MasterTheCase.com

Top Consulting Interview Prep

CASE #1 TOURISM IN NORTHERN IRELAND

Your client is the National Tourist Board of the Republic of Northern Ireland (NTB). The recent peace accords have and resulting political and economic stability have helped spark a resurgence of interest in Northern Ireland, particularly in tourism and travel. The numbers and the frequency of visitors and the average duration of visits have increased. While this has led to increased commerce, travel, and tax revenues, it has also placed a strain on the country"s insufficient infrastructure. The parliament has provided the NTB with $100 million over 3 years to promote tourism and travel by making low-interest loans and grants to private developers that match their goals and criteria. On what should it spend its money? What strategic considerations should the NTB undertake?

Additional Facts (*note data are disguised*):

Annual	**1994**	**1996**	**1998 est.**	**1999 est.**
# tourists	210,000	460,000	970,000	1.7 million
Average stay	2.1 nights	3.4 nights	4.1 nights	4.5 nights
$/tourist/day	$45	$79	$89	$96

There is one major international airport, Belfast, which has a capacity of 3.3 million people per year.

There are two major railway lines; both connect to the major cities (in Ireland and N. Ireland).

There are four major highways that connect the major cities.

Hotel occupancy = 59% in 1995, increasing to 79% in 1998

CASE #1 - SOLUTION TOURISM IN NORTHERN IRELAND

Solution Structure:
Analyze current infrastructure use and current travel trends
Determine a decision rule for each infrastructure option

FACTS

International airport capacity 3.3 million – currently at 97% capacity; most flights to and from London or Dublin.
Most European arrivals come by train or car – extension from trips to Ireland.
Highways recently re-built, but traffic congestion is vastly increasing
Most Americans and Asian come by plane; few tourists arrive by boat but this number could increase with cruises.
Business travelers come by plane.
Largest current segment is Irish. Fastest growing tourist segments are Americans, then Italians, Germans, and Brits.
Businesses would book more conferences, but there are few hotels that can accommodate their needs.
Most increase in revenues comes from business travelers that bring family (demand for conferences are growing).
There are two major railway lines; both connect to the major cities (in Ireland and N. Ireland).
Most tourists do not stay in hotels, but stay in private bed & breakfasts; fastest growing service segment.

SOLUTION ANALYSIS

This question – a typical Monitor interview question -- tests your ability to examine and prioritize trade-offs within a well-developed framework. It's not enough to simply choose a strategy. Your recommendations must consider and weigh the facts of the case and the needs of the client. The first part of the question is asked for you –on what should the NTB focus its resources.‖ Good answers must focus on this question, driven by the additional facts that have been provided. Clearly, the need is to assuage immediate growing pains of increased tourist traffic. Good answers should explore the infrastructure options and identify a clear strategy that accommodates both present and future needs, and should include a supporting rational. Outstanding answers explore these options and weigh the pros and cons of each, and might explore the value and return of each option (i.e., an NPV analysis is always good).

The second part of the question tests your creativity to look beyond the facts and determine what problems the NTB might encounter. Be careful to limit the scope of your response to those faced by the NTB. However, there is a lot of room for discussion. Good answers must address the potential for future instability; the limitations of N. Ireland as a tourist destination (i.e., weather, climate, seasons), explore customer segments (i.e., European vs. American vs. Asian tourists vs. Business travelers). Outstanding answers identify specific action-oriented recommendations for these, and might also explore potential joint ventures with other members of the tourism and travel value chain.

CASE #2 CABLE OPERATIONS IN AZ AND NM

Two years ago a venture capital company purchased a cable TV system that had access to 3 million households in AZ and NM. The VC firm was attracted to the extremely large subscriber potential, and the potential for considerable return. Despite their best efforts, they have failed to turn a profit in the past three years. You have been hired to determine if they can turn a profit or if they should sell.

CASE #2 - SOLUTION CABLE OPERATIONS IN NM AND AZ

Solution Structure: at minimum, the answer should

Analyze current revenues and cost structures – do revenues > costs?
Analyze the market potential of the area – is there growth potential?
Analyze the competitive situation and substitutes – is this product/service a winner?
Provide recommendations – establish a clear decision rule

COSTS:	REVENUES:
Fixed costs associated with laying cable	Subscribers' monthly fees for basic services
Variable costs of new customers (equipment)	Subscribers' fees for premium channels
Maintenance of the cable system	Subscribers' fees for other premium services
Debt associated with fixed costs	Advertising fees from commercials
Franchise fees to municipalities	Commissions from shopping channels

Additional information:

The cable system features fiber-optic to each street corner, but not yet direct to the home.
Fixed costs are extremely high due to the distance between cities in the system.
The debt and maintenance costs are also higher than system in metropolitan areas.
The current system is only at 43% capacity (# of subscribers) vs. a 63% industry average.
Low subscription rate (43%) is not attributable to life-style or cable programming. That is, people in the service area actually watch more TV than the national average; the programming offers what they like to watch.
The cable company covers an even mix of small city urban, suburban and rural areas.
Population is rising faster than the national average, growth is suburban.
There are 4 network stations (reaching the whole area), and 9 independent regional broadcast stations. Also, 17 percent of the residents have satellite systems in operation (USDBS, PrimeStar, etc).
The quality of the reception of local broadcasts: for those in the immediate area, signal is very strong.
The signal is free, but those subscribing to satellite services pay a monthly fee equal to that of the cable service.
It takes 10 paying customers per sq. mile to break even, at least 20 potential per sq. mile to even consider entering the market. Although the area averages 20+ residents per sq. mile in rural areas, total actual subscribers is < 10.

SOLUTION ANALYSIS

This is a straight profitability analysis to determine whether or not the VC firm should continue or withdraw. GOOD answers identify a decision rule that includes an analysis of: (1) profitability – whether or not the venture is profitable (2) adequate return – whether or not the return exceeds the VC firm's opportunity costs (3) management expertise – whether or not the client has the managerial skills to make the venture succeed.

High fixed costs are overwhelming the current revenues, and the current subscriber rate is low. Good answers should investigate why and if it can be fixed.

Good answers might identify the insight that distance between customers is important. The rural character of this subscriber area means the sell-rate must be higher since there are fewer potential customers per sq. mile. Outstanding answers might uncover that as the cable TV business evolved, many rural residents already have satellite dish systems that afford multiple channels. What would it take to win these customers over, or why can't they be won over.

CASE #3 SOFTWARE DEVELOPMENT FIRM

Congratulations! The firm of your dreams has just hired you. For your first assignment, your client is a software development company that specializes in spreadsheet add-in products. These products enable spreadsheet users to do complex numerical analysis, run simulations, linear optimization, distribution fit, decision-trees, what-if analysis, and a host of other high-octane mathematical functions.

The firm was started by an Engineering professor at Cornell University, and has grown to its current size of 37 full-time employees. Tired of programming a main-frame computer to help with his routine but sophisticated calculations, he developed a program for his work. He soon realized the market potential and began this firm to help reach that potential. Now, 14 years later, the product has developed a loyal following, but has yet to break wide open.

Current users of the main product lines include professionals in the petroleum industry, financial markets, manufacturing, health care, academia, and others.

CASE #3 SOLUTION **SOFTWARE DEVELOPMENT FIRM**

Solution Structure:
Determine a mission – **what is the purpose of this engagement/case**? To help increase product sales for the client.
Define the problem and analyze why.
Examine target segment – who uses the product, who isn't but should use the product?
Analyze the product – who would use it and why? What are the substitutes and competition?
Examine channels of distribution.

Information:

Q: How large is the market? A: We don't know? How would YOU figure it out?
Main substitute is enterprise systems (customized software systems) but these systems are far more expensive.
There is one competitor, only 3 years old. Key difference; cheaper, less sophisticated product line.
What is the price of the product? Software price is generally irrelevant. End-users are not as price sensitive.
Tell me more about the product?
Company costs are not important. The company is very lean and well managed from a cost perspective.
Revenues were 10m in the last fiscal year, but so what? The company is profitable and growing, just not fast enough.
Current distribution is through resellers – people call them to order the product (resellers sell a large variety)
Most software is sold direct to customers who contact the firm. These are current users purchasing up-grades, additional site licenses for co-workers, or people who've seen what the product can do for them.
Many new leads come from trade shows, direct mail, and print ads in technical journals. These programs are effective but small.
Who are the users? We don't really know, since very little information on buyers is kept.

SOLUTION ANALYSIS

This case involves many complex issues, some dead-ends, and there is little hard information from which to work. The key issue is the means of selling the product. The current channels of distribution are not adequate to sell the product. Good answers should identify that the product is very complex, difficult to use, but also a very powerful tool for users in specific industries. Therefore, the marketing program must educate end-users. Good answers will explore, then provide recommendations to improve channel performance. Outstanding answers may provide specific recommendations for joint ventures.

Insights:

Critical insight: how large is the market? Good answers should provide what-if scenarios for various possibilities, i.e., if the key industries have been reached but on a small scale, marketing efforts should focus on finding new users who match current user profiles. But if key industry segments have yet to be identified, perhaps marketing programs should focus on introducing the product to new segments of users.

CASE #4 **MAGAZINE PUBLISHING**

A major magazine publisher is considering publishing a Sunday supplement for insertion in and distribution through metropolitan newspapers. They have hired your firm to determine if they should proceed or not.

Additional Information:

There are currently two major Sunday supplements: *Parade* and *U.S. Weekly*

Combined, they are distributed in over 90 percent of the U.S. newspapers

A given newspaper will only insert and distribute one Sunday supplement

The supplements are typically provided to newspapers free of charge

CASE #4 SOLUTION MAGAZINE PUBLISHING

Solution Structure:

Determine a decision rule: under what conditions should your client proceed or not – yes, if it is profitable.
How can the client turn a profit by publishing this supplement?
Does this fit with the current publishing strategy?

Profit Issue:

Determine revenue potential: Major source of revenue potential is through advertising.
The format of the supplement is cheap paper, low quality editorial, light reading, gossip, folklore.
Q: Are advertising revenues possible from current advertisers? A: You tell me, you're the consultant.
Assumption: Current advertisers would not be interested in this format: why or why not?

Cost Issues:

Fixed costs: printer set-up, distribution, editorial content, sales force (for advertising and paper placement).
Variable costs: paper, related materials.
Q: Are there synergies with our current publications? A: No, the supplement would be a stand-alone operation.

Competitor & Strategic Issues:

Competition is deeply entrenched: 90% market share.
Segmentation: There are no exploitable differences among the remaining 10 percent.
Displacing current competition would require costly incentives.
Q: Is the brand name of current publications exploitable? A: Yes, using the brand would have an immediate impact in terms of brand recognition and quality associated with the brand.
Currently, newspapers offer supplements to provide low-cost (albeit low quality) editorial without disparaging their own product offering.
The low quality of the editorial content may disparage our product offering (could undermine brand power)
Based on these assumptions, achieving a profit would be difficult due to large upstart costs and strong competition for advertising revenues.

Recommendations:

Based on assumptions above, project should / should not proceed: why or why not?

Entrenched competition: no exploitable or affordable opportunity to differentiate from competition.
Under what circumstances should the project proceed?
An affordable strategy for beating the competition is identified.
The remaining 10 percent can be efficiently tapped.
Placement in major newspapers is guaranteed.
Advertising revenue is lined-up in advance.
Consider publishing under an off-brand name to protect brand of current publications.

SOLUTION ANALYSIS

Good answers identify the decision rule that the project should proceed only if it is profitable, and fully explore all issues associated with profitability. These include the costs, the size of the market, the competition and its market share, whether or not opportunities for market penetration exist. The information provided above weighs toward a no-go decision. Creative answers might identify ways in which this project might be profitable.

CASE # 5 **STEEL PRODUCTION**

A major steel producer in United States has retained your firm. Recently, the steel industry has experienced record profits. Meanwhile, your client has experienced a 15% decrease in profits.

They want to know why and what to do about it.

CASE #5 SOLUTION STEEL PRODUCTION

Solution Structure:
Profit = revenues - costs. Identify and examine the drivers. How have these drivers changed?
The industry is profitable: what is the competition doing?

