories and answers. Many more are possible, and interviewers should assess both the volume and relevance of answers.*

### Within Smartphones

- Find other smartphones manufacturers to sell to
- License the chip
- Acquire a new smartphone company

### Beyond Smartphones:

- Redesign chip for other purposes
- Get acquired by another company

## Best candidates display:

Interviewee should display creativity in developing a contract but bring in factors apart from pricing, especially considering those that benefit Moore Semiconductors as a startup company

# RECOMMENDATION

The CEO has walked in. What would you suggest they set the price of the ID-5 at?

## Best candidates display:

- Picking a price – any number is good
- Highlight reasoning and risks of the of the price
  - Low price
    - Reasoning: Likely to get a contract; the company is a startup and does not have market power
    - Risks: Loss of future bargaining power
    - Mitigation: Start negotiations at a higher price, but bring down price for a long-term contract with Pine-apple
  - High Price
    - Reasoning: Make good profit margins; Cashflows would be great for a startup given their investments into R&D
    - Risk: If competitors are close to creating a comparable chip, its likely that Pine-apple will switch quickly to competitors
    - Mitigation: Offer a 5 year-exclusivity contract, highlighting that Moore Semiconductors will continue to deliver incrementally better chips year on year



# Sticky Surfactants

Chemicals | Profitability

# STICKY SURFACTANTS

## CHEMICALS | PROFITABILITY

### PROMPT:

Your client, CavalierChem, is a global chemicals manufacturer. CavalierChem recently acquired a manufacturing facility that makes surfactants as part of a larger purchase of competitor assets. Surfactants are a specialty chemical used for a variety of purposes, including laundry detergent, and the client has very little prior experience with this type of product. The manufacturing facility is not currently generating profits, and the client wants your help in determining what to do.

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**CLARIFYING INFORMATION:** *Provide this only if corresponding questions are asked*

**1. Does CavalierChem have a target in mind?**

The client wants to make the highest return from this facility as possible in the next 5 years

**2. What is CavalierChem's core business/how do they make money?**

80% of CavalierChem's revenues come from the sale of commodity plastics to other manufacturers. The other 20% comes from a wide mix of products that are either downstream or byproducts of their core business.

**3. Why did they make this acquisition?**

The manufacturing facility in question was part of a bundled acquisition of other manufacturing assets that are of strategic importance to CavalierChem. CavalierChem now wants to evaluate the surfactant factory on its own.

**4. What does the surfactant market look like?**

The market for this particular surfactant is \$300M annually. CavalierChem and one other competitor are the only significant manufacturers.



### BEHAVIORAL INTERVIEW QUESTION:

Tell me about a time that you led a team. What challenges did you face?



Framework Guidance:

*Note: There are many possible alternatives to this framework. These are only provided as possible suggestions.*

Increase Profitability		Repurpose	Divest
Revenues	Costs	<ul style="list-style-type: none"><li>• What products have similar manufacturing processes?</li><li>• What do the markets look like?</li><li>• CapEx and OpEx for new products</li><li>• Timeline for adjustment</li></ul>	<ul style="list-style-type: none"><li>• What price could CavalierChem get?</li><li>• Would the competition have a monopoly?</li><li>• Effect on customer relationships</li><li>• Effect on employees</li></ul>
Price	Variable		
Market Share	Fixed		
<ul style="list-style-type: none"><li>• Contracts</li><li>• Increase sale to customers</li><li>• Find new customers</li><li>• Research new uses</li></ul>	<ul style="list-style-type: none"><li>• COGS</li><li>• Hourly Labor</li><li>• Utilities</li><li>• Overhead</li><li>• Maintenance</li><li>• Salaried</li><li>• SG&amp;A</li></ul>		

