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TOP CONSULTING INTERVIEW PREP



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INSEAD Consulting Club

Handbook 2020



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Introduction

The INSEAD Consulting Club (ICC) is pleased to present the ICC Handbook 2020, continuing the tradition created by the 2005 class.

We've created this book as a guide for students who have already decided that consulting is a career they'd like to pursue, and need support in acing the recruitment process.

In this handbook, we walk you through the different stages of consulting recruitment, step-by-step.

Stage 1: Learn about the role

In Chapters 2 and 3, we start with a general overview of the management consulting industry and the opportunities offered to MBA graduates. In Chapter 4, we explain how career progression typically is as well as what to expect in a typical week as a consultant.

Stage 2: Select firms and apply

To help you get those interview invites, we've included samples of cover letters (Chapter 5) and networking tips (Chapter 6).

Stage 3: Prepare for interviews

We realise that most students are nervous about the interviews, so we've dedicated the bulk of this book to support your interview preparation. Chapter 8 explains how to prepare for a case interview, types of cases, and tools and frameworks you can use while cracking the case. To assist your case practice, we've included 21 case examples in Chapter 9.

We would like to acknowledge the support we received from The Boston Consulting Group (BCG), who has continuously been sponsoring the production of this book. Since the inception of the ICC book in 2005, BCG has been a leading contributor to each edition, providing access to their resources, case materials, and offering advice and support on how best to compile the information.

We would also like to thank all the companies featured in the book for validating their profiles and sharing practice cases. Our most sincere thanks also go to the current students, ex-consultants and alumni who have contributed significantly both to this book and to the ICC's ongoing activities.

Finally, we would like to thank the 2005 ICC members for initiating the production and circulation of the ICC Handbook. It has been a pleasure to put this together, and we hope that this tradition will continue in future INSEAD classes.

ICC Organising Committee, 2020

2/ Consulting Job Search at INSEAD

21 Top INSEAD Employers for Consulting Positions

Consulting remains a popular choice for INSEAD graduates, with stable share in recruitment levels over the past years. There has been a steady increase in the number of graduates who find consulting jobs through INSEAD career activities and networking. In 2017, recruitment of INSEAD graduates into consulting rose to reflecting the appetite for hiring our MBAs and the interest from students.

The job market conditions were cautiously optimistic in 2018, when compared to the previous years, and this subsequently improved in 2019. And INSEAD is being continuously placed as one of the leading recruitment pool for consulting firms. The selection process remains rather rigorous though, with a stronger emphasis on being well prepared for interviews and increasing importance being given to an applicant's background and expertise while assessing their potential as consultants.

TOP INSEAD EMPLOYERS FOR CONSULTING POSITIONS							
CLASSES OF 2016		CLASSES OF 2017		CLASSES OF 2018		CLASSES OF 2019	
McKinsey & Company	125 (50)	McKinsey & Company	130 (52)	McKinsey & Company	131 (55)	McKinsey & Company	131 (54)
BCG	67 (26)	Bain & Company	86 (21)	BCG	78 (26)	BCG	96 (30)
Bain & Company	48 (14)	BCG	71 (26)	Bain & Company	65 (22)	Bain & Company	77 (28)
Strategy&	24 (8)	Accenture	36 (9)	Strategy&	31 (9)	Accenture	24 (7)
Accenture	16 (6)	Strategy&	18 (9)	Accenture	23 (5)	Kearney	23 (3)
Roland Berger	11 (6)	Deloitte	9 (4)	A.T. Kearney	23 (4)	Strategy&	14 (4)
A.T. Kearney	10 (2)	A.T. Kearney	8 (1)	LEK Consulting	16 (2)	Booz Allen Hamilton	7 (2)
Deloitte	7 (3)	Roland Berger	6 (3)	Roland Berger	10 (4)	Deloitte	7 (4)
Partners in Performance	7 (4)	Oliver Wyman	5 (1)	Oliver Wyman	5 (5)	LEK Consulting	7
Oliver Wyman	5 (3)	Alix Partners	4	EY – Parthenon	5 (2)	EY – Parthenon	6
LEK Consulting	4	LEK Consulting	4 (1)	Deloitte	4 (1)	Roland Berger	6 (1)
		EY	3 (2)			Alvarez & Marsal	4
						ZS	4 (1)
						Oliver Wyman	4 (3)

Table 1/ Top INSEAD employers in Consulting over the most recent years.

Numbers in brackets are former employees returning to the organization after graduation.

Source: INSEAD Employment Statistics (various; most recent 2019)

22 Timeline of Consulting Job Preparation

The main difference between the timelines of the consulting job search process for the December and July INSEAD promotions is the possibility of doing an internship during the summer break for the December class. In general, students need to figure out which sector to choose during P1 and P2, network during P3 and go for it in P4 and P5.

Make sure you initiate your job search before P4 and P5, when you will have little time and will be more stressed out. Think about your goals, do your research on the sector and network through informational interviews or other activities. This will help you to be more focused on your applications and more confident in your interviews.

DECEMBER PROMOTION

P1-P2 SELF ASSESSMENT & INTERNSHIP HUNT	Attend Mock-interview sessions Prepare CV & Motivation letters Do Informational interviews Interview preparation with Peers Apply for Summer Jobs
P3 MORE SECTOR RESEARCH	More Research Just CHILL! More informational interviews (especially with the firms not coming on campus)
SUMMER BREAK INTERNSHIP	More Informational Interviews (during the summer project) Networking
P4 GO FOR IT!	Attend company presentations Company case-interview workshops Interview preparation with Peers Consult job postings On-campus recruitment

JULY PROMOTION

P1 SELF ASSESSMENT	Career Orientation Self Assessment Counselling / Advising sessions CHILL!
P2 PREPARE CV & NETWORK	Prepare CV and Motivation letters Network Informational Interviews
P3 NETWORK	Research Consulting Sectors & Companies Network Interview Preparations More informational interviews
P4 GO FOR IT!	Attend company presentations Company case-interview workshops Interview preparation with Peers Consult job postings On-campus recruitment

3/

Consulting Industry: Structure & Global Trends

3.1 Structure

Here are some differences between generalist firms and specialized boutiques:

Generalist Firms

- Provide the whole range of management consulting services (strategy, operations, marketing, finance, organizational redesign, etc.) to all industries, across a wide geographical range
- Typically larger firms, with long track record and substantial accumulated knowledge base
- Usually multi-regional office array, covering both developed and high-growth emerging markets
- Often structured around industry and/or function practices, to better leverage personal experience

Specialized firms and boutiques

- Typically smaller firms, usually founded by ex-partners from larger generalist consultancies
- Structured around in-depth expertise in and knowledge of either specific functions (strategy, marketing, finance, etc.) or industry
- Smaller, both in terms of number of employees and geographical spread
- Usually more focused on developed markets, where such in-depth niche services are in demand

3.2 Global Trends

In the late 1990s, aggressive penetration of emerging markets, globalization, privatization and the new Information Technology industry drove growth in the consulting industry, with established firms growing as fast as 20% p.a. and with new players emerging in the marketplace. There was a huge demand for services and consulting firms were hiring MBAs aggressively on campus.