Information:

Cost drivers include raw materials, labor, other manufacturing, distribution, R&D, distribution.
Q: How have these changed? A: Our manufacturing costs have risen, but we don't know why?
Revenues are driven by the type of steel produced, the tonnage sold and the price.
Client produces three types of steel:

Galvanized	**Clear Steel**	**Seconds**
Hot rolled technology	High tech metallurgy	By-product of production
Produced and sold in bulk	Extremely strong and light weight	Low quality
Competitive market	Difficult to produce	Sold in bulk as scrap
Low margins	High margins	Loosing money
Production in '97: 1 million tons	Production in '97: 0.5 million tons	Output in '97: 0.5 million tons
Production in '98: 0.5 million tons	Production in '98: 0.75 million tons	Output in '98: 0.75 million tons

Analysis:

Q: Is the demand for clear steel greater than that of galvanized steel? A: Assume that the demand for both types of steel exceeds the client's production capacity, so demand is not a relevant factor.
Based on the production information, it appears that the client has switched its production priorities to clear steel because it has higher margins than galvanized steel. But as a result, output of seconds has increased.
Q: Do the increased margins from clear steel off-set the losses due to the increase in seconds?
A: How would YOU figure this out?
Determine the margins for galvanized and clear steel and the losses associated with seconds.
Form the equation: [galvanized tons x margin] + [clear tons x margin] – [seconds tons x losses]
This equation would have to be maximized based on the demand for galvanized and clear.

Information:

The client has limited capacity and can only produce one type of steel at a time.
It takes twice as long to produce clear steel than it does to produce galvanized steel.
What would YOU do to improve the process?
The facility was built to produce galvanized steel. In recent years we switched priorities to clear steel because it is more profitable. There is much room for improvement in the manufacturing process.

Some recommendations:

Increase the batch size of production and store the inventory.
Upgrade the equipment to produce clear steel more efficiently.
Increase plant capacity to produce both galvanized and clear steel simultaneously.

CASE #6 **AMERICAN EXPRESS**

American Express (Amex) is a consumer services company providing a variety of services to its card holders. Its primary service is its well-known charge card, that enables "members" (i.e., card holders) to purchase goods and services from millions of merchants that accept the card. Unlike other credit cards, cardholders are required to pay off their accrued balances each month, and interest is not charged.

Recently, Amex has faced strong competition from new credit cards entering the market. They have considered dropping the $55 annual fee. What are the economics of such a decision, and should the drop the fee or not?

CASE #6 SOLUTION AMERICAN EXPRESS

Solution Structure:

Determine how American Express makes money.
Evaluate the pros and cons of dropping the annual fee.
Explore options for replacement revenue.
Make a recommendation.

Revenue Drivers:

$55 x the number of members (*could round to $50 for simpler math*).
Q: How many people have the American Express Card? A: What is your best estimate?
The number of cardholders is approximately 14 million (*you can round to either 10 or 20 to simplify the math*).
No additional revenues from consumers, since balances are paid monthly. (*Amex doesn't enforce late fees*)
1% merchant fees for all transactions from merchants honoring the Amex card.
Est. annual transactions are $1,000.00 per cardholder. ($1,000 x 1% x 10mm = $100 million)

Issues to be addressed:

If the annual; fee is dropped, Amex loses $55 x number of cardholders.

Amex would have to generate new or additional revenues to overcome the loss of annual-fee revenue.
Using a conservative estimate, lost revenue will be 10mm x 55 = $550 million.
Q: Will consumer spending increase sufficiently to generate merchant-transaction revenue? A: Not likely, since cardholders must still pay-off balances at the end of the month.
Therefore, must increase number of cardholders to increase merchant-transaction revenue.
Q: Is it possible to sufficiently increase the number of cardholders? A: How would YOU estimate this?
The average annual transaction revenues are $1,000 x 1% = $10 per member.
Therefore, the number of new customers required to overcome the revenue loss would be 550mm/10 = 55 million
Now, is it possible for Amex to gain 55 million new members **this year**? Not likely, is it!
Also possible to raise transaction fees: more revenues, but must address consequences for vendor relations.
Q; Does Amex enforce late fees? A: No, but most credit cards charge $20 - $25 for late payments.

Should Amex charge interest and allow card-members to hold a balance?

Would the new revenues from interest off-set losses from dropping the annual fee? Depends on rate of interest and average balance. Q; What is the average APR and average monthly balance? A: You tell me. (*use 15% and $500*)
If average balance = $500 at ~10% APR = $50 per member x 10 million members = $500 million annually.

Recommendations

Based on economic analysis, don't drop the fee. It is difficult to replace the lost revenue.
While some options exist (i.e., charging interest on balances) the consequences should be explored.
Amex could issue an interest-driven credit card under a new brand name (in fact, Amex did so with the Optima card).

Answer Analysis:

The client specifically inquires about the economics of aborting the annual fee. Good answers should focus on this issue, and should provide recommendations based on the analysis. Good answers should explore the issue of rival credit cards entering the market, how their product offering is similar or different from the American Express card, and the strengths and weaknesses of American Express's position. Alternative revenues should be explored. One option is charging interest and allowing cardholders to hold a balance. Answers should address how this would this affect the AMEX brand, i.e., the consequences of becoming a just another ordinary credit card. Another is enforcing late fees, or raising merchant fees. The consequences of these should be addressed also.

Outstanding answers should additionally explore the effects of competition among credit cards for revenues, and recommend how Amex could increase revenues without dropping the $55 fee. For example, comment on the quality of new members acquired, since competition is forcing many credit card companies to issue cards to riskier consumers.

CASE #7 CONSULTING FIRM RECRUITING

You've made it through the final round of interviews with a small boutique consulting firm. Your final interview is with the CEO of the firm, and she is concerned about the yield of offers made to students for summer internships. She tells you they've had mixed results in acceptance rates over the past two years. This year, they only have room for 10 Summer Associates, based on their size and the anticipated number of engagements. They are very concerned about having to many or too few acceptances. Including the offer she is going to make to you, how many offers should they make?

Additional Information:

They are only making offers at Wharton, Harvard, Cornell, and UNC

Last year, the acceptance rate was 80%.

Two years ago, the acceptance rate was 50%.

Prior to that, they did not hire summer interns.

The company is four years old.

CASE #7 SOLUTION CONSULTING FIRM RECRUITING

Solution Structure:

Identify variables that affect acceptance rates.
Discuss these, and how they may play out in each of the schools.
Provide recommendations and summarize.

Variables that might affect acceptance rates
Level of interest in consulting (i.e., number of students interviewing).
Number of offers.

Additional Information:
When asked for additional info say… ..–You’re the consultant, you tell me!‖ or –That information is not available‖ or –How would an answer to that question affect your analysis?‖ … .followed by…–… so, how many offers should we make?‖ … .to see how they react to adversity and hostility.

The firm focuses on strategy for Fortune 100 clients.
It has offices located in NYC, San Francisco, London, and Singapore.

SOLUTION ANALYSIS

This question tests your ability to handle ambiguity. The question requires a very exact answer, which is impossible to determine given the information (or lack thereof). Good answers should discuss the variables and how these might affect acceptance rates. But good answers should acknowledge that precise solutions are not possible. The key is to remain poised and to know when an inquiry is exhausted. Better answers might provide recommendations as to how to solve the dilemma.

Note: The CEO of the firm actually made *exploding* offers. Candidates had a very short deadline in which to accept the offer, after which the slots became available on a first-come-first-serve basis until filled.

CASE #8 **WEB RATINGS SERVICES**

Your assignment is to investigate on-line ratings services (companies that measure on-line usage, which sites are most frequented, etc). Currently, measurement companies collect mountains of data that they distill into marketable information and sell to the web-equivalent of ad agencies and electronic commerce companies. Modeled on TV's Nielsen and radio's Arbitron ratings systems, much of the information is demographic-based. They acquire this data by tracking on-line movements of their "panels," and thus project the behavior of the entire on-line population. According to the measurement companies, panelists are recruited to be representative, so the projections are therefore statistically viable. Among the companies, there exists few measurement standards, little consensus on methods, wide variations in reported ratings, and many unresolved issues.

There are five measurement companies:

- **Media Metrix (in business since January 1996)**
- **Relevant Knowledge (in business since September 1997)**
- **NetRatings (in business since March 1998)**
- **Nielsen Web (will open its business in August 1998)**
- **@PC Data (will open its business in late 1998)**

Which firm(s) will emerge as leaders, which firms will fail? Why?

CASE #8 CONTINUED **WEB RATINGS SERVICES**

	Media Metrix	Relevant Knowledge
Universe under study	US households	US age 12+, home,work,school
	Windows-PC, Mac - home or work	PC,Mac,Unix, Web last 30 days
Methodology	"measure entire digital world,	"measures all activity, all usage,
(comments)	not just Internet"	no duplication"
Panel Size	10,000 hh (28,000 individuals)	6,100
Composition	use at home or work	use at home and work
Business Panel	1,500	800+ (integrated into total)
Recruiting Technique	Mail and RDD telephone	RDD telephone
Interview Technique	*PC Meter* software	tracking software
	self installed in all computers	Downloaded to each computer
Site Measurement	Passive	Passive
	PC Meter mail in disks	tracking software via web
Projection Technique	Use National Survey of Hardware	Web enumeration study
	Ownership (at-home use only)	conducted quarterly
Reporting Frequency	Monthly, special tabs on weekly	Monthly and
	or daily, or time-periods	quarterly

	NetRatings	Nielsen Web
Universe under study	US age 18+	US hh with Internet access
	on Web last 30 days	
Methodology	"superior capture activity,	"focus on quality of the
(comments)	process is interactive"	sample"
Panel Size	2,000	5,000 (projected for August)
Composition	use at home only	use at home only
Business Panel	None	none
Recruiting Technique	Web portals and RDD telephone	RDD telephone
Interview Technique	Tracking software	across multiple platforms
	self installed in PC	including TV
Site Measurement	Passive	Passive
	Tracking software via web	Software focus on PC activity
Projection Technique	Telephone survey (by Wirthlin	separate telephone
	Group) 2,000 web users	enumeration study
Reporting Frequency	Weekly, monthly,	Monthly
	Quarterly	

Notes: (1) RDD = random digit dialing (2) no data available for @PC Data

CASE #8 SOLUTION WEB RATINGS SERVICES

This is a wide open question with no specific solution. Can the interviewee analyze an industry in a cogent, structured format? It is impossible to pick the winners, the goal is to identify the processes that will lead firms to succeed.

Solution Structure:
Outline the variables that determine whether or not a firm in this business will succeed.
Define a decision rule: under what circumstances will a firm succeed or not.
Explore the variables as they relate to the firms: do they meet your criteria given the information available.
Specify the firms and why, or specify the circumstances for success/failure and why.

Critical industry insight: The industry is wide open; standards have not yet been developed, and firms that succeed in doing so stand to gain. Like in the case of software, the standard that is set is will be set by the most ubiquitous products, not necessarily the best product. Analog Example: Beta versus VHS in videotapes, MacIntosh Vs IBM in home computers.

Regarding Case Analysis and Questions
Enough facts are presented. It is up to the interviewee to choose which facts are relevant and state why.
For information not presented (for example, differences in the products and delivery of services) the interviewee should state what the impact of differences might be.

Here are some variables that may determine the success of the firms, not an exhaustive list

First: revenues versus costs

How many clients will the firm have, and at what prices? I.e., Revenue opportunities: firms will succeed so long as revenues are greater than costs.
Therefore, explore the drivers of customers.
First, is the data useful to customers? Yes, it is critical. A large market exists.
Quality of the data is important – no one will purchase data that is faulty.
Acceptance of the data is most critical. More importantly, no-one will purchase data that nobody else believes or listens to. For example, everyone accepts Nielsen TV ratings solely because everyone else accepts the ratings.
Can the market support more than one player? Not so far as standards go, but it is possible that some services may concentrate on specific ratings areas rather than overall ratings (i.e., psychographic or demographic marketing research). It is also possible to focus ratings on a specific segment, therefore niche opportunities are numerous.
Who can be the low-cost producer of data – this is a niche strategy that may not work since quality is more important than price – clients of the se firms are not so price sensitive.