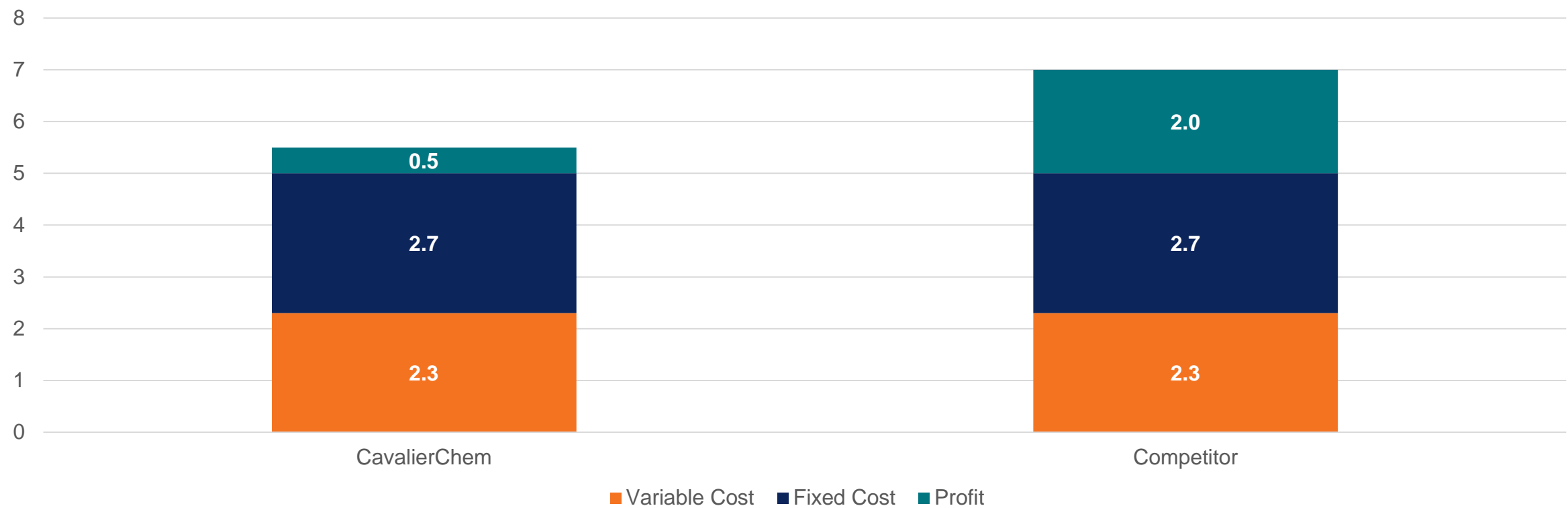
How to Move Forward:

Candidate should identify at least 2 of these 3 options, **if they only focus on profitability push them to think of alternatives**. After they get 2/3, move onto Exhibit 1. A **good** candidate should not bring acquisition price into account, as it is a sunk cost.



EXHIBIT 1

Average cost and profit breakdown for surfactants in cents/lb



**Question 1** (The location of these question slides in your case is completely up to you)

- What does this exhibit tell you about CavalierChem's prospects for raising profits?

### Exhibit or Question Guidance:

The candidate should notice that costs between the client and competition are identical, but the competition experiences 4x profits. They should then realize the main lever to pull would be on the revenue side, primarily pricing as this information is on a per pound basis. **When/if they ask about sales structure and revenues, you should provide the following information:**

- CavalierChem sells 1.4 million tons per year (can give 2000 lbs/ton if asked)
- 75% of sales are done on contract, the other 25% are sold on the spot market
  - Average CavalierChem contract price is 5.67 cents/lb
  - Average Competitor contract price is 7.67 cents/lb
  - Average spot price (for both CavalierChem and competition) is 5 cents/lb

Candidate should use this information to calculate increased profits from matching competitor's pricing

- 1.4 million tons \* 2000 lbs/ton \* 75% on contract = 2.1 billion pounds sold on contract
- 2.1 billion pounds \* (7.67 cents/lb – 5.67 cents/lb) = 4.2 billion cents/100 = 42 million dollars in incremental profit

# BRAINSTORMING

Now that we know our revenues are below those of our competitors, how are some ways we can raise that per pound price?

## Brainstorming Guidance:

*Note: This is just one possible set of categories and answers. Many more are possible, and interviewers should assess both the volume and relevance of answers.*

### Customer focused

- Change sales mix of contract vs spot
- Change sales mix to emphasize highest paying customers
  - Develop strong relationships with top paying customers
    - Sales dinners, events, etc.
- Renegotiate contracts
- Increase advertising of company overall to develop premium brand

### Product focused

- Make product production process more sustainable and charge a premium
- Modify product to reduce customer use costs and capture some of their savings

## Best candidates display:

Great candidates will structure their brainstorming, and finish by driving the case forward wanting to investigate the other options (divest or repurpose) that were discussed in the framework section

## OTHER OPTIONS

*Ideally, the candidate also outlined options at the beginning of the case around repurposing or divesting. Lead the candidate back to those options if they do not bring them up themselves and provide the following information*

Repurpose:

- 50 million CapEx, 75 million in incremental annual profits, start-up in two years

Divest:

- Highest bidder willing to pay 200 million

Candidate should calculate following cash flow totals:

- Renegotiate contracts – 210M
- Repurpose – 175M
- Divest – 200M

**Best candidates display:**

Candidate should remember from the clarifying information that CavalierChem is interested total cash flow over the next 5 years. If they ask about discount rate, tell them to ignore for now.

# CONCLUSION

We are having a meeting with CavalierChem's CEO in 5 minutes, what do you think we should recommend?