After this boom period, the growth stalled for a couple of years in the early 2000s. Earlier, the consulting industry was expected to do as well in good economic conditions, as in bad ones. As the ultimate service industry, Consulting depends heavily on the prospects of large corporations. In good economic conditions, consultants can advise their clients on growth strategies, investment projects and due diligences. In bad economic conditions, clients need advice on down-sizing, cost cutting and disinvestments.

However, the rough economy of 2001 and 2002 introduced a lot of uncertainty for the consulting firms' clients, who reacted to the economic downturn by postponing major decisions. This resulted in a sharp decline for the industry: many younger and smaller firms had to withdraw and major players had to downscale their recruiting efforts.

From 2004 onwards, the consulting industry recovered growth and firms are now recruiting again and aggressively. At present, most offices are working at full capacity and the outlook for the sector as a whole is very positive. Firms are competing more among each other and with the Investment Banks for the best candidates.

The consulting industry has a very interesting value proposition for a recent MBA graduate: the outlook for the industry is good and looks stable, salaries and bonuses are highly competitive, there is almost no beach time in most firms, and the work is interesting, diverse and enriching.

As we are entering an ever increasingly complex and global world, some clear trends are emerging for the management consulting firms:

Specialization

Clients are more demanding and ask for consultants specialized in the industry or topic. The major global strategy firms do not want to lose their generalist scope and the ability of their consultants to work across industries. However, they have now more structured organizations across industries and functional lines in order to deal with the increased sophistication of their clients and to successfully compete with specialized firms.

Implementation

Clients ask for a greater focus on implementation rather than only theoretical recommendations or strategic plans. This causes increasing competition among firms in different segments of the consulting industry, but is also an opportunity for consulting firms to develop long-term relationships with their clients.

Pay for Performance and Measurable Business Results (MBRs)

Especially during the dot-com boom, some firms agreed on partial/full equity payment. Clients demand more tangible results and pay according to a performance measure (e.g. cost savings in procurement optimization projects).

New Geographies

The market for Consulting is growing extremely rapidly in China, Russia and the Middle East (Abu Dhabi, Dubai). Markets such as Latin America and India are also growing very fast. Major firms are heavily investing in these geographies, opening or expanding offices. They compete aggressively to recruit the candidates who have a connection with these regions or possess the right language skills (Mandarin, Russian, Arabic, etc.).

Fragmented markets

In some markets, a large number of former employees start their own small consulting firms. For example, in China, this trend has led to a very fragmented market, with hundreds of small and medium-sized firms.

4/

The Consulting Job

4.1 Career Development Paths

Career paths in the consulting firms are very fast and allow professionals to have quick access to Partner positions or to access senior positions in the industry when leaving the firm. Typically, for the major consulting firms, time length between Associate/Consultant and Partner positions is 6 to 7 years.

TYPICAL CAREER PATH IN CONSULTING



Figure 4 / Typical career path in the Consulting industry

INDUSTRY

4.2 Processes: Staffing, Promotions, Opportunities

Generally, project staffing is preference-based, but with some external constraints. The firm will staff you where possible in a given moment and minimize your “on the beach/bench” time. While luck (i.e. having the right opportunities at the right time) plays a major role before you acquire expertise and generate demand from the managers/project leaders’ side, these are some ways in which you can optimise your chances of being staffed on a case you want:

- Network - up, down and sideways
- Identify what interests you and what you’re good at

• Consider your willingness for in-town / out-of-town engagements.
At the beginning of your career as a consultant

- Try to identify and get to know good “teachers” and mentors. They will facilitate your integration in the firm
- Decide whether you would like to get exposure to a variety of industries/functions or whether you would like to focus. The advantages to focusing are: easier exit to senior industry positions and potentially faster career path. The disadvantage to narrowing your assignment type is that you’re increasing your risk by depending on one industry/function.

After a first few projects, choose a sector/function and develop your personal interest, knowledge and network in this area

- Focus on true personal interests
- Formulate mid to long-term plans
- Identify and connect with mentors, they are important in your career evolution and on staffing choices for the long-run
- Think about long-term networking with clients
- Keep in mind exit opportunities if you do not wish to stay in consulting all your career long

Mobility

Regarding geography, staffing in major consulting firms takes usually place on a country- wide basis. In this case, the amount of traveling depends to a large extent on the country's size and the concentration of industries and services in a given city. In Germany, for example, consultants tend to travel more than in other European countries, as the industries and the financial services players are spread out across the country. For some firms, staffing takes place on an international level, to leverage competences on a given industry or functional practice.

In many cases, the major consulting firms give consultants the possibility to have additional international exposure if they wish so, either by promoting temporary transfers across offices or by supporting the participation in international projects.

Compensation and post-consulting opportunities

The management consulting career has a very fast career track, as showed in figure 4. Average compensations in top consulting firms are above Industry, particularly after the first years, and comparable to Investment Banking positions. The Consulting industry career is also quite stable, much less volatile than Finance positions. As a final point, bonuses recovered after the 2001-2002 economic downturn and are significant, especially after reaching Project Leader/ Manager positions and onwards.

Furthermore, you can find several exit opportunities after some years as a management consultant. Clients commonly make very good offers for consultants to join their firms, this being one of the main reasons of the high turnover rate in the management consulting industry. Starting a career in a management consulting firm opens many possibilities. Consultants are very well perceived in the market.