Second variable: competition. Use the 4P's as one approach to examine competition

Product: How are the products different, why will one succeed rather than another. Do all companies cover the same ground? No – some do not cover AOL or other proprietary space. Methodology for gathering data is also very different, and vastly affects the quality of the product. Good strategy is differentiation – this leads to numerous niche opportunities.
Price: Are prices different? No, companies charge about the same prices
Place: Is distribution different? Yes, some rely on electronic distribution of data, others on written reports.
Promotion: Are there any differences in promotions? Answer: If so, how would this affect the outcome.

CASE #9 **REFRIGERATOR LIGHT BULB**

Imagine in the world you live in, the world is upside down and backwards. For example, whenever you open the refrigerator door, the light turns off. How can you determine whether or not the light turns on when you close the refrigerator door? List as many methods as possible that do not compromise the functional integrity of the refrigerator (i.e., don"t break it, or put a hole in it, or keep the door ajar).

CASE #9 SOLUTION REFRIGERATOR LIGHT BULB

This is a McKinsey brain-teaser to determine how creative you are. The answer is straight forward: simply list the ways in which you can prove that the light bulb works while the door is closed.

The key to solving the case is perceiving the problem as a scientific experiment, and re-asking the question as –How many ways can I prove that the light actually turned on.‖ As such, determine all the ways in which proof can be made available.

First, a light bulb emits heat and light. What will be changed when exposed to heat and light? These things could be assessed, then placed in the refrigerator for some time, then analyzed to determine differences (which would indicate the light works). Examples:

Place a Polaroid photograph inside and see if it develops
Measure the temperature of the bulb, did it get hotter after closing the door a while?
Place a plant inside, see if it grows.
Place a light sensitive device inside, see if there is a measurement (with a camera to register a change in the meter)
… you get the idea here.

Second, the light uses electricity. The light could be tested independently to ensure it works, and then the electricity source could be tested in a number of ways.

Place a fuse in the socket that is calibrated to break with an amount of electricity adequate to light the light-bulb. If the fuse breaks, the light will work.
Place wires connected to a buzzer in the socket. If the buzzer sounds when the door closes, the light will work.
Again, you get the idea here.

CASE #10 STANDARD OIL COMPANY IN 1950

The year is 1950. You are Standard Oil Company of New Jersey (now known as Exxon), a company that excels in the refining and marketing of petroleum products. The success of your company depends, in part, on your ability to maintain adequate levels of petroleum supply. Following national energy shortages experienced during WWII, it is clear to your company that securing a source of foreign oil is key to maintaining your supply, and hence your market share. You have been approached, separately, by two other petroleum companies to enter into joint ventures. One company, Gulf, is interested in establishing drilling rights to a large field located in the small Arabian-peninsula nation of Kuwait. They have offered you a large stake in the venture. A second oil company, Royal Dutch Shell, has offered you an equally large stake in a venture to establish drilling rights to a large field located on the border of Iran and Iraq. You do not have the resources to enter into both ventures. Which one do you choose and why?

CASE #10 SOLUTION STANDARD OIL COMPANY

Good answers will outline the conditions that make a joint venture workable. There is little information from which to base a rationale choice, so the answer matters little. Instead, focus on defining decision rules. If the interviewer asks a question, reply with –Explain how the answer to your question would determine which partner is preferable.‖

Solution Structure:
What are your strategic objectives?
What are the variables affecting the decision?
Determine the decision rule for whether to go or not go.
Examine and compare the offers: which of your objectives are fulfilled or not?
What are the consequences of joining; what are the consequences of not joining?
Provide implementation and exit strategies, and other conditional provisions.

FACTS: Some variables and information to consider when comparing Kuwait vs. Iraq

Political stability and risk (domestic politics) – both areas, as of 1950, are unstable states. Kuwait's government is currently more stable, but the head of state is very old.

Political stability and risk (International) -- Kuwait does not have as many border disputes as Iraq, and both have a tradition of working with foreign developers. Kuwait invited developers into the country around 1912.

Legal/Regulatory environment: Legal risk due to market instability (legal foundation to enforce contracts and protect investments) – both areas have good legal systems, but law is dependent on the stability of the government. Risk is considerable. Few regulations exist in either country.

Socio-cultural environment – are skilled workers available or will they be imported? In both countries, skilled labor is unavailable. Both countries are in favor of foreign oil development, but there exist elements against the presence of foreigners, and against perceived economic exploitation.

Infrastructure (Ability to get product to market) – Both countries have significant access to ports and newly developed pipelines (that cross neighboring country's soil)

Infrastructure (Ability to extract oil) – This is the most significant cost to you, since the infrastructure does not naturally grow in the desert. Oil does, but you'll have to find it.

Human Resources and Management Talent – your company has the talent, but lacks experience in the Middle east.

Other options – can you go it alone? – You need oil, where else would you develop it? The costs and risks are too prohibitive – assume a joint venture/strategic alliance is necessary.

FACTS: RDS vs. Gulf
Both have experience in the Middle East. Both companies are comparable in every way, but RDS is much bigger, and has its market focus in Asia and Europe. Gulf is a US company focused in the US and Europe. Both seek a long-term partnership. RDS has experience with joint ventures (in Asia), both good and bad.

CASE #11 FOREIGN CURRENCY

Yesterday you were hungry so you bought a snack from the deli down the street. When you received your change, you noticed the quarter you received was from Canada. Today you bought a soda from a hot dog vendor on a different street. When you received your change, you again found a quarter from Canada. There seems to be a lot of foreign currency floating around. Assuming yesterday and today are no different from any typical day, explain why there is so much foreign currency in the U.S. money supply.

CASE #11 SOLUTION FOREIGN CURRENCY

Ouch, this is one of those impossible to answer questions. But really, the answer matters little. Can you identify the variables that determine whether or not currency is in circulation? Think of circulation like a process. There is stuff going in (and people putting it there) and stuff going out (people taking it out), and some activity in the middle. The solution should look at why and how foreign currency goes into circulation, and why and how it is (or isn't) removed. Also, what happens to the currency while it circulates?

Solution Structure

Set up the question as a process with inputs, activity, then outputs.
Examine the variables for inputs.
Examine the activity.
Examine the variables for outputs.
Draw insights.

One Example of examining inputs and outputs:

Inputs: Why and how foreign currency enters the US system?
People bring it from other countries and spend it (shop keepers don't notice, sometimes).
This is true particularly for Canada – currency is very similar to US, and proximity

Inputs: What prevents foreign currency from entering?
Formal mechanism exists – people usually exchange currencies.
Unlike some economies that accept US $, the US merchants frown upon foreign currency.

Activity: What happens to the currency while in circulation?
People get it, but don't want it, so they spend it first – this increases its circulation.
This increases the visibility of foreign currency.
Or people/merchants get it, and remove it.

Outputs: What keeps it in circulation?
The activity -- people don't want to hold it. So they spend it first.

Outputs: Why does it leave circulation?
Banks receive it and remove it rather than re-circulate it; merchants give it to banks.

CASE #12 DIRECT MARKETING FIRM

Your client is the premier direct marketing firm in the United States. This firm also owns divisions dealing with software development, marketing research, hotels, car rentals, real estate and related, tax and financial advisory services, and many others. Your client is confident these subsidiaries achieve considerable overall synergy and provide the parent with expanded opportunities for direct marketing. Your client is also confident the business fundamentals are very sound. The problem they face is that their stock price has been seriously affected by a recent accounting scandal. Although the accounting problems have been cleared up, investors are wary.

In its membership business, your client markets memberships in shopping, travel, auto, credit protection, and other personal services. It does so by off-branding its products to banks, credit unions, credit cards, clubs, and many other organizations. Its primary source of revenues in this business are membership fees. Its distribution channels are direct mail, telemarketing, the Internet, and America Online. The Interactive division also operates a number of E-commerce sites that generate memberships, and some advertising dollars. Management has placed a number of important initiatives on hold due to lack of financial resources, and due to a lack of management focus resulting from recent problems.

CASE #12 SOLUTION DIRECT MARKETING FIRM

Additional facts to be divulged only if pertinent questions are asked:

The subsidiaries are recent acquisitions, most within the last two years.
The company as a whole formed as the result of a merger between two equal firms.
The business fundamentals are very sound; but investors may not believe the numbers.
The core business is memberships (selling the auto, travel, shopping, etc, service products).
The core competency is effectively leveraging subsidiaries and marketing partners for cross-marketing opportunities to sell memberships; these are yet untapped due to diversion of management focus.
There is competition within sub-categories (i.e., your client competes with AAA for auto clubs services) but little competition at the scale at which the client operates; there are few players in the national market.
Prices of membership services are stable (recent price increases did not affect membership flow).
Membership flows (how many people join or quit) have remained constant; memberships are increasing rapidly.

The current situation is such that the individual pieces of the firm are more valuable than the firm as a whole. i.e., the firm is currently undervalued. But this is due to a lack of investor confidence in the numbers produced by the company resulting from the recent problems.

Solution Structure:
Determine what drives investor confidence.
Assess the client's situation with respect to these variables.
Determine what the client can do to affect these variables and offer options.

What drivers affects investor confidence?
good management team in place – yes, now anyway.
independent audits to ensure data is accurate – yes, completed.
prospect for a good return on investment – absolutely, if you believe the numbers.
therefore earnings that exceed expectations make a good investment – low stock price is a buying opportunity.
or undervalued assets – particularly the software and interactive divisions.
market climate in general.

What has management done with respect to these drivers; what can management do?

The Chairman resigned, as did several senior executives in the wake of the accounting scandal.
Independent auditors completed a forensic analysis of the books – the books are now solid.
The CEO has begun meeting with investors to sell a new strategic plan.
The New plan involves spinning off the software, interactive, and other profitable divisions to enable the company to focus on key businesses.

This is a tricky case, because there are no obvious actions left out – most of what can be done is being done and being done well (excluding radial steps that make little economic sense).

The key is capital market behavior, not the client. The market (these days) rewards Internet based companies, but has failed to perceive the value in your client's interactive and software divisions. A spin-off followed by an IPO may result in enough cash to fuel further investments. Action, perhaps, will restore overall investor confidence.

CASE#13 SUN TAN LOTIONS

Your client is a start-up venture in Southern California. They market a single tanning lotion product to beach-goers from San Diego to Los Angeles. Although sales volume is large, it has not reached anticipated levels. You have been hired to find out why, and what can they do about this problem. This is the company's second summer in business.

CASE#13 SOLUTION **SUN TAN LOTIONS**

Additional Information: Answer only if directly asked, or answer –What do you think?‖ or –Why is that important?‖

Why start the business?
They have conducted extensive market research and have found that their product should do quite well.
There are currently no other products targeting the Hawaiian Cocoa butter segment.
The product did quite well with consumers in focus groups that were conducted prior to launch.
These focus groups are representative of the target market, and indicates a real market need for this product.
The goal was to attain a 5 percent market share – sales at this level would result in profitability.

Tell me about their operation?
The operation is three people – partners. They handle marketing (including distribution) and finances. Production is out-sourced to a local manufacturer that is reliable and cheap.

Tell me about the market?
The market is quite fragmented, with no dominant player. Coppertone, the leading brand, has a 15% market share.
There are at least 10 different brands competing in several lotion/oil sub-categories.

Tell me about their pricing and positioning?
The target market is people who purchase sun tanning products at the beach.
The positioning is Hawaiian cocoa butter. This is a premium product, and is priced in the middle of the high-end.
Coppertone, a more expensive brand, is the leading seller.

Tell me About Distribution?
The product is sold exclusively at bungalows – proprietor owned and operated walk-up shacks on the beach that typically sell soda, snacks, and basic products to beach goers.
The product sits on the shelf, and buyers see it and select it. There are no additional shelf promotions.
One partner drives up and down the beaches refilling stock.
These bungalows do not charge slotting fees, while drug stores and grocery stores do.
Their lack of sophistication makes little opportunity to provide incentives to have them push the product.

Tell me about promotions?
Brand awareness was built through sponsorship of beach volleyball tournaments. There are no other promotions.
All signs, including follow-up market research, indicate this has been successful.