## Recommendation:

- CavalierChem should renegotiate contract prices to match the competition at 7.67 cents/lb
- Annual profits will grow by 42 million

## Risks:

- Some customers may not be able to afford higher prices
- The market may contract

## Next Steps:

- Look into customers cost structure and see if there is room for higher prices while also soliciting alternative bids for asset sale

A candidate could recommend any of the three options with sound reasoning, the NPVs with 10% discount rate are roughly equivalent



# Weasleys' Wizarding Warehouse

Retail | Market Entry

# WEASLEYS' WIZARDING WAREHOUSE

RETAIL | MARKET ENTRY

## PROMPT:

Fred and George Weasley operate a magic joke shop, Weasleys' Wizing Warehouse (Weasleys'). They currently have a single storefront located in the Diagon Alley shopping district. This store primarily sells magic products used for pranks to young students that attend Hogwarts School of Witchcraft and Wizardry. It has come to their attention that another store location has become available for sale in Hogsmeade, a small village near Hogwarts. The Weasley brothers are interested in expanding the business and are curious if opening a second location in Hogsmeade makes sense.

**CLARIFYING INFORMATION:** *Provide this only if corresponding questions are asked*

**1. Are there current competitors in the market?**

Zonko's joke shop is another magical store currently located in Hogsmeade. Fred and George aren't too worried, however. They believe they will be able to capture up to 30% of the existing market in Hogsmeade.

**2. What are the Weasley's financial goals?**

Looking to breakeven on the investment within 4 years of expansion.

**3. What type of products to they sell?**

They have three best-selling products: fake wands, smart-answer quills, and love potions.



## BEHAVIORAL

### INTERVIEW QUESTION:

Give me an example of a time you came up with a creative solution to a difficult problem.

Framework Guidance:

*Note: There are many possible alternatives to this framework. These are only provided as possible suggestions.*

Financials	Mkt. Attractiveness	Capabilities	Risks
<ul style="list-style-type: none"><li>Potential Profits</li><li>Product Sales<ul style="list-style-type: none"><li>Price x Qty</li></ul></li><li>Variable Costs<ul style="list-style-type: none"><li>COGS</li><li>Overhead</li><li>Hourly salaries</li></ul></li><li>Fixed Costs<ul style="list-style-type: none"><li>Insurance</li><li>Leasing new spaces</li></ul></li><li>Upfront Investment</li></ul>	<p><b>Trends</b></p> <ul style="list-style-type: none"><li>Growth</li><li>External Factors</li></ul> <p><b>Competitors</b></p> <ul style="list-style-type: none"><li>Market Share</li><li># of comps</li></ul> <p><b>Consumers</b></p> <ul style="list-style-type: none"><li>Market size</li><li>Segments</li><li>Needs/Gaps</li></ul>	<ul style="list-style-type: none"><li>Core Competencies</li><li>Resources</li><li>Expertise</li></ul>	<p><b>Timeline</b></p> <ul style="list-style-type: none"><li>Major Milestones</li><li>Aligned to initial goal?</li><li>Training for new personnel</li></ul> <p><b>Implementation Options</b></p> <ul style="list-style-type: none"><li>Buy</li><li>Build</li><li>Partner</li></ul>

How to Move Forward:

Candidate should identify that they need to determine the financial feasibility of the opening of a new store in Hogsmeade. If the candidate focuses on the capabilities or other factors, push them towards the finances, specifically revenue, before presenting them with Exhibit 1.



# EXHIBIT 1

## Monthly Sales

Product	Diagon Alley Sales (Current)	Diagon Alley New Sales (Projection)	Hogsmeade Sales (Projection)	Price
Fake Wands	400	360	140	\$10
Quills	300	270	230	\$20
Love Potions	200	180	120	\$30

\*Fake Wands, Quills, and Love Potions account for 80% of Weasleys' revenue



### Question 1

- What stands out to you about the revenue projections of the two stores?

### Exhibit or Question Guidance:

If candidate asks about any growth in sales over the four years, mention that we expect these projections to be the average across the first four years.

The candidate should notice that the sales for the Diagon Alley store drop once the Hogsmeade location opens. **Good** candidates will acknowledge that this reduction in sales could be the result of cannibalization of sales by the Hogsmeade store. **Great** candidates will recognize that the drop is 10% exactly for each of the three products.