EXAMPLE OF TYPICAL WEEK OF A CONSULTANT*

LOGISTICS	Leave house Monday at 7am Return Thursday 8pm		
MONDAY THROUGH THURSDAY	TYPICAL ACTIVITIES With team <ul style="list-style-type: none"> • Meet project manager (PM) daily to propose your plan for the day/week and get feedback • Inform him of potential meetings with clients • Check progress of other team members • Meet with senior partner once in two weeks With clients <ul style="list-style-type: none"> • 1-2 client meetings ; 2-3 times per week 	INITIAL PART OF CAREER / ENGAGEMENT <ul style="list-style-type: none"> • Team problem solving, agree on structure and hypothesis • Manager may come along to gain insight and will let you lead • Check your initial hypothesis and refine thinking • Get expert advice on how problem should be structured • Check hypothesis and data 	LATER IN CAREER / ENGAGEMENT <ul style="list-style-type: none"> • Lead the problem solving, refine storyline and help over teammates • Run the meeting with minimal PM lead and PM participation • Integrate work-streams, make storyline smooth and gain cross functional insights • Get feedback on progress • Check progress and relationship building
	FRIDAY	<ul style="list-style-type: none"> • Meet office colleagues • Finish Expenses and booking travel 	<ul style="list-style-type: none"> • Familiarize yourself with office
LIFESTYLE	<ul style="list-style-type: none"> • Team: Project Manager + 2 • 8am – 9pm (varies depending on factors including the day of week, team and client) • Once in two weeks, organize team events: Spa, Football Games, Bowling, Dinner at nice restaurant • Feedback sessions with PM once in 2 weeks and with Senior Partner once a month 		

Source: July '09 student currently with McKinsey

*Please note that this is just one of many examples and that consulting, by nature, is a variable job; no week is the same

4.3 The Everyday Work – Key Tasks

In their everyday work, consultants are expected to gather information using efficiently all resources available, generate hypotheses to solve the relevant issues, perform quantitative analyses, manage team processes, communicate results and recommendations in an effective way and build good client relationships at all levels. There is no typical project but rather a very diverse set of tasks. Consultants “do what needs to be done” for the success of the project and the success of the team, both internally and externally with the client’s team. As an illustration, a set of key tasks are listed here below:

Information gathering

- Perform interviews (clients / internal / external)
- Synthesize research reports, market research, previous work done by firm in this area, public sources, etc.

Problem-solving

- Understand client’s overall problem and identify the issues relevant to the problem
- Plan analytical steps to solve issues
- Generate hypothesis, prioritizes analysis and test arguments

Quantitative analyses

- Perform financial and operational modeling, business plan scenarios, statistical analyses (e.g. market segmentation)
- Synthesize quantitative results and build recommendations

Team management

- Design, organize, prepare and staff clients’ meetings
- Present findings and expose arguments
- Facilitate discussions, incorporate inputs and validate recommendations/hypotheses

Process management

- Design the work stream process: working calendar, milestones, resources needed
- Validate and facilitate the work stream process, both internally within the project team and externally with client’s team

Client presentation

- Prepare written documents (slides and reports)
- Communicate findings and recommendations to clients (e.g. formal presentations)

Client relationship management

- Manage day-to-day relationship throughout project at all levels and build long-term relationship after the project
- Assist in subsequent drafting of proposals

Source: INSEAD Alumni

5/ Networking with Consulting Firms

5.1 Why and How?

A good start to the job search is to conduct several informational interviews with employees of companies that you are interested in. The goal of these interviews is to increase your understanding of this company, to make a better decision as whether to apply and will also serve as a good preparation for the application process.

Informational interviews are useful to

- Learn what the company values in its employees
- Gain insight in the process of recruiting
- Evaluate how your skills and interests fit with a particular career or business
- Learn about the working environment and office specific culture

Remember, the sooner you can make contact with the firms you are interested in, the better. It is a great opportunity to clarify your thoughts, understand which firms you would consider working for and get used to communicating with potential interviewers.

Ways to set up such sessions would be via the advertised time slots companies provide, via LinkedIn searches or via informal introductions through colleagues and peers.

Don't hesitate to get back to the INSEAD Consulting Club should you need any help to set up informational interviews.

5.2 Tips for Informational Interviews

Contacting people to interview

- Try to set up informational interviews with INSEAD alumni (1-5 years out of INSEAD) as they can relate to you more easily than an INSEAD student and are usually more willing to give you a hand. The INSEAD Alumni database is easy to navigate and can be exploited to contact alumni
- Clearly indicate where you got the person's name or contact details
- Make it clear from first contact that you are not contacting for a job, but rather to gain further insight into the company as part of your research on the industry

Preparing for the interview

To make best use of your interview time, know in advance what questions you are going to ask. Keep in mind, this contact may be via a phone call and will require you to be quite flexible to fit into their schedules. Examples of questions to ask during these sessions include:

- What is a week on this job really like?
- What do you like about your job? What do you dislike about it?
- Is your role/trajectory typical of others in this field / for this company?
- What is the culture like at the company, and at the particular office?
- What kind of experience or basic training is required for a successful application?
- What are employers looking for (in terms of skills, education and experience)?
- What is the potential for advancement and the associated timing?
- What are current job prospects like?

Conducting the interview

The person with whom you are meeting might be a valuable contact. So, even though this is not a job interview, you want to make a good impression. Some advice:

- Dress professionally
- Take notes
- Stick to the time limit that you agreed on when you set up the interview
- Ask for a business card for your records
- Thank the person for taking the time to meet with you

Following up

Don't forget to send a thank-you note. Include any follow up questions as well as any specific actions that you both agreed to, for both parties involved.

6/

Cover Letter and CV Preparation

6.1 Goal of Your Cover Letter and CV

Before starting your cover letter and CV, remember the four following basic questions

1. What is the purpose of this letter?
2. Why should the company in question consider you?
3. Why does this company interest you?
4. What action do you want the reader to take next?

The answer for the last answer is straight forward: the goal of your cover letter and CV is to get an interview. You are not going to prove your qualities as a consultant yet; this is tested in the interviews. The target of your cover letter and CV is to attract the attention of the people working in the recruiting process.

Regarding the cover letter, recruiters will look for two aspects. First, they will try to assess the candidates' motivation, either by their knowledge about the company or by the description of their experience while they attended the companies' presentations. The cover letter has to be short in order to be read: it is useless to re-copy extensively your main achievements or qualities, which are better described in the CV. Secondly, the recruiters will look for the offices you are applying for, not only to coordinate the interviewing process but also to match your preferences with the system's needs. Don't just list these. Rather, justify why you have chosen the specific offices. Generally, the knowledge of the local language of the office of choice is required. You must contact the Recruiting Coordinators to check for exceptions.