How have they been doing?
The 5% market share goal was reached, but estimates projected at least 7%.
They sell out of their product at each location the product is available. In fact, the product sells very well.
The firm is very profitable, but could be more so if sales attained projected levels.

Solution Analysis:

This tests your detective abilities. The answer is small and specific – can you find it? Use the 4 P's, and don't give up so easily. Ask, what are the conditions necessary for high sales? (1) There must be buyers for the product, (2) the price must be right, (3) the product must be available. In this case, the product was not available so people were not buying it. Solution? Make it available. Problem solved. The key to this problem is distribution. Remember that this is a profitable firm. Their problem is not economics, segmentation, competition, price, promotions, or the product – it's distribution. Specifically, it is the delivery schedule of the product. The product sells out at each location, but it is some time before the shelves are re-filled. An easy solution is to re-fill and check the bungalows more frequently. Future considerations may entail a look at promotions and greater distribution, but for now the client is only interested in one problem: meeting projected sales volume.

CASE #14 JOHNSON WAX – NEW PRODUCT

Your client is Johnson Wax, a large consumer products firm located in Racine, Wisconsin (and is also the principle sponsor of a very prestigious business school). As a by-product of one of their manufacturing processes, they have discovered a revolutionary new liquid that seems to have a variety of uses. It is completely harmless, non-toxic, odorless, disposable, and dissolves in water with no environmentally damaging qualities. It has many useful functions. It makes house plants shine, and is possibly good for them. It polishes wood, leather, and other furniture very safely. As a dietary supplement, it provides protein and carbohydrates, and could make an excellent pet food or baby-food supplement. The lab has not yet identified ten percent of the potential consumer uses. Given what you know so far, list all the possible channels of distribution for this product and explain how the product could be marketed.

CASE #14 SOLUTION **JOHNSON WAX – NEW PRODUCT**

Simply list the channels, no other information is relevant. This case tests creativity and endurance. Can you break 100?

CASE #15 **DAEWOO VS. SATURN**

Your client is the U.S. subsidiary of Daewoo Motor, a Korean automotive manufacturer. In the United States, their product lines include three small to intermediate cars, such as small sedans, aimed primarily at college students. These include Lanos, Nubira, and Leganza. Vehicles are manufactured and imported from Korea. Marketing is through the US subsidiary, and distribution is through company owned network of franchise that sell cars and deliver service and parts. They have grown to admire the Saturn operation, a manufacturing subsidiary of General Motors. So much so, in fact, that they intend to launch a new line designed to mimic the Saturn experience. Your client is concerned about costs, and wants to know to what extent their costs would be like Saturn"s.

Here is a cost breakdown for every $1 spent at Saturn. What would these figures look like for Daewoo?
No other information is provided. State your assumptions.

Marketing	**$ .12**
Sales Support	**$ .04**
Transportation	**$ .02**
Service	**$ .09**
Mfg. Parts	**$ .11**
Mfg. Assembly	**$ .08**
PPE	**$ .14**
Labor	**$ .09**
Insurance	**$ .01**
Taxes	**$ .09**
Prof. Services	**$ .01**
Raw Materials	**$ .13**
Design	**$ .08**
Total	**$1.00**

CASE #15 SOLUTION **DAEWOO VS. SATURN**

There is no solution, simply match the appropriate costs with those of Saturn. For each instance in which a cost is different, explain why, and whether it is more or less and why it should be so. If it is the same, explain why.

CASE #16 **NYC PUBLIC LIBRARY**

A rare, paper-eating virus has attacked the entire collection of the New York City Public Library. Thankfully, the virus was discovered before any serious damage was done. A solution that forever ends the threat of the virus is at hand. This solution, however, entails building an entirely new infrastructure for the library system. With funds raised from the sale of the current buildings and additional funds donated by Cornell alumnus Sandy Weill, new buildings to house the collection are being planned. They have hired your firm to tell them how best to arrange the collections.

CASE #16 SOLUTION NYC PUBLIC LIBRARY

Solution Structure
Identify issues to consider.
Explore needs of users.
Explore product (diversity of holdings).
Explore constraints and opportunities.
Provide recommendations.

Additional Information
Segmentation of users: (percent = total quantity of people)
General interest users (magazines, newspapers, literature, general reading) – 45 percent
General researchers (e.g., academic, reporters, authors doing fact-checking) – 23 percent
Specific researchers (e.g., scientists, authors researching a specific subject) – 12 percent
Children (educational material) – 8 percent
Students (advanced educational material) – 12 percent

Types of Holdings (percent = of total volume by space)

General reading – books (45 percent)
General reading -- magazine, newspaper collections (31 percent)
Academic & Scientific – journals, technical books, proceedings (11 percent)
Historical – donated personal collections of letters and official documents (4 percent)
Legal – official document repository, law journals, court records (7 percent)
Miscellaneous – maps, globes, other non-reading holdings not part of a special collection (2 percent)

If Asked:
Number of buildings = 6 main Manhattan branches, 100 satellite branches throughout NYC.
Location of buildings = 50% Manhattan, 17% Queens, 14% Brooklyn, 12% Bronx, 7% Staten Island
Assortment of holdings in each building = 3 main branches and all satellites are general, 3 main branches are special area (law, technical & science, historical collections)
Accessibility by users and geography of users = based on geography, accessible by public transportation.
Commonality of materials and grouping of materials = current scheme is based on material commonality.
Role of technology = currently retrieval system only, little electronic storage beyond newspapers, mags.
Staffing requirements = make your assumptions and explain how this fits into an answer.

Trends

Use by children is increasing.
General reading use is increasing.
Growing demand for –community organizing‖ – book clubs, special interest discussion groups, professional meetings, etc
Legal, medical and other technical use of hard collections is decreasing (due to electronic access).
Interest in special collections is increasing (tourists and book authors).

Constraints & Opportunities to consider

Money and resources (staffing, construction, technology, ongoing operations).
Revenue sources: NYC government, gifts, foundations, grants for special projects, access?
Geography (NYC is crowded, accessibility for users, segment by user needs).
Role of technology – use of web-based access, electronic storage by collections.
Partner with schools and museums to share and integrate resources.

CASE #17 **PREVIOUS EMPLOYER**

Who did you used to work for? How are they doing?

(Alternatively, could be asked –Tell me about a company you like.‖)

CASE #17 SOLUTION **PREVIOUS EMPLOYER**

The solution to this case should be an organized presentation using either the –balanced score-card‖ or 5-forces frameworks. Solution should include a recent history outlining a management issue, and should identify trip-wires and mile-stones that indicate success or failure toward reaching goals. This tests the candidate's ability to present information.

This is a basic resume-based case question that you may encounter, reflecting trends away from traditional cases. This case places you in a different role. That is, you must provide rather than seek information while demonstrating a structured thought-process. Do you have presentation skills? Do you think deeply and strategically about the institutions in which you are engaged, or do you just focus in on your narrow job requirements. Don't be caught off guard!

Solution Structure:
Present an outline of your firm (or specific division) – and basic background about the industry
What is its core competency? What is its strategy? What are its goals?
Identify the major issues your firm faces? Why are these important?
What is your approach to solving these issues? What should the goals be? Why is this best?
What specific actions should your firm undertake? How would these be implemented? Why?
What are the rewards and risks of this approach?
What would be the milestones for success? How would you measure performance?

Possible Approaches:

Balanced Score Card Framework - identify a set of measures that indicate the over-all health of the firm and ensure performance measures are consistent:

financial (costs, revenues)
relationships (customers and suppliers)
organizational (employees, structure, compensation)
competitive (industry)

7-S Framework -
Systems
Strategy
Style
Superordinate goals
Strengths
Staff
S ? you get seven bonus points if you can remember all 7 S's

5-forces Framework -
Firm Rivalry (competition within the industry)
Threat of new entrants (barriers to entry)
Power of suppliers (forward integration)
Power of customers (backward integration)
Substitutes

CASE #18 **TYPICAL BANK**

A bank that loans to real estate developers has a lower than industry average return. You are asked to help improve profitability. How would you approach this problem?

CASE #18 SOLUTION **TYPICAL BANK**

Bank borrows from Fed at a rate of 6% and lends money at 10%.
Major source of loss are the loan officers at the rate of $200,000 each per year.
Each officer spends the same amount of time on each loan, no matter what the size.
Variable costs increase with the number of loans.

The bank is taking too many small loan applications. They should reduce the amount of time on small loans, increase the rate for small loans or exit the small loan business entirely.

What is the breakeven volume of loans each officer must process? Revenues + spread.
Costs are split into variable costs (chargeoffs) and fixed costs (salary). Given that the spread is 10% - 6%=4% assume charge off is 3% (interviewee may have to estimate).
Therefore at breakeven:
4% **x** = 3% **x** + $200,000   X = $20 million. = volume of business each person should handle each year.

CASE #19 **MOBIL: RETAIL SALES OPERATIONS**

The sales force at Mobil is composed of college graduates, each of whom calls on about 20 Stations. What should they talk about with the gas Station owner?

The structure of the retail gasoline business is as follows:

Mobil owns the gas stations while the Station manager/owner owns the business.

Mobil sells gasoline to the station at the wholesale price (DTW) while the station manager/owner sets the street price.

Mobil makes a profit of about 10 cents per gallon.

CASE #19 SOLUTION MOBIL: RETAIL SALES OPERATIONS

Key Points by Interviewee:
Product: Gas is a commodity.
Promotion: Done nationally, not this group.
Distribution: Fairly automatic.
Price: Mobil does not set street price. How is street price determined?

Recommendations:
Mobil wants the street price as low as possible (close to DTW), which increases volume. But how does station make a profit?
Answer: Convenience store and auto care are high margin (but low volume), sales force should help Station owner to set up profitable convenience store and low gas price to attract volume.

CASE #20 US STEEL RIG PRODUCTION

A large US Steel Company builds off-shore rigs for oil. The worldwide market in the 1970's was 35 units per year. This company had a 1/3 share. Oil prices increased in the 1980's. The worldwide demand for rigs increased to 80 units per year and the company's share was still 1/3. Oil prices have now dropped. World demand for rigs is down to 10 units per year of which the company's share is zero. What should the company do?

CASE #20 SOLUTION US STEEL RIG PRODUCTION

Proposed frame-work to use = 3 C's
Customer = Oil service company. Purchase by bid.
Competition = international, similar product
Cost = large fixed costs

Key points by interviewee:
Product differentiation? NO
Demand will go up again? NO
Our Price compare to competitors: Higher
Cost Structure: labor; steel; transportation

Further facts by interviewer:
What determines price?
Korean has much lower labor costs.

Recommendation:
Our MC is higher than that of international competitors because of high labor costs.

Options:
1) higher productivity through automation
2) move overseas
3) exit (remember to always include this as an option)

CASE #21 SOLAR TECHNOLOGY PRODUCT

Your client is an international manufacturer of electronic equipment for industrial customers. The R & D department has developed a new product-- a device that could replace all energy costs in a residence (electric, gas, etc.) using solar technology. The estimated price to the customer would be $5,000 per house. The R & D department says the pay back time for a house would be 2-3 years. With an estimated investment of $100 million to commercialize the system what is the potential market in the US? How would you estimate the percent of market to install the device?

CASE #21 SOLUTION SOLAR TECHNOLOGY PRODUCT

Further facts by interviewer: A survey shows 30% of home owners are interested. How do we test this?

(1) hypothesis: residential market. There are 50 million houses in the US(potential market size). NPV analysis looks good.
(2) market survey

Recommendations:

1) pre-order risky
2) look at similar energy saving devices (new refrigerators, showerheads, etc) see what is the percentage of people who actually bought it after showing interest.

The student was then told that people don't buy energy saving devices. They would rather spend their money some other way. Market therefore is small and the project was stopped.

CASE #22 STOCK-QUOTE SERVICES

A company has a monopoly selling stock-quote services. A major client has recently withdrawn their business. The quoting company thinks it might be a political move, since they have just been purchased by one of their client's major competitors. What should they do?