After discussing the drop in sales, the candidate should move towards revenue calculations for the stores based on the price and quantity figures that are provided in the exhibit. **Encourage the candidate to drive towards annual revenue numbers for each scenario.**

### Exhibit or Question Guidance:

#### Question 1 Revenue Calculations

##### *Diagon Alley Original Sales:*

- Wands: 400 units \* \$10 = \$4,000/month
- Quills: 300 units \* \$20 = \$6,000/month
- Potions: 200 units \* \$30 = \$6,000/month

Total monthly unit sales = \$16,000/month \* 12 months = \$192k/yr

**Total sales for the shop = \$192k / .80 = \$240,000/yr**

##### *New Sales for Store:*

- Wands: 140 + 360 units \* \$10 = \$5,000/month
- Quills: 270 + 230 units \* \$20 = \$10,000/month
- Potions: 180 + 120 units \* \$30 = \$9,000/month

Total monthly unit sales = \$24,000/month \* 12 months = \$288k/yr

**Total sales for the shops = \$288k / .80 = \$360,000/yr**

#### Incremental Revenue

**\$360,000-\$240,000 = \$120,000/yr**

Once revenue calculations are complete, candidate should drive the case towards a discussion of cost in order for the interviewer to be able to **provide Exhibit 2**.



# EXHIBIT 2

## Business Costs

Scenario	Variable Costs	Insurance Against the Dark Arts	Ministry of Magic Taxes
Diagon Alley (Current)	\$108k / year <i>(45% of Sales)</i>	\$1,900 / month	\$600 / month
Diagon Alley + Hogsmeade (Projection)	\$156k / year <i>(43.3% of Sales)</i>	\$2,800 / month	\$1,200 / month



### Question 2

- Candidate should acknowledge that costs also need to be considered for the project. Once costs are acknowledged, provide Exhibit 2.
- If they are not moving towards cost, prompt them with “so, what’s next?” and lead them to consider costs/additional financial considerations
- Candidate should identify that they’re missing the cost of the new shop. The cost of buying and renovating the new shop in Hogsmeade is \$200,000.

### Exhibit or Question Guidance:

If asked about any additional costs, **let the candidate know that the costs listed in the exhibit are the only ones that we will need to consider for this analysis.** These costs are expected to remain consistent for the first four years.

The candidate should determine annual profit for each of the scenarios (DA vs. DA + HM) and use those values to determine the annual incremental profit of making the decision.

Once annual incremental profit has been determined, this value can be used along with the CapEx value to determine the amount of time that will be needed in order to breakeven on the investment.



### ***Exhibit or Question Guidance:***

#### ***Question 2 Profit Calculations***

##### ***Diagon Alley Original Profit:***

- Overhead: \$108K/year
- Insurance:  $\$1,900/\text{month} \times 12 = \$22,800$
- Tax:  $\$600/\text{month} \times 12 = \$7,200$

Total Yearly Costs: \$138,000

**Total Yearly Profit = \$240,000 - \$138,000 = \$102,000**

##### ***New Stores Profit:***

- Overhead: \$156K/year
- Insurance:  $\$2,800/\text{month} \times 12 = \$33,600$
- Tax:  $\$1,200/\text{month} \times 12 = \$14,400$

Total Yearly Costs: \$204,000

**Total Yearly Profit = \$360,000 - \$204,000 = \$156,000**

**INCREMENTAL YEARLY PROFIT = \$54,000**

##### ***ROI Calculation:***

Capex for new store = \$200K

**\$200k/\$54K = 3.7 years** <- perfectly okay for candidate to round here as long as they realize they recoup the investment within 4 years of opening



# BRAINSTORMING

**What other factors should Fred and George think through when determining if they should open the new location?**

### Brainstorming Guidance:

*Note: This is just one possible set of categories and answers. Many more are possible, and interviewers should assess both the volume and relevance of answers.*

#### Risks

- Competition
- Additional cannibalization
- Personnel considerations
- Brand implications

#### Alternatives

- Invest in new product R&D
- Expand store in Diagon Alley
- Invest capital into yield seeking account
- Retire early

### Best candidates display:

Look for the candidate to present some form of structure before moving into their brainstorming. This could be risks/alternatives, internal/external, financial/non-financial, etc. Any of these options should produce some of the ideas above or additional creative ideas.

Once the candidate has exhausted several brainstorming ideas, **move towards the final recommendation for the case.**

# CONCLUSION

To conclude, the interviewee should provide the following:

### **Recommendation:**

- Fred and George Weasley should pursue opening a second location of Weasleys' Wizarding Warehouse in the village of Hogsmeade. This new location will provide Weasleys' with the opportunity to raise the annual profit from \$102K to \$156K, a \$54K annual improvement.
- The project meets the company's financial goals of providing a return (breakeven) within 4 years.

### **Risks:**

- Cannibalization between the two stores could continue to be a problem moving forward.
- It could be more beneficial to build a new store in a different area rather than to buy existing

### **Next Steps:**

- Develop a plan to open the store and identify good partners to help with the renovation of the store
- Find new advertisement programs or product options