In the CV, you communicate your achievements and the skills that you have which are useful and transferable to consulting (especially if you are not from the consulting industry).

Key skills to focus on are

- **Leadership and impact:** proven track record of “making things happen”, leading people in complex challenges and achieving substantial results
- **Quantitative skills:** comfort with numbers and ability to meet numerical challenges
- **Analytics and problem solving:** logic-based problem structuring, analysis and synthesis capabilities
- **Communication:** ability to effectively convey messages both orally and in writing, especially in high-stress situations
- **Teamwork:** Ability to function well in a team setting, both as a team-member and as a team-leader

Your CV should demonstrate the use of each of these skills mentioned. Further details behind each of these skills are listed below:

Leadership and impact

- Track record, advancement path, development curve
- Increasing responsibilities over time, number of people managed
- Unusual/outstanding responsibilities and challenges
- Results and achievements – preferably concrete quantifiable impact (\$\$\$, time etc.)

Quantitative skills

- Quantitative background, past accomplishments (academics, awards), GMAT
- Number-related functions/activities/responsibilities performed

Analytics and problem solving

- Analysis-focused or related activities, functions and responsibilities
- Problem-solving track record, e.g. specific problem-solving tasks you were in charge of or involved in – including the result (preferably successful...)
- Specific problem-solving initiatives you have self-started and concluded successfully (impact)

Communication

- Previous communication roles, responsibilities and achievements
- Accumulated communication-related experience, e.g. preparing, writing, editing and/or presenting written and oral communications

Teamwork

- History: number of people you have worked with and how that grew over time
- Functioning in various team-oriented structures (team-member, leader etc.), development curve (time and number of people)
- Successfully coordinating cross-functional/organizational efforts

62 Tips for Cover Letters and CVs

Cover letter

- Do not copy letters or pieces of letters from sample sources.

Recruiters do recognize them easily

- Do not exceed one page for the cover letter
- Most cover letters follow a simple structure, with ideally one paragraph for each of the questions mentioned in the point 6.1
- Do not use any fluffy or generic statements about yourself or your experiences (e.g. excellent interpersonal skills, team player) unless you can back them up with tangible examples
- Do not use generic statements about the company you are applying to (e.g. leading firm, excellent reputation, blue-chip Company, etc.). For one, this also applies to most of their competitors. For another, this shows that you have not done your homework to identify why you really want to join the company
- Get your cover letter read by at least two other people to check for spelling mistakes, grammatical errors and ease of reading
- Use informational interviews rather than company presentations and websites to find out what is different about each firm, and why you would be a good fit

Curriculum Vitae (CV)

- Leverage MBA Career Services CV sessions to get feedback both from Career Services and from your peers
- Use the MBA Career Services one-on-one CV sessions to polish up your résumé.
- Think carefully about which of the three typical CV formats (Chronological, Skill- Based or Hybrid) you should use – there is no one “right answer” for everyone
- Look at a few dozen other résumés– what can make you stand out?
- Ask your peers (especially those with prior consulting background) to review your CV before submission

63 Sample Cover Letters

Sample cover letter 1

INSEAD Boulevard Constance
77305 Fontainebleau
France

INSEAD Recruiting Manager

Company Name

Dear Name,

I am writing in order to express my interest and enthusiasm in applying for an *Associate* position at *Recruiting Company Name*. As I informed you last week, I was unable to attend either the presentation or the dinner on date. However, my brief chat with x last week was both informative and inspiring.

I came to INSEAD after spending six years in a fast-paced, highly entrepreneurial metal trading and processing company, *Company Name*. The experience was extraordinarily rewarding, affording me the opportunity to establish, build, and manage two companies in the challenging environment of the Former Soviet Union. With full managerial, commercial, and financial responsibility for these two subsidiaries, I faced a remarkable range of challenges and rapidly developed my personal and professional skills. I decided to apply to INSEAD in order to continue this process while receiving the theoretical framework for all that I had been doing during my time at *Company Name*.

The ideal environment for me to pursue this development further is in management consulting. *Recruiting Company Name*'s prestige and reputation are unparalleled. However, what was decisive in convincing me to apply for a position were the qualities shared by the many people I have met from the company; extreme intelligence, strong ambition, intellectual integrity, and insatiable curiosity are common to all.

I believe that both my strong academic background and my professional accomplishments attest the fact that I possess the analytical abilities, interpersonal skills, motivation, and business acumen to make a strong contribution to *Recruiting Company Name*.

I would greatly appreciate the opportunity to interview later this month for a position in *Office 1, Office 2, or Office 3*.

If I can be of any assistance in the meantime, please do not hesitate to contact me.

Sincerely Yours,

Name

Sample cover letter 2

Dear Sir or Madam,

I am currently enrolled in INSEAD's MBA Programme, and will complete my degree in December of this year. As a result of my prior education and work experience in research, I am interested in pursuing a career in Consulting, and particularly with the *Recruiting Company's Place Office*.

After nearly four years at *Company Name*, I feel I am extremely well-suited for a demanding career solving key business issues for global managers. I have combined financial acumen, leadership, and project management skills and reached a level of success rare for someone entering the firm at a junior level. In the spring of 2003, I became one of only two people in my Associate class of 25 to be asked to stay on at the firm, and was promoted to an Analyst position.

Early on, as I demonstrated my skills and tenacity to my team, I was entrusted with numerous important responsibilities and frequently interacted with senior executives at the firm to present my research and conclusions. My strong reputation has followed me even outside of the bounds of employment, and I continue to be consulted by *Company Name's* senior management regarding current issues at the firm even while I am pursuing my MBA studies.

My superior undergraduate education at the *School Name* gives me an advantage given its formal and rigorous business and financial training. While at INSEAD, I am building on my prior financial experience and increasing my management skill set.

Although my experience has been in Investment Management, my current focus is consulting. I have enjoyed and learned a great deal through my research work, but I am much more interested at this point in my career to develop my strategy and management skills. I believe that my previous work experience coupled with my general management MBA give me an important skill-base that can be successfully applied in this environment.

I would specifically like to be considered for the *Office 1*, with a backup choice in the *Office 2*.

I have included my résumé for your review, and please do not hesitate to contact me if you require further information from me.