CASE #22 SOLUTION **STOCK-QUOTE SERVICES**

Hypothesis testing

1) hypothesis
2) how do we test
3) what are the implications

Key questions by interviewee:

Is the action by the client political? (I expect the answer to be no)

- how to test? Ask them!

(Answer was NO, but because it is more economical for the client to do it themselves)

Was action done for economic reasons? Company claims no.

I think yes, because otherwise the client wouldn't leave.

Answer was yes, but only because of the huge scale of the client.

It was economical, but only for that client. Given this, what would you worry about?

Worry about 3 things:

1) improving technology will move cost frontier inward.
2) consolidation in industry will create more large clients that might make their own Systems
3) client might now sell their own system and we would have competition.

Comments:

#1, #2 actually happened. My recommendation was they change pricing scheme to give "bulk discounts" to large clients so that it didn't become worthwhile for them to split off~ but they could get more value from smaller clients.

CASE #23 DIGITAL INFORMATION KIOSKS

A company has just bought a startup firm that produces "digital information kiosks." These kiosks are composed of computer touch screens plus a telephone which allows the user to contact a salesman or company representative directly. The company reps can also put new visual information on the kiosk. The company thinks they want to sell these kiosks to the financial services industry. What do you tell them?

CASE #23 SOLUTION DIGITAL INFORMATION KIOSKS

Questions by interviewee:

1) How much is kiosk? $80,000, So could only use for expensive items?

2) Is it hard to move? Yes -- So it only goes where many consumers would pass by regularly (i.e., could follow trade show). So the market would be companies selling big ticket items that normally has a distributed sales force and that normally needs visual information.

Interviewer wasn't looking for specific companies/products but instead for a profile of a company that might be able to use the kiosk.

CASE # 24 **TARRAGON COUPLERS**

Tarragon was a start-up high-technology firm seeking to take advantage of the growth in fiber optics. Demand for their product grew quickly. Unfortunately, Corning developed a lower-cost alternative that stole the market. After producing 110,000 optical couplers, Tarragon only sold 10,000 before filing for bankruptcy. You are have bought the firm and its holdings for $1. Unfortunately, after selling the assets to pay-off debts, the only thing you have left is the 100,000 remaining couplers. What would you do with these?

A coupler is a T or Y shaped object that connects two or more fiber optic cables. It is about 3" long and 2" in width at the T/Y portion. It is about the same diameter and width as a TV cable. It has a rubber exterior. It is completely harmless (unless you eat it).

CASE #24 SOLUTION **TARRAGON COUPLERS**

This case tests your creativity. There is no real answer except to list all the possible ways in which you can dispose of the couplers. Making a decision tree is not a bad idea. A few examples:

Make them into Christmas ornaments
Sell them as decorations
Use them as art supplies for sculptures
Sell them as toys: dolls, leggo-type things, etc
Make them into furniture accessories, e.g. candle-holders

For every option you compose, you should discuss segmentation (i.e., target consumers), why they'd buy it, price point, promotional strategy and distribution.

CASE #25 **ENTERING MARKETS ABROAD**

Your client is a consumer packaged goods firm that specializes in dental care, over-the-counter medical care, candy, and personal hygiene products. They are based in the east-coast US, but have experienced strong growth throughout the US, Mexico, and Canada. Bolstered by the confidence in their domestic sales growth and profits, the company recently launched an initiative to enter markets in South America (primarily Brazil, Argentina, and Peru) and Southeast Asia (Hong Kong, Japan, Singapore, and the Philippines). They also sought to expand their presence in Holland and Belgium.

Last year, in S.A. and SEA, despite rigorous market analysis showing a strong demand for their products, profits were well below expectations. The company also experienced a host of problems in a variety of areas, including labor unrest, poor logistics, and unmet forecasts. This year, there are no signs of improvement in any areas. In fact, things are looking worse and the company is considering withdrawing from these markets. Meanwhile, everything is great in Europe. They have hired you to determine next steps.

This is a meeting with the CEO of the firm – what do you tell her/him?

CASE #25 SOLUTION ENTERING MARKETS ABROAD

Note to interviewer
Play the role of CEO – be VERY American. The heart of the problem is that the American managers assigned abroad were unprepared to adequately deal with different business environments. This includes language barriers, cultural differences affecting business practices, and managing a diverse multi-national staff. Further, the local company managers hired had tremendous experience in their home countries, but have never worked in the US, and know little about your client. This resulted in tensions, misunderstandings, and mismanagement. This is the source of the trouble; the other problems are symptoms. Answer each question the interviewee asks accordingly.

Solution Structure
Identify the factors that may affect a product launch / new market entry and operations
External factors – economics (is Europe different?)
Internal Factors – staff skills & training (what is different in Europe)
Identify problems: look at (1) product positioning, (2) distribution, (3) target segment needs, (4) promotional activities, (5) personnel
Determine the source of problems
Provide recommendations

Information: Company

Excellent supply chain logistics enables this company to compete with P&G, Colgate, etc in US.
Internal training program enables managers to learn and prepare their system, prior to taking the helm.
The regional managers were area managers in the US regions, and all performed above expectations in the US; this was the basis for their transfer abroad.
The country managers are local hires; experience in other local industries, none with this firm.

Information: Europe

Currently operating in 4 European countries (Belgium, Holland, England, Luxembourg)– only operations outside N. America. (All staff speak English.)
Original entry completed by buying existing leading brand in Benelux.
Distribution is typical for similar products (no problems here).

Information: SEA

Person who runs operations used to run Chicago/Midwest area so skills are solid.
Hired local people with many years industry experience, none with this firm.
In Hong Kong, 3 GMs have quit; others threaten to quit.
Problems with labor (strikes), shipping delays, distribution complications, missing inventory.
Positioning: products are premium products, lower priced than other products (irrelevant to performance).

Information: SA

Person who runs operations used to run New England area, so skills are solid.
Hired local people with many years industry experience; none with this firm.
Problems with labor (strikes), shipping delays, distribution complications, and missing inventory.
Positioning: products are premium products, lower priced than other products (irrelevant to performance)

CASE #26 CANADIAN TIMBER COMPANY

You have been hired by a Canadian timber company that processes trees from the forest to timber products (boards, etc.). They have been making more profits than their direct competitors and do not understand this phenomenon. You have been hired to find out why.

CASE #26 SOLUTION CANADIAN TIMBER COMPANY

Think of profit as a cost vs. revenue issue. It turns out that lumber products industry is a commodity industry. So you may want to think about the steps in the processing flow and analyze differences between competitors at each step.

Case information provided during questioning:

In Canada, the timber companies own their own natural resources (forests).
There are many competitors in this industry.
Timber company prices are the same as their competitors.
Use same equipment.
Have the same labor skills.
Wood is the same quality.
There is not much of a transportation difference between the forests, the mills, and the point of sales

On average, the timber company has thicker trees in their forests than their competitors. They can get a higher yield for the same amount of processing time, meaning a lower processing cost per unit.

CASE #27 BANK LOAN OPERATIONS

A bank has a loan issuing operation that requires the following steps:

loan application generation at branch bank

complete applicant background check at branch bank

send application and background check to loan processing office

update/recheck background check (takes much less time than original check)

loan is approved or denied

The bank is considering getting rid of the first background check and only relying on the loan processor"s check to speed their service for customers. If the loan processor does the whole check with a new software system, the check takes 1 additional hour at the processor's office per application.

The average profit margin per loan over time is $0.20 per dollar loaned for a "good" loan (loan is repaid)

The average marginal loss per loan over time is $0.50 per dollar loaned for a "bad" loan (loan is not repaid)

50% of the applicants pass the first background check

90% pass the second

Should the bank proceed with the new system?

CASE #27 SOLUTION BANK LOAN OPERATIONS

This case obviously tests your analytical skills. Do not answer the question without paper or calculator to impress the interviewer if your math skills are poor, since this strategy could easily backfire, making you look stupid. This case is straightforward, but make sure that you have all the information necessary to develop an answer.

Case Information provided during questioning:

Cost of branch bank background check = $100/loan (eliminate this cost with the proposed system).
Processor's labor hour costs $60 (at branch and at processing office).
Number of loan applicants is only 1,000 per year.
Average value of loan is $10,000.
The proposed processing program has a 40% acceptance rate.
Additional cost of new program is $50 per loan applicant.
The original loan processing system has 10% bad loans.
The proposed system has 5% bad loans (it is more discriminating).

You should calculate a comparative profit per year for the original and proposed Systems. Here's an example:

<u>Original System:</u>
(1000 applications) x (0.45 loans per application) x ([90% good loans x $0.20 per dollar for a good loan) - (10% bad loans x $0.50 per dollar for a bad loan)] x ($10,000 per loan) = (450 loans) x ($0.13 expected per loan dollar) x ($10,000 per Loans) = $585,000 expected profit

But this method costs an additional $100 per loan application:
profit = $585,000 - (1000 applications) x ($100/application) = $485,000 comparative profit

<u>Proposed System:</u>

(1000) x (0.4) x [(95% x $0.20) - (5% x $0.50)] x ($10,000) = $660,000 of profits

But, there's an additional cost of 1 hour per application at the processing office profit = $660,000 - [($60/hr) x (1 hr/applic) x (1000 applic/yr)] = $600,000

And there's the cost of the new program:
profit = $600,000 - ($50/applic) x (1,000 applic) = $550,000 of total comparative profit

Based on the raw data, the bank should progress with the new system. However, you need to discuss whether the bank can make the change. Mention any retraining and system installation costs that are necessary to change the system, and don't forget to evaluate the cost of the new system itself. Also you may want to mention that a faster loan processing speed may help the bank get more business.

CASE #28 PETROLEUM COMPANY SUPPLIERS

A large oil and gas company that has operations worldwide is divided into three business segments: upstream, downstream, and chemicals. Upstream involves drilling and extracting oil, downstream is refining the product into gas and selling it at stations, and chemicals is producing petroleum-based products. The upstream business segment is divided into approximately 30 companies worldwide that fall under the parent company's umbrella of businesses. These companies use numerous suppliers and the parent company would like to cut supplier spending and, in particular, the parent company would like to know whether they are using the cheapest suppliers in all cases.

CASE #28 SOLUTION PETROLEUM COMPANY SUPPLIERS

A good way of attacking this case is to find out where the parent company has upstream operations geographically and then analyze the suppliers in each region and across the regions. The case interviewer liked this approach and allowed me to concentrate on one type of supplier in particular, the suppliers of drilling equipment.

Case Information provided during questioning:

1. The parent company has upstream companies in four regions: Asia, Europe, the U.S., and Africa
2. There are three suppliers that have a presence in all four regions (companies A,B, and C)
3. The upstream companies and the top two low cost suppliers in each region are:

Asia-	10 upstream companies, 4 suppliers, rankings: A,B
Africa-	4 upstream companies, 4 suppliers rankings: A,B
Europe-	10 upstream companies, 6 suppliers, rankings: B,C
U.S.-	6 upstream companies, 8 suppliers rankings: C,B

Like all other cases, there is no one answer. Instead you should mention several things:

look at the strengths of each supplier (do they have specific equipment that gives them an advantage even though they may not be low cost)

will the suppliers reduce their prices if the parent company offers a larger volume of business or a sole-sourcing agreement, and do the suppliers have the resources for a larger volume

if A is chosen as sole supplier to the 10 companies in Asia and C for the 6 in the U.S., can you transfer the cost cutting ideas between the two companies to receive further cost reductions?

CASE #29 MICROELECTRONIC PLACEMENT LABS (MPL) INC.

MPL is a seven-year old contract-manufacturing firm located in Ithaca, New York. The founder and President, Shane French, has found a niche in the contract manufacturing space by providing his customers highly customized service, particularly with respect to production schedules and small lot sizes. Contract manufacturing is, for example, placing microelectronics on printed circuit boards (a.k.a. motherboards) for such components as computers, lasers, and electronic items. Currently, customers provide MPL with parts inventory, and MPL performs the assembly. French investigated the field and is considering offering turn-key solutions. That is, providing ready-made boards for clients (based on customer specifications). This would require an investment in inventory, but MPL could command a 20% mark-up on parts alone. This is how many contract manufacturing firms grow revenues. Should MPL offer turn-key solutions?

CASE #29 SOLUTION **MPL INC**

Solution Structure:

Determine a decision rule.
Identify the key factors for consideration.
Investigate the pros and cons of these factors.
Make a recommendation.

Information (provide only if asked):

The competitive environment is very fragmented in the niche portion of the industry.
MPL has been profitable each year, growing 30% annually.
MPL has very little debt, and owns all its equipment ($30,000 bank loan for equipment).
Customer relationships are critical: MPL has a solid customer base.
MPL has a customer base of about 10 firms = 90% of business are repeat customers.
Relationships are not steady – client needs vary from time to time, job sizes vary considerably.
Business is strong but variable; customer demand comes and goes in waves, unpredictable.
Offering turn-key solutions would not smooth the production cycle.
MPL specializes in filling niche needs; small lot sizes, unusual delivery schedules.
MPL is currently not seeking new clients, lacks the capacity to service new clients.
MPL lacks the resources (skills) to forecast demand.
There is not enough skilled labor in the area to increase capacity –why they're turning customers away.
Offering turn-key solutions would require an increase in capacity.
Parts supplies are plentiful; discounts are possible for bulk purchases.

GOOD answers should uncover:
Advantages of turn-key: more $, more customers.
Disadvantages: requires greater capacity, would not smooth operational cycle (demand is highly variable), large investment in inventory is financially unfeasible (payback would only occur over time), MPL lacks scale.
Identify steps to mitigate demand issues.
Increasing in capacity is a –step‖ function, not linear.
Discuss issue of resources (skilled labor).

CASE #30 COMPETITIVE ANALYSIS

You are the CEO of a Fortune 500 high-technology manufacturing firm. Your core competence is product development and innovation to serve a variety of consumer and business segment needs. It is budget time again, and the CFO has presented a budget that meets most of your goals. It is almost complete, except one area remains completely blank. After numerous discussions with the board and other senior management, you have agreed to set up a competitive analysis shop (i.e., a staff devoted to gathering and analyzing data relevant to competitors and the market). What percent of the budget should you devote? As the CEO, you have complete control as to size, scope, and mission of this shop.

CASE # 30 SOLUTION **COMPETITIVE ANALYSIS**

Background, but only if specifically asked.
The firm manufacturers over 100 high-technology products that serve a variety of consumer and business segments. This company is the leading player (or #2) in each product line in which its established products compete. In some products, this firm is the low-price provider, in other products this firm pursues a differentiation strategy. There are several new products and research products underway (not yet to market). The company competes with many other firms in many segments. This company competes with no single competitor across the board.

Background if asked: Why competitive analysis? Information is critical to compete in developing markets, to keep tabs on market changes, technological innovations, and competitor moves. This information was provided by consultants, but it is felt their knowledge was not industry specific and too expensive.

Breakdown of current budget by function:

R&D & New Product Development	12%	(reports to manufacturing)
Manufacturing	45	
Sales & Marketing	25	(reports to manufacturing)
Accounting & Finance	07	(centralized)
Human Resources	03	(centralized)
Legal	03	(centralized)
Corporate & Planning	01	(centralized)
Professional Services (i.e., consulting)	04	(1/3 is for competitive analysis, the rest of strategy)
Total	100%	

Four types of product lines by competition (both to consumer and business segments):

1. Commodity – older, lower-tech commodity goods, low margins, compete on price, very competitive market (60% profits, down from 75% -- 50% volume of all goods >1%R&D)

2. Competitive Goods – older, high-tech goods, low margins, compete on price (30% profits. Down from 35% -- 40% volume of all goods ~4% R&D)

3. Specialty Markets – newer, state-of-the-art, high profit, high margins, compete on product differentiation (10% of profits from 1%, expected to be largest source of profits by 2002 – 20% of R&D)

4. Developing Markets – newest, high-profit, high-cost, high-margin, best potential growth, compete on differentiation (no profits yet, expected to be largest source of profits by 2010 – 75% of R&D)

Key Insights
Needs of the four product types: –Commodity‖ and –Competitive‖ products are established markets; new information on competition is not as useful and is widely available. Products in the –Specialty‖ and –Developing‖ markets require more industry intelligence, these markets are developing; trends are critical.

CASE #31 SENATOR HARRY REID

Harry Reid (D-NV) is an incumbent United States Senator from Nevada running for re-election. In 1992, Reid easily won re-election. Despite his seniority and solid record of accomplishments, he is in trouble this November. Why? He's hired you to analyze the situation. His opponent is two-term Republican Congressman John Ensign, from Las Vegas.

CASE #31 SOLUTION SENATOR HARRY REID

Politics -- in a perverse sense -- is marketing. This is a marketing case. The 4P's is a good place to start.

Solution Structure
Examine 4 P's
Discover what is different this election from last election
Present analysis and recommendations

Product and Positioning
Key differences: ideological, age, appeal to voters (i.e., charisma), target base
Reid = well-known and respected, his personality is all business, his record is moderate-liberal
Best known for fighting nuclear power and waste dumps in Nevada, environmentalist
Ensign = young, brash, religious-right conservative, recently divorced, charismatic
No established legislative record, a Newt Gingrich disciple

Place
For both candidates, distribution of –product‖ is promotions.

Promotions
Both candidates send constituent mail state-wide, campaign mail statewide, and broadcast statewide radio and television commercials, campaign events, debates

Price
Not relevant – the price is qualitative for the sides that lose: both sides stand much to gain or lose from electoral victory. Reid enjoys a slight fund-raising edge.

Segmentation
Reid – target segment is traditional Democratic base: elderly voters, environmentalists, minorities, educational community, blue-collar workers, women, urban voters in Las Vegas and Carson City

Ensign – target segment is conservative base: new-right Christians, suburban families, wealthy individuals, anti-government activists, developers, ranchers, miners

VOTER SEGMENT (not equal 100%)	1992	1998
Population	2.5 million	3.9 million
Nevada Elderly	24%	20%
New Retirees (new arrivals)	16%	24%
Women	52%	51%
Men	48%	49%
Suburban	22%	39%
Urban	49%	40%
Rural	29%	21%
Blue Collar	15%	19%
White Collar	17%	21%
Minority	07%	04%
Democrats	31%	30%
Republicans	32%	35%
Other	37%	35%
Liberal	21%	19%

Conservative	40%	45%

CASE #32 **COKE ADVERTISING**

Is Coke spending enough on advertising?

You have been retained by the CEO to find out.

CASE #32 SOLUTION COKE ADVERTSISING

What!? The correct answer is –it depends,‖ but a better answer is to explain what you mean.

Solution Structure

Define a goal or decision rule (i.e., what constitutes –enough‖)
Focus on one geographical area (i.e. market) at a time
Determine factors to consider
Analyze each factor to determine if it meets the rule
Present analysis and make recommendations

Area	Position (sales)	Market Share	Ads (Millions)	% of Mkting Budget
United States	1	41%	$114	50%
Other North America	1	40%	$58	45%
South America	1	33%	$20	35%
Southeast Asia	2	20%	$25	30%
India	2	22%	$15	30%
Western Europe	2	12%	$21	25%
Eastern Europe	3	13%	$19	20%
Africa	2	12%	$7	13%

Decision Rule = the extent to which spending more for advertising results in achieving quantifiable goals in terms of market share or sales volume. (In economist-speak, where marginal costs do not exceed marginal profits)

Factors to consider and analyze in greater depth

Correlation between ad spending and marketshare
Opportunity cost of other spending – how else the goals can be achieved without ads
Competitive position: direct correlation between spending and competitive position vis other brands

Q: What is the goal? A: To be leading non-alcoholic –entertainment‖ beverage in every market.

Q: Is the company satisfied with its current position? A: Yes, but competition is closing in.

Q: Is there a correlation between ads and market share? A: You tell me, you are the consultant – how would you figure that out?

Q: Tell me about other promotions A: Other promotions include price discounts, coupons in some areas, in-store shelf arrangements (very expensive but effective)

Q: Tell me about competition. A: see below – information for nearest competitors

Area	Position (sales)	Market Share	Ads (Millions)	(% of Mkting Budget)
United States	2	31%	$98	55%
Other North America	2	30%	$38	55%
South America	2	13%	$14	25%
Southeast Asia	1	24%	$35	25%
India	1	37%	$24	25%
Western Europe	1	20%	$22	30%
Eastern Europe	1,2	18, 17	$14, $13	24%, 30%

Africa	1	22%	$12	17%

CASE #33 **DEPARTMENT STORE**

You've been hired by the CEO of a department store that has numerous locations in a major metropolitan area. She needs to increase the store"s earnings over the next year and has requested your help.

<u>Relevant Information</u>:

20 locations in the metropolitan and surrounding suburban areas (they are present in every shopping mall).
The population growth of the city is flat
Overall store revenue has declined slightly
They recently hired a consulting firm to streamline the back-room costs

How can you help?

CASE #33 SOLUTION **DEPARTMENT STORE**

Solution Structure:

Revenues have decreased for a reason
The streamlined costs may have caused revenue to falter
The revenue per store may differ - why?
Increased competition
Different consumer buying trends?

Start with Cost/Revenue Drivers:

<u>Costs:</u>	<u>Revenues:</u>
CGS	# of people shopping
Personnel/OH/SG&A	Amount of purchase-5$
Inventory holding costs, levels	Frequency
Cost of debt	Prices
other??	Other??

You learn there is nothing drastically different (overall), so you turn to the individual store level.

Questions:

Are certain stores more profitable than others?- A: Yes.
Do the higher performing stores have any common characteristics such as size, product mix, consumer demographics? - A: Yes, suburban stores are more profitable then urban stores No, the product mix is the same at all stores. Yes, the demo's are different by store

Assumptions:

The product mix may be more suitable and more profitable for suburban stores
The competition may be lower in the suburban areas (turns out not to be true)
The income level may be higher in the suburban areas

Product Mix:

What products are most profitable? A: appliances, tools, TV, Stereo, jewelry - big ticket items.
What products are less profitable? A: Clothing shoes, household items - low ticket items

Store by Store sales/Demo's:

Do suburban stores sell more big ticket items? A: Yes
What do the urban stores sell? A: clothing household items, minor appliances
Are the demographics better suited for the mix in the suburbs? A: Yes, higher income

Assessment:

Due to the identical product mix at each store and the varied profitability by item, suburban stores are outperforming urban stores. Hence, the urban stores are hindering earnings.

Potential Recommendations:

Re-configure the product mix by store (no sense holding excess inventory)
Assess the impact of the urban stores and determine the ramifications of closing them

CASE #34 **HAMMERJACK**

Hammerjack is a regional chain of "local hardware stores" located in numerous neighborhood strip malls and shopping centers. They had enjoyed excellent performance for the past 15 years but have experienced declining profits in the past two years. They are concerned about their profitability and have hired you to explain their situation and provide recommendations to get them back on track.

CASE #34 SOLUTION HAMMERJACK

Solution Structure:

Analyze drivers of profitability: Profit = Revenue - Costs.
Competitive issues:

Costs:	Revenues:
CGS – no Change	Overall sales - down
Lease of space - no change	Number of customers - down slightly
SG&A, Overhead - no change	Dollar amount of purchase -down heavily
Franchise costs - no change	
All other drivers - no change	

Assumption:

We are losing customers and based on the heavy decrease in dollar amount purchased, we are losing high spending customers. (There must be substantially different customer segments)

Question:

What do we know about our customer segments? A: 3 segments (as follows):

	Maintenance People	Do It Yourself-ers	Contractors
# of visits	1	10	100
$ spent/visit	$100	$1000	$10,000
# of people/segment	100MM	10MM	10M

Based on this information, you determine which segments are most valuable to Hammerjack.

	Maintenance People	Do It Yourself-ers	Contractors
Total segment worth:	$10 Billion	$100 Billion	$10 Billion

You determine that the "Do It Yourself-ers" are the most important category.

Assumption:

Hammerjack is losing customers and dollar revenue, there is a strong possibility of increased competition. A: Yes, Home Depot and other huge "warehouse" hardware stores have entered Hammerjack regional locations.