Sincerely Yours,
Name

Sample cover letter 3

Dear Name,

Currently in the process of completing my MBA degree at INSEAD, I had the pleasure to meet your team at your on-campus presentation. Having followed your company and been influenced by your diligent, collaborative, and practical style to provide sustainable and non-conventional solutions for the customers, I am convinced that *Recruiting Company Name* will be the ideal workplace for my background, competencies, and values, both professionally and personally.

The meeting with the partners and other *Recruiting Company Name's* consultants at the dinner reinforced my belief that your company commits to provide its members an international and stimulating environment, diversified business contexts, unique learning and skill development opportunities, and a progressive career track. I therefore decided to apply for the *Senior Consultant position at Recruiting Company Name*.

My personal, academic and professional pursuits have allowed me to develop a solid band of analytical, strategic, problem-solving and people skills, which make me a good candidate for your company. I am Chinese, living in Europe (EC citizen), and have been responsible for the strategic planning and business development for *Company Name* in Europe, one of the biggest Japanese multinational companies. Such a complex environment has helped me to be a dedicated, open, self-aware, interesting and interested person. It also fostered my ability to thrive in high-pressure situations, to embrace new challenges, and to assimilate quickly and flexibly different cultural and business contexts.

After INSEAD MBA, it is my aim to go on to a successful Consulting career by combining and extending my skills and learning into a management position with more explicit project management and business development requirements. It is my determination to work with a committed team to achieve the goal of creating value.

Thanks to the above-mentioned attributes and my personal determination and motivation, I am convinced that I would prove a valuable contribution to *Recruiting Company Name*. I look forward to your response to the above and the attached CV, and sincerely hope to meet with your recruitment team in the near future to explore potential mutual interest.

Yours truly,
Name

7/

Case Interview Resources

This handbook aims to give you an overview of the consulting industry, provide you key insights on the interview process and get you started in practicing case interviews - but there's still an abundance of case interview resources out there for you to practice with.

7.1 Books and Guides

One of the most common questions students ask during recruitment is, "How many practice cases should I do?". As frustrating as it is, there is simply no definitive answer! Successful students have done as few as <10 cases to as many as >50.

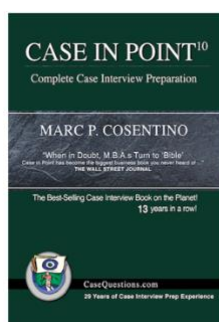
If you do seek more practice, we recommend the below (most of which are found in INSEAD's Library).

Case in Point: Complete Case Interview Preparation by Mark Cosentino

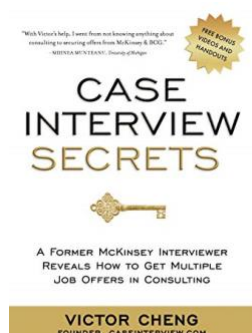
Cosentino demystifies the consulting case interview. He takes you inside a typical interview by exploring the various types of case questions, sharing with you a system that will help you answer today's most sophisticated case questions with both competence and confidence. The book includes 40 strategy cases and 10 case start exercises.

Case Interview Secrets by Victor Cheng

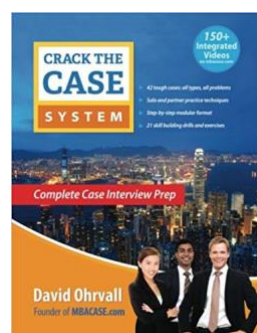
Victor Cheng provides a great starting point for case interview practice through his book as well as his Look Over My Shoulders Audio series.



Case in Point by Mark Cosentino



Case Interview Secrets by Victor Cheng



Crack the Case by David Ohrvall



Ace Your Case

Crack the Case by David Ohrvall

Mr. Ohrvall is considered the guru of case interviews and provides a novel approach to cracking the case. Included in this book are 10 detailed cases, each with a thorough solution and analysis

For more information about the book or the author, you can visit his website at: <http://www.mbacase.com>

WetFeet Editions

WetFeet provides five case books with around 12 cases in each. This collection of books is a very important practice source as it provides around 60 well designed, tough and challenging cases.

Ace Your Case: Consulting Interviews
 Ace Your Case II: Mastering the Case Interview
 Ace Your Case III: Market-Sizing Questions
 Ace Your Case IV: Business Strategy Questions
 Ace Your Case V: Business Operations Questions
 Wetfeet also has a collection of books about consulting.

Vault Guides

For the consulting interview, three main books are available and should be used to complement the other two resources.

The case interview book will give you an overview of the methodology used to solve consulting case interview along three levels of frameworks (the most advanced pointing to frameworks such as Porter's Five Forces, the Four Cs etc.)

72 Online Resources

- RocketBlocks.me: Paid platform where you can gain case interview skills through interactive drills such as case structuring, mental math, graph analysis etc. Reach out to the consulting club for discount code.
- Firmsconsulting: free articles and podcasts in addition to paid subscription content. **25% discount** with **INSEAD email** and the coupon code: **insead25tco**. This code is applicable for any subscription level: The Consulting Offer (case prep), the Executive Program or FirmsConsulting Premium.
- PrepLounge: a consulting platform that helps you to find case partners and practice case interviews online. It also contains a case library, tutorials and mental math tool.
- Victor Cheng's www.caseinterview.com. Contains tips, coaching and math to supplement his book, Case Interview Secrets.
- Marc Cosentino's www.casequestions.com. Contains tips, coaching and additional cases to supplement his book, Case in Point.

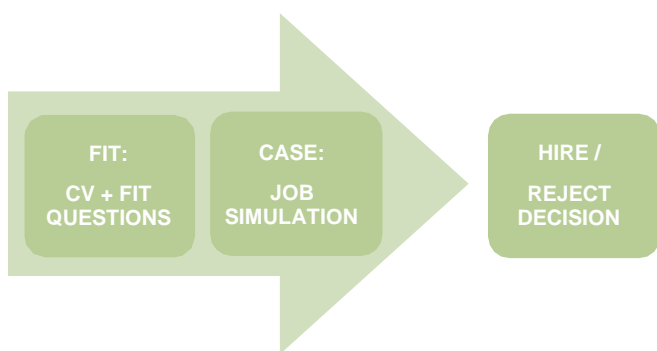
8/ The Consulting Interview Process

8.1 Case and Fit Interviews: What is Being Tested?

The first round is generally organized on campus: applicants will have two one hour interviews with Associates/ Project Leaders. The second round is often at the offices you are applying to, with more senior people. During an interview you can face three different exercises:

During the interview you should be prepared to encounter any or all of the following types of questions:

- CV/Cover Letter: questions about your experiences and about your rationale behind pursuing consulting
- Fit Interview: questions to test your fit with the company culture via examples such as those of leadership and teamwork
- Case: a problem will be presented for you to work through, similar to those consultants encounter on a daily basis



You have to be prepared for all three sections of the interview; they are all crucial and very important for getting a job into

a consulting firm. Often applicants overemphasize their case preparation and don't invest sufficiently in the fit part of the interview!