Assumptions about "Warehouse Stores":

Lower prices due to buying power (economies of scale). A: Yes
Provide additional services such as training courses, information, tips. A: Yes
Stealing contractors due to substantially lower costs and DIY's due to price and help. A: Yes

Issues:

Maintenance segment is still loyal because they only shop once a year and for a lower dollar amount. We probably can't keep the contractor due to price. How do we keep the DIY's.

Potential Solutions:

Offer the training courses with an emphasis on the local knowledge of the neighborhood.

Anticipate the products needed by DIY's and offer competitive prices on those items.
Acquire or align with other local chains to gain buying power.

CASE #35 MAJOR BANK

Our consulting firm has been retained by a major bank to help improve the profitability of their largest credit card offering Their card (in the same class as a Visa or Mastercard) provides average returns in comparison to the industry, however, our client believes it can become more profitable. You need to analyze the situation and make recommendations.

CASE #35 SOLUTION MAJOR BANK

Solution Structure:

Opportunity to decrease costs or increase revenues - analyze drivers
Opportunity to vary the annual percentage rate or the annual fee
Benchmark competition for opportunities

Costs:	Revenue:
Marketing, SG&A, Personnel (Can't change)	Annual fee - currently $50 (Could change)
Bad Credit theft etc. (Can't change)	Annual percentage rate - 14% (Could change)
Other costs (Can't change)	Merchant fee = 1.5% (Can't change)

Key Issues

Can't affect the cost structure, therefore have to increase revenues
Only revenue variables available are changes to the annual fee and APR

Competition:

Interviewer tells you it is a very competitive environment– move on.

Assumption:

Customers use the card differently, there may be different customer segments based on the balance held, how quickly balances are paid off and the "need" for the card

Case Interviewer suggests there are three Distinct categories
1. Payoff in full every month
2. Hold small debt for short periods of time
3. Hold heavy debt for long periods of time (basically pay off the interest) -80% of our revenue

He/she then asks how you would tailor card services to each of these groups

Recommendations:

Pay In Full Monthly	Hold Small Debt Short Term	Hold Heavy Debt Long Term
Charge high monthly fee	Increase the APR slightly	Waive the annual fee
Provide numerous services	Decrease the annual fee	Increase their credit limits
(detailed reports, little kudos)		Cash back programs, points
		Access to cash advance, etc.

Key Issues:

These heavy debt card holders are the key to our profitability, it is imperative to get them to sign up for the card (no annual fee), use the card (cash back, point systems) and run up debt (automatic credit limit increases).

Note to Case Interviewer:

As soon as the interviewee had identified the key drivers of revenue and cost the focus of the case was shifted to Customer segmentation and tailored services for each segment.

CASE #36 **COOL WHIP**

You've been hired by the Kraft Desserts Division Manager to help solve a problem with Cool Whip (the non-dairy dessert topping). Cool Whip has been a complete cash cow for Kraft. It has an 80% share of market, low production costs and extremely high margins. Sales of Cool Whip have been flat for the past three years despite aggressive sales efforts. The divisional manger believes sales have peaked (80 % share) and is ready to sit back and milk the profits. Before presenting his recommendation to the company president he hired you to determine if there are:

1) Opportunities to increase revenues in the US

2) Opportunities to enter a foreign market

Additional Information:

Cool Whip is 90% air, 10% water and chemicals.

The manufacturing facility is only running at 70% capacity.

Cool Whip owns a proprietary technology that allows the product "carry" a very high percentage of air.

CASE #36 SOLUTION **COOL WHIP**

Solution Structure (Take it in two parts)

Explore areas to increase product sales in the US
Explore alternate opportunities for increased revenues in the US
Analyze the opportunities of entering a foreign market

New Product Sales Opportunities

Offer new flavors (cherry, strawberry, etc.)
Suggest new uses (Arm & Hammer)
Offer new packaging (pump, pressurized single serve, etc.
Explore new channels (food service, convenience stores, coffee houses, etc.)
Co-pack with other products (pies, cookies, etc.)
Other, other, other

The division head tells you these are all great ideas that have been attempted - what else?

Alternate Revenue Generating Opportunities

Sell or license the "air holding" technology to other industries-Insulation, Styrofoam, building materials, ships etc.
Utilize the excess capacity to produce generic or private label version of the product

The division head tells you these good ideas, what about foreign expansion?

Issues involved in entering a Foreign Market:

Is there market potential for Cool Whip in foreign markets?
What are the competitive factors?
Can we supply product at an appropriate cost structure?
Do we have any foreign presence to take advantage of?

How might you determine the answer to these issues?

Area of Analysis:

Look for markets with a high incidence of dessert consumption (France)
Research the existence of competitors or substitutes (ice cream, other toppings)
Conduct consumer research to determine if consumers would accept/try the product
Research Kraft's current manufacturing, distribution marketing capabilities in these markets.

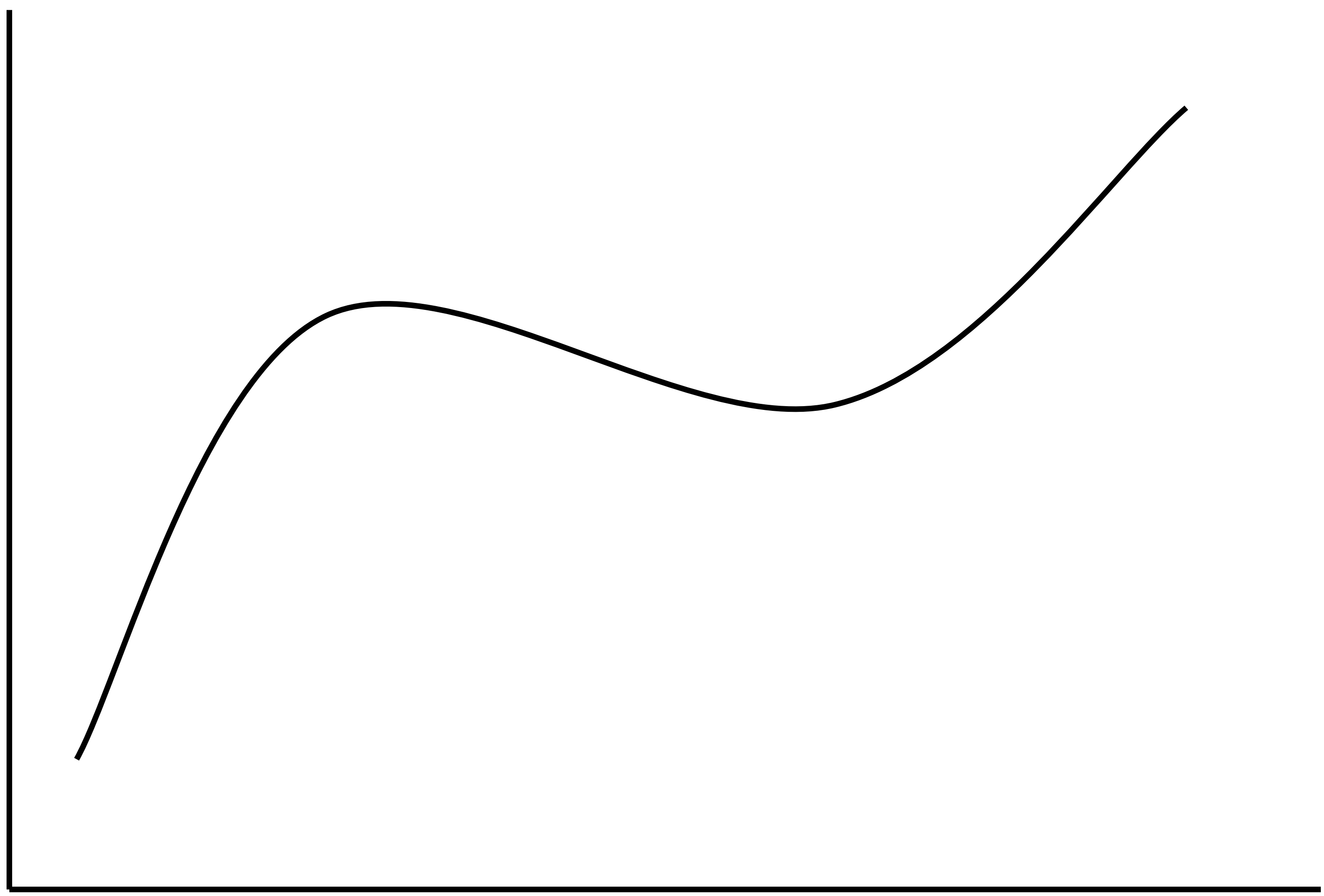
Recommendation:

Invest in addressing these issues and make a recommendation to the president.

CASE #37 **DRUG STORE SKUs**

The graph below demonstrates the average dollar sales of drug stores based on the number of SKU's (different products) offered at the stores.

Based on Return on Sales (ROS), how many SKU's would you want to carry~if you owned a drug store?



CASE #37 SOLUTION **DRUG STORE SKUs**

Assumptions:

To determine return on sales need the equation: [(Sales - Cost)/Sales]
Key: You have to ask for the costs associated with each SKU level

The interviewer provides the following cost equation: [y = .75X +2]
Draw the cost line on the graph and estimate the return on sales for the optimal SKU.

CASE #38 **FRANK'S CHEESE**

Frank's cheese company has been producing very high quality cheese for distribution and sales in the upper East Coast for over thirty years. Their main competition over these thirty years comes from Joe's cheese company, which also produces very high quality cheese.

These two competitors have had a friendly rivalry over time and each holds about *30%* share of market. Recently, Frank and Joe have seen their profits drop. Prank blames the decline in profits on increased advertising and promotional spending.

You have just a few minutes to determine if Frank is correct and suggest solutions. How do you proceed?

CASE #38 SOLUTION FRANK'S CHEESE

Solution Structure:

Quick check for changes to the costs or revenues
Analysis of competition, Joe and other
Analysis of other potential problems

Cost Driver Assumptions:

Any changes in: Dairy products (raw materials), production costs, distribution costs, marketing costs, other?
A: No major changes except for an increase in promotional costs (couponing and retail price reductions)

Revenue Driver Assumptions:

Q: Any changes in: Price, number of accounts, sales levels, type of cheese sold, quality of cheese?
A: Have taken periodic price reductions; No major changes.

Assumptions:

Frank has increased promotional spending and reduced prices. Most likely due to an increase in competitive pressure. Have we seen increased competition?
A: Yes, many of our accounts are offering private label cheeses at half our retail price

What do we know about the private label cheese? Quality?, Consumers?
A: Lower quality than Frank's two consumer segments: Those who do a lot of home cooking and use only Frank's or Joe's, and those who just stop in and pick up a block of cheese.

Why have we been discounting? Are we losing our loyal customers?
A: No. We're just under a lot of pressure from the retailer to match prices.

Issues:

Due to competitive pressure from private label, Frank and Joe have taken periodic price reductions. This has hurt their margins and may also cause them to lose their loyal customers (1ose high quality brand image).

Recommendations:

Maintain premium price levels for Frank's current line of high quality cheese.
Manufacture a lower cost product under a different brand name to compete with private label brands.
Utilize advertising revenues to communicate the benefit of using high quality cheese.

CASE #39 **VIDEO RETAILER**

Our client is a major entertainment company on the West Coast. One of their divisions is a leading home retailer. During the late „80‟s and early „90‟s this division had a great run-opening 4000 stores and realizing considerable profits. In the last two years both growth and profit have declined substantially. You have been brought in by the CEO to assess the situation and provide recommendations.

Background: Our client‟s division is not unlike a chain of Blockbuster video stores. The majority of their business is in movie rental with a much smaller portion in sales.

CASE #39 SOLUTION **VIDEO RETAILER**

Solution Structure:

Start with a simple: (Profit = Revenue – Costs) structure
Analyze the competitive situation
Analyze the –substitution‖ factor – how else are consumers getting movies?

Costs:	Revenues:
Cost of the new movies: *(Actually decreased)*	# of rentals: *(decreased, traffic down)*
Overhead: *(No change)*	Price of rental: *(No change)*
SG&A: *(No change)*	Sale of rentals: *(decreased)*
Leases, other: *(No change)*	Accessories: *(No change)*

Key Learning:

Costs have actually decreased, but not enough to offset the decreased store traffic.