WHAT ARE CONSULTING COMPANIES LOOKING FOR DURING AN INTERVIEW

Structure

- Does the candidate have/follow a structure while tackling the problem?
- Is the structure relevant to the case being analyzed?
- Does the candidate have a structure that is both concise and flexible?

Quantitative/analytical ability

- Is the candidate comfortable with numbers?
- Does s/he break down ambiguous problems systematically?

Issues/Prioritizations

- Does the candidate quickly identify a list of issues that are most relevant to the business problem?
- Can s/he prioritize/organize the issues or is it more like a laundry list?

Energy/Presence

- Is s/he comfortable with the case or is there a sense of "oh no, not this kind of problem"?
- If the candidate gets stuck on a particular issue, does she recover gracefully?

LEADERSHIP AND IMPACT	TEAMWORK	COMMUNICATION	PROBLEM SOLVING	QUANTITATIVE SKILLS
<ul style="list-style-type: none"> • Ability to lead teams • « Make it happen » • Personal initiative • Entrepreneurship • « can do » attitude 	<ul style="list-style-type: none"> • Build on other's people ideas • Manage information flows • Willingness to follow when appropriate 	<ul style="list-style-type: none"> • Ability to convince • Understanding • Comfort with ambiguity • Empathy • Presence 	<ul style="list-style-type: none"> • Business sense • Ability to structure complex business issues • Analysis and synthesis capabilities • Creative thinking 	<ul style="list-style-type: none"> • Comfort with numbers • Ability to simplify complex calculations • Confronting numbers with reality/business sense

Figure 5: Five key dimensions for evaluating consulting interviews - specifically during the fit interview

Source: BCG

For the fit interview, the firms have their own needs, according to the different cultures:

We list below what potential characteristics that some popular management consulting firms look for, according to a survey made in the US (Source: Chicago GSB). This is not intended to be complete but rather the informal feedback of former MBAs.

Bain & Company

Hypothesis driven – the candidate should quickly analyze facts and make a hypothesis. She should then drill down to see if the hypothesis is true or should be modified. Finally it is very important that she gives actionable recommendation.

Strategy&

Strategy& is big on microeconomic concepts $MR = MC$, supply/demand etc. It tends to evaluate the candidates on their micro skills. Candidates should also definitely ask questions to understand industry/business trends (this is true for all firms, but with Strategy& you get dinged if you forget this part).

Boston Consulting Group

Intellectual curiosity and prioritization of issues - while the candidates should be structured, they should demonstrate out-of-the-box thinking.

McKinsey & Company

Big picture, Big picture, Big picture. It evaluates the candidates on numbers, but it is vital that they lay out all the issues systematically. The issues should be mutually exclusive and collectively exhaustive (MECE). Candidates should never rush into a hypothesis or probe details (quite different from Bain or BCG, for example)

8.2 Case Interview Overview

During case interviews consultancies watch precisely how candidates analyze, structure and solve business problems. Case interviews are in fact an excellent indicator of how good you will be as a consultant, both in terms of your problem-solving skills and your personality.

Main problem solving skills

- Analyze a problem with structure
- Recognize critical issues
- Gather, select and organize information
- Formulize and test hypothesis (very important!)
- Think creatively
- Have business and common sense

Candidates will face a typical business problem, giving them an insight of the consulting job. Management consultants are problem solvers, thus case interviews test mainly problem solving skills. However, during a case interview, consultancies will also evaluate your quantitative, communication and teamwork skills; your own energy, flexibility and personal human maturity. Finally, the interviewer will look if you have enjoyed the case preparation and interview. If you did so, you will most likely enjoy the problem solving in your job as a consultant.

Case interviews are the cornerstone of the recruiting process in the consulting industry. The case is not about finding the right or wrong answer, but rather about the method you use to derive your answer. It is about the questions you raise, the assumptions you make, the issues you identify, the areas you prioritize, the frameworks you use, the creativity involved, the logical solution you recommend, and the confidence and poise you present.

8.3 How to Prepare for the Case Interviews?

Practice!

And start practicing early. Most students don't ace cases naturally. You don't have to do all the cases you can find but the process is much easier if you have done a couple of them before interviews are scheduled.

Preparation tips

- Do research on the firm (Peers, Internet, database resources in library)
- Do online case simulations available on the consultancies' websites
- Practice with your peers in mock interviews
- Read the financial newspapers. Look for new ideas in HBR and in corporate papers depending on which company you target (the McKinsey Quarterly, Booz strategy + business, etc...).
- Remind yourself of your High School and GMAT Math. You are expected to make quick calculations on paper or in your head. Consultants love back-of-the-envelope calculations

General interview tips

- Be prepared
- Demonstrate that you did your homework
- Don't hesitate to quote your personal readings, or to compare business problems with your previous experiences
- Have a point of view
- Clearly voice your opinion and be prepared to defend your point of view with a couple of good arguments
- Practice answering behavioral questions
- Listen to the questions asked by the interviewer, they might contain some hints
- Identify your high priority employer and try to interview with him last

- Use the interview to find out if you really want to work for the company

Case interview tips

- Stay calm, take time to think
- Ask (intelligent) questions
- Show sincere enthusiasm – answers driven by intellectual curiosity and energy, not by a rigid focus on impressing the interviewer
- Define issues and hypotheses
- Be creative – do not rely on just “bookish frameworks” or industry jargon. Use Porter only if it really helps you. Use the entrepreneur business approach
- Accept guidance and clues
- Try to quantify - demonstrate your analytical skills
- Take notes, sketch and draw
- Drive to potential actions for the client
- Do not “Boil the Ocean”
- Refer to previous work experiences

84 Types of Cases

Business case

A business case is an analysis of a broad business problem. You are expected to analyze the problem and to formulate recommendations. Most of the time, the case will be presented without written information. Interviews sometimes include written information such as complete cases (Monitor), printed charts or graphs (this is more common). Some cases include no information at all on the business considered in the case. You will then have to make reasonable assumptions.