Competitive Assessment/Substitutes: (List potential causes of decreased traffic)

New movie stores: *(No real change)*
New In-home sources – cable on demand: *(Potential for future but no real current affect)*
Sales of movies for home use and collection: *(Sales have increased dramatically)*

[Once the key issues have been identified, the interviewer describes the changing industry:]

1. *When division was growing, it could buy excess numbers of the new releases to satisfy customer demand. Later, they would send the excess copies to the new stores as part of their "library" of existing tapes. With fewer new stores opening, this is no longer an option-therefore fewer new releases have been ordered.*
2. *Recently, the studios have allowed new releases to be sold through warehouse stores (Wal-Mart) at the same time they are made available to the rental retailers. Thus, many of our customers are purchasing rather than renting. In addition, when customers rented a new release, they quite often rented an existing tape from the library (additional lost revenue).*

Based on this industry outlook, what would you recommend for the division?

Provide a recap:

It appears as though the major issue facing the division is a reduction in store traffic for new releases. This is mainly due to the sale of these same releases through alternate channels. How can we regain store traffic or offset the rental losses?

Recommendations (these are just a few of the options considered):

Develop new, more convenient locations-kiosks, pick-up/delivery
Develop pricing/bundling formats combining new releases with existing movies
Offer –rent to buy‖ programs – rent the first time, then have option to purchase

CASE #40 **TACO BELL**

The CEO of Taco Bell is considering hiring your firm for a multi-million dollar project. But first, they want to be sure you have the ability to understand their business. As a new consultant fresh from Cornell, you've been asked by the managing partner to develop a presentation detailing current store performance for the CEO.

The presentation can only be six power-point panels long, must be easy to read and communicate the information at the CEO level (get above the details).

To help you in your presentation, you are allowed to ask a Taco Bell database expert for six, and only six, areas of data of your choice. List the six areas of information and develop a rough six-panel presentation. (hand-drawn)

CASE #40 SOLUTION TACO BELL

Six areas of Data:

- Current year revenues
- Previous year revenues
- Current year costs (Then you have gross profits)
- Previous year Costs
- Competitive current year share (Then you gain access to the competitive set)
- Competitive previous year share

Slide #1	**Slide #2**
Chart with last years share position vs. the competition	Chart with this years share position vs. the competition with references to increase/decrease vs. previous year.

Slide #3	**Slide #4**
Chart comparing current revenue vs. last year (highlight any major increase or decrease as an area for exploration)	Chart comparing current costs vs. last year (highlight any major increase or decrease as an area for exploration)

Slide #5	**Slide #6**
Chart demonstrating current profit position vs. last year and relevant ramifications.	Summary slide of the major changes in store performance and the steps necessary to analyze them further

Note:

This case was given in order to assess a candidate's ability to simplify information and present it in a logical structure.

CASE #41 **BOOK ON CHINA**

You"ve made the final round, you walk into a senior consultant"s office and he tells you he"s been thinking about writing a book on "Business in China" and retiring from the consulting business. He wants to know if it"s a good idea and he"ll make enough money to retire.

What will you tell him?

CASE #41 SOLUTION **BOOK ON CHINA**

Both questions are driven by the same answer- How much money will the book make for the consultant.

Solution Structure:
How big is the market for business books on China?
How much of the market value does the author actually receive?
How much does the consultant require in order to retire?

Market for Business Books on China:
Estimate the number of adults in the United States = 125MM
Estimate the number interested business books = 20% = 25MM
Estimate the number interested in books on China = 5% = 1.25MM
Gut check: Do you really think you can sell over a million copies? No Way!
Re-estimate: 125MM x 10% x 1% = 125M copies (more realistic)

How much does the author receive? (Assume $15 retail)

Value Chain:		
-Retailer Cut	$2	
-Marketing Costs	$3	
-Manufacturing Costs	$3	
-Publisher Cut	$3.50	
-Author	$1.50	Total Take: 125M x $1.50 = $188M
-Total	$15	

Can they Retire?
Wrap-up by asking if $188M is enough to retire – doubtful.

CASE #42 PUBLISHING CONGLOMERATE

You've been approached by a large publishing conglomerate which publishes and distributes magazines and books. In the past three years, this company has acquired numerous smaller book-publishing companies in a vast array of content areas. Having acquired the rights to this book content, they are seeking opportunities to increase growth for the firm. You've been hired to assess areas of potential and provide recommendations.

CASE #42 SOLUTION PUBLISHING CONGLOMERATE

Solution Structure:

Current clusters of content – what content can we leverage?
What are the key industry trends?
Are there emerging markets which provide an advantage?
Assessment/Recommendation

Current Content: (What does the conglomerate currently publish?) Answer:

Consumer books – best sellers
Educational materials – college text books
Computer manuals – training and sales materials
General reference information – "How To" manuals
Children's Books
Business/Technical and Health/Medicine documents and books

Make assumptions of the current trends affecting the book industry:

Use of substitutes are increasing including CD-ROM, Computer info and on-line info.
Lack of leisure time has decreased book reading
Paper costs are increasing for newspapers, books and magazines
Rapid change in the computer and technical industry require rapid changes to training manuals and educational materials (manuals may be outdated)

Make assumptions regarding potential emerging markets:

Increase in number of people working at home = home offices.
Increase in the area of "children's edu-tainment" – educating kids simultaneous with entertainment
Increase interest in the areas of personal finance
Increase need for health care information and easy to update medical training materials.

Assessment/ Recommendations:

The future for the book industry itself is flat or declining at best.
Providers of new information technologies require "content" for their formats
The company should leverage the content they own. For example, they could align with new technology providers to provide content in the areas of health care and children's edu-tainment.

CASE #43 **KING KOLA**

A major beverage manufacturer (King Kola) is considering a joint venture with a specialty coffee retailer (StarDoes) to package and distribute coffee beans under their premium brand name. The beverage manufacturer has hired you to determine if there is a viable market at the retail level and if the venture fits within their current operation.

CASE #43 SOLUTION **KING KOLA**

Solution Structure:

Determine the market potential of premium brand coffee beans through the grocery channel
Determine the competitive situation and ramifications
Determine the "synergies" with the King Kola's operation

Market Potential/ Competitive Set:

Sell through the retail grocery channel – in the canned coffee aisle
Current product offerings include low-end coffee in bulk cans and bulk unbranded "specialty beans" sold by the pound.
Canned coffee sells for approximately $3/lb., unbranded specialty sells for about $5-6/ lb. StarDoes would sell for about $9-11/lb.

Key Issues in Market:

Are consumers willing to pay $9-11/ lb. in the grocery store?
Are consumers interested in drinking "branded specialty coffee" at home or do they just like to have it prepared from a coffee house?
Are consumers willing to grind their own beans at home?
Will it be able to gain shelf space in the coffee aisle at such a premium price?

(All of these issues will need to be addressed before proceeding with the JV)

Fit with King Kola's Operations:

Pro's:	Con's:
Direct store distribution allows for easier placement.	Different product sourcing requirements.
Marketing expertise in premium brand name/image.	First player in premium branded coffee – uncharted waters.
Deep pockets.	Different demographic segment.
Strong relationships with retail buyers.	Different manufacturing and packaging process.

Key Issues:

As with the market, there are numerous uncertainties that must be addressed prior to forming a full joint venture.

Recommendations:

Conduct consumer research to determine consumer interest in a branded premium coffee bean at a premium price (in the grocery channel)
Attempt a test in a regional market to determine the operational issues.

CASE #44 **COCA-COLA VS RC COLA**

The following represents the allocation of each dollar spent to bring a bottle of Coca-Cola to the consumer.

5% Research and Development
25% Syrup/Bottling
25% Distribution
24% Marketing
10% Overhead
10% Profit

Draw a chart with the dollar percentage allocations for RC Cola.

CASE #44 SOLUTION **COCA-COLA VS RC COLA**

RC Cola:

3% Research and Development
35% Syrup/Bottling
35% Distribution
15% Marketing
7% Overhead
5% Profit

Rationale:

To make it easier, start with the larger percentages.
RC doesn't have the economies of scale Coke enjoys, therefore their manufacturing is a higher percentage of costs.
They do not have as efficient a distribution system (fewer products/ same # of locations), therefore it requires a higher percentage.
Both of these leave less money available for R&D (look at the lack of new products), marketing and profit.
Overhead is actually lower because they require fewer front-office people to run the business.

CASE #45 **SHORTSTOP TO FIRST**

How long does it take for a baseball to travel from the shortstop to first base in professional baseball?

CASE #45 SOLUTION **SHORTSTOP TO FIRST**

Assumptions:

The bases are 90 feet apart.
The distance from shortstop to first base is about 120 feet.
A major league pitcher can throw about 90-95 mph.
A major league shortstop can throw about 80 mph.

The key is to be able to convert miles per hour to feet per second

80mph to feet/hour:
5280 feet/mile: (80 x 5280) = 422,400 feet/hour

Feet/hour to feet/second:

60 minutes per hour, 60 seconds per minute = 3600 seconds/hour (422,400/3600) = 117 feet/second

120 feet from short stop to first base, thrown at 117 feet per second = (120/117) = just over a second (1.02 seconds).

Key: Don"t be afraid to round off these large numbers:

5000 feet/mile x 80 = 400,000
4000 seconds/minute: 400,000/4000 = 100 ft/second
120/100=just over a second

It's much easier. They're not looking to see if you have calculator for a brain, they want to see your logic and ability to convert.

CASE #46 AUTOLAND

A successful chain of Canadian auto service stores (Autoland) has entered several markets in the United States in hopes of duplicating their success in America. The stores offer two services: 1. Retail sales of auto parts for customers who prefer to perform their own maintenance. 2. A service center for fixing any automobile problem, from an oil change to a new transmission.

Since entering the U.S., Autoland has experienced $50MM in revenue with losses of $20MM. The owner is considering pulling out of the United States. You have been hired to determine if they can improve their performance or if they should exit the market.

CASE #46 SOLUTION AUTOLAND

Solution Structure:

Analyze the competitive situation
Analyze the market potential / customer segments

Competitive Situation:

What is the competitive situation in Canada? *A: We are the major player (few local stores)*
Are we providing the same services in Canada as in the US? *A: Yes*
Do we have strong competition in the U.S.? *A: Yes, a national chain of stores in the exact format as Autoland exists in the U.S. They basically copied our Canadian format and have about 10 locations in every major city. They are very profitable in all cities including our U.S. markets.*
Assumptions: Due to size, I would guess they have superior buying power over Autoland in the U.S. Is this true? *A: No, we have the same cost structure due to our presence in Canada.*
Assumption: The market has potential due to the competitor's performance. Key is to determine why they are out-performing Autoland.

Autoland Capabilities:

Assumption: We actually have to businesses under one roof, is one more profitable than the other? *A: In Canada – no. But in the U.S. we are profitable in retail sales and losing heavily on the service center.*
Are the costs associated with each side of the business different? *A: Yes, the service center is much more expensive to operate, we have to pay mechanics and have high fixed costs.*
Assumption: We are profitable in retail, but losing in service. We attract the wrong consumer.

Market / Customers:

Autoland provides two services, are the customers for each service different? *A: Yes. The customers that shop for retail parts typically have lower to middle incomes and are trying to save a few dollars by performing their own maintenance. The customers who utilize the service center have higher incomes and no interest in fixing their own car.*
Assumption: We are attempting to attract two distinct customer segments. Are we doing this successfully? *A: We are not sure, how would you help us determine if we are?*

Factors:

Marketing: *We do the same as competition.*
Pricing. *Identical to competition.*
Location. *Different, we are located in the inner cities to save money on leases.*
Where is the competition located? *A: Between the inner city and the suburbs (on the border)*

Assumptions / Recommendations:

Our location is great for the retail sales business, but prohibits heavy use of the service center due to the distribution of income between the inner city vs. suburbs.
In new markets, locate between the lower and upper income areas to attract both segments.
In existing markets, move, or drop the service business and retain the profitable retail portion.

MasterTheCase.com

Top Consulting Interview Prep