The business cases are as different as the consultants' engagements. A good preparation to the case interview won't consist in learning the typical problems and usual frameworks for solving it. You should focus on developing an awareness and understanding of general business problems and develop their own structured methodology to solve them. This is the best way to do well while being under pressure and stress. You could even build your own business cases based on previous experience or on newspaper articles.

However, most of the business cases faced by MBA students belong to one of the following families:

- Profitability
- Market entry
- Launch of a new product
- Competitive response
- Reaction to a change in a market
- Mergers and Acquisitions
- Market sizing

A consultant deals on a daily basis with numbers – may it be for evaluating the impact of the project he is working on or for conducting an industry analysis. With market sizing cases, consultancies test your quantitative skills. The candidate has to estimate an unknown amount, showing logical thinking and making reasonable assumptions. Such cases are rare at MBA-entry level but are regularly integrated in a business case.

Ex: How many ties are being sold in Brazil every year? How many golf balls in Japan? Make assumptions and be sure to argue them well! A good exercise for backing up your arguments in general

85 How to Ace a Case?

Don't forget it's all about structural and logical thinking. Here is a common interview approach that should allow you to address the business cases with serenity.

Understand

Listen carefully to the situation

The interviewer will first introduce the case to you by giving information on the industry, the business situation and some initial information. Some cases are deliberately left with little information to see how candidates will deal with initial ambiguity. Make sure you listen very carefully, take some notes with a pen and paper. Your interviewer won't appreciate to have to repeat information.

Firmly establish your understanding of the case

You may want to verbally paraphrase the situation to show you have a firm understanding of the case.

Ask the first clarifying questions

You should here make sure you have all the information you need to successfully structure the problem. Are there any additional constraints? Do you have a clear understanding of the problem?

Structure

Take time to evaluate the problem

Candidates may ask for a short time, about a minute, to think about the problem. This can help you to get rid of your stress if you feel you are not ready to structure the case.

Give a roadmap to your interviewer

This is the main part of the case interview. You should develop an approach to solve the problem. Very often you will divide it into sub-problems. Successful candidates focus on critical issues, use classical frameworks as well as their own creativity. Write your roadmap on a piece of paper in front of you to make sure you don't forget it throughout the case. Your interviewer can give you feedback, pay attention to them but don't let him solve the case for you. While explaining this roadmap, prioritize the issues you want to address and to identify key information you need.

Analyze

Ask focused questions

Here is the time to gather the information you need to analyze the sub-problems you have just defined. Make sure you don't forget the big picture of the problem. If you think the information is not worth a question, make an assumption and check it with the interviewer.

Evaluate the situation

Now that you have the information you need, analyze the sub-problems you have defined. Think aloud and show your logical thinking. Compare the importance of each sub-problem; evaluate their impact using, for example, back-of-the-envelope calculations. You should be very careful while evaluating all alternatives, don't focus on the first solution you will find. An efficient approach is to analyze the sub-problems using a 'hypothesis driven approach'. If you feel confident enough with the business case, try to prioritize the sub-problems by guessing their relative importance and start with the most relevant ones. It's very beneficial, if not crucial, to formulate a couple of hypothesis early on. This is the consultant's bread and butter.

Conclude

Give to your interviewer a brief overview of the alternatives you have analyzed and which actions you recommend. Explain clearly the reasons that push you to prioritize certain alternatives. Remain focused and pragmatic: consultants don't like academic minds.

Additional advice:

- Don't forget there is no "right" way of solving a case. The interviewer will focus on your analytic and structured approach to the problem rather than the solution itself or specific business knowledge
- Hone the problem on the most important issues, instead obsessing over the details
- You should interact with the interviewer; the interview is a dialogue, not a monologue
- Pace yourself, don't rush to conclusions, but watch at the time.
- Most important, relax and have fun... and show your passion and enthusiasm for the job. Your interviewer will probably conduct several interviews on the same day. Make sure he is enjoying the interview as well.

See following example cases to see the advice in action

9/

Case Examples

Difficulty: Medium

Quant: Easy

Company: BCG

9.1 Discount Retailer

Step 1: Actively listen to the case

Your client is the largest discount retailer in Canada, with 500 stores spread throughout the country. Let's call it CanadaCo. For several years running, CanadaCo has surpassed the second-largest Canadian retailer (300 stores) in both relative market share and profitability. However, the largest discount retailer in the United States, USCo, has just bought out CanadaCo's competition and is planning to convert all 300 stores to USCo stores. The CEO of CanadaCo is quite perturbed by this turn of events, and asks you the following questions: Should I be worried? How should I react? How would you advise the CEO?

Step 2: Establish understanding of the case

So, the client, CanadaCo, is facing competition in Canada from a U.S. competitor. Our task is to evaluate the extent of the threat and advise the client on a strategy. Before I can advise the CEO I need some more information about the situation. First of all, I'm not sure I understand what a discount retailer is!

A discount retailer sells a large variety of consumer goods at discounted prices, generally carrying everything from house wares and appliances to clothing. Kmart, Woolworth, and Wal-Mart are prime examples in the U.S.

Step 3: Set up the framework

Oh, I see. Then I think it makes sense to structure the problem this way: First, let's understand the competition in the Canadian market and how CanadaCo has become the market leader. Then let's look at the U.S. to understand how USCo has achieved its position. At the end, we can merge the two discussions to understand whether USCo's strength in the U.S. is transferable to the Canadian market.

That sounds fine. Let's start, then, with the Canadian discount retail market. What would you like to know?

Step 4: Evaluate the case using the framework

Are CanadaCo's 500 stores close to the competition's 300 stores, or do they serve different geographic areas?

The stores are located in similar geographic regions. In fact, you might even see a CanadaCo store on one corner, and the competition on the very next corner.

Do CanadaCo and the competition sell a similar product mix?

Yes. CanadaCo's stores tend to have a wider variety of brand names, but generally, the product mix is similar.

Are CanadaCo's prices significantly lower than the competition's?

No. For certain items CanadaCo is less expensive, and for others the competition is less expensive, but the average price level is similar.

Is CanadaCo more profitable just because it has more stores, or does it have higher profits per store?

It actually has higher profits than the competition on a per-store basis.

Well, higher profits could be the result of lower costs or higher revenues. Are the higher per-store profits due to lower costs than the competition's or the result of higher per-store sales?

CanadaCo's cost structure isn't any lower than the competition's. Its higher per-store profits are due to higher per-store sales.

Is that because it has bigger stores?

No. CanadaCo's average store size is approximately the same as that of the competition.

If they're selling similar products at similar prices in similarly-sized stores in similar locations, why are CanadaCo's per-store sales higher than the competition's?

It's your job to figure that out!

Is CanadaCo better managed than the competition?

I don't know that CanadaCo as a company is necessarily better managed, but I can tell you that its management model for individual stores is significantly different.

How so?

The competitor's stores are centrally owned by the company, while CanadaCo uses a franchise model in which each individual store is owned and managed by a franchisee that has invested in the store and retains part of the profit.

In that case, I would guess that the CanadaCo stores are probably better managed, since the individual storeowners have a greater incentive to maximize profit.

You are exactly right. It turns out that CanadaCo's higher sales are due primarily to a significantly higher level of customer service. The stores are cleaner, more attractive, better stocked, and so on. The company discovered this through a series of customer surveys last year. I think you've sufficiently covered the Canadian market—let's move now to a discussion of the U.S. market.

How many stores does USCo own in the U.S., and how many does the second-largest discount retailer own?

USCo owns 4,000 stores and the second-largest competitor owns approximately 1,000 stores.

Are USCo stores bigger than those of the typical discount retailer in the U.S.?

Yes. USCo stores average 200,000 square feet, whereas the typical discount retail store is approximately 100,000 square feet.

Those numbers suggest that USCo should be selling roughly eight times the volume of the nearest U.S. competitor!

Close. USCo's sales are approximately \$5 billion, whereas the nearest competitor sells about \$1 billion worth of merchandise.

I would think that sales of that size give USCo significant clout with suppliers. Does it have a lower cost of goods than the competition?

In fact, its cost of goods is approximately 15 percent less than that of the competition.

So it probably has lower prices.

Right again. Its prices are on average about ten percent lower than those of the competition.

So it seems that USCo has been so successful primarily because it has lower prices than its competitors.

That's partly right. Its success probably also has something to do with a larger selection of products, given the larger average store size.

How did USCo get so much bigger than the competition?

It started by building superstores in rural markets served mainly by mom-and-pop stores and small discount retailers. USCo bet that people would be willing to buy from it, and it was right. As it grew and developed more clout with suppliers, it began to buy out other discount retailers and convert their stores to the USCo format.

So whenever USCo buys out a competing store, it also physically expands it?

Not necessarily. Sometimes it does, but when I said it converts it to

the USCo format, I meant that it carries the same brands at prices that are on average ten percent lower than the competition's.

What criteria does USCo use in deciding whether it should physically expand a store it's just bought out?

It depends on a lot of factors, such as the size of the existing store, local market competition, local real estate costs, and so on, but I don't think we need to go into that here.

Well, I thought it might be relevant in terms of predicting what it will do with the 300 stores that it bought in Canada.

Let's just assume that it doesn't plan to expand the Canadian stores beyond their current size.

OK. I think I've learned enough about USCo. I'd like to ask a few questions about USCo's ability to succeed in the Canadian market. Does USCo have a strong brand name in Canada?

No. Although members of the Canadian business community are certainly familiar with the company because of its U.S. success, the Canadian consumer is basically unaware of USCo's existence.

Does CanadaCo carry products similar to USCo's, or does the Canadian consumer expect different products and brands than the U.S. discount retail consumer?

The two companies carry similar products, although the CanadaCo stores lean more heavily toward Canadian suppliers.

How much volume does CanadaCo actually sell?

About \$750 million worth of goods annually.

Is there any reason to think that the costs of doing business for USCo will be higher in the Canadian market?

Can you be more specific?

I mean, for example, are labor or leasing costs higher in Canada than in the U.S.?

Canada does have significantly higher labor costs, and I'm not sure about the costs of leasing space. What are you driving at?

I was thinking that if there were a higher cost of doing business in Canada, perhaps USCo would have to charge higher prices than it does in the U.S. to cover its costs.

That's probably true, but remember, CanadaCo must also cope with the same high labor costs. Can you think of additional costs incurred by USCo's Canadian operations that would not be incurred by CanadaCo?

USCo might incur higher distribution costs than CanadaCo because it will have to ship product from its U.S. warehouses up to Canada.

You are partially right. CanadaCo has the advantage in distribution costs, since its network spans less geographic area and it gets more products from Canadian suppliers. However, since CanadaCo continues to get a good deal of products from the U.S., the actual advantage to CanadaCo is not great—only about two percent of overall costs.

All this suggests that USCo will be able to retain a significant price advantage over CanadaCo's stores: if not ten percent, then at least seven to eight percent.

I would agree with that conclusion.

Step 5: Summarize and make recommendations

I would tell the CEO the following: In the near term, you might be safe. Your stores have a much stronger brand name in Canada than USCo's, and they seem to be well managed. However, as consumers get used to seeing prices that are consistently seven to eight percent less at USCo, they will realize that shopping at USCo means significant savings over the course of the year. Although some consumers will remain loyal out of habit or because of your high level of service, it is reasonable to expect the discount shopper to shop where prices are lowest. Moreover, over time your brand-name advantage will erode as USCo becomes more familiar to Canadian consumers. You certainly have to worry about losing significant share to USCo stores in the long term. You should probably do something about it now, before it's too late.

Can you suggest possible strategies for CanadaCo?

Maybe it can find ways to cut costs and make the organization more efficient, so it can keep prices low even if its cost of goods is higher.

Anything else?

It might consider instituting something like a frequent shopper program, where consumers accumulate points that entitle them to future discounts on merchandise.

What might be a potential problem with that?

Well, it might not be that cost-effective, since it would be rewarding a significant number of shoppers who would have continued to shop there anyway.

Any other suggestions?

CanadaCo might want to prepare a marketing or advertising campaign that highlights its high level of service. It might even institute a CanadaCo Service Guarantee that surpasses any guarantees offered by USCo.

Assuming the only way to keep customers is through competitive pricing, is there anything CanadaCo can do to appear competitive to the consumer?

It might want to consider offering fewer product lines, so that it can consolidate its buying power and negotiate prices with suppliers that are competitive with USCo's. It might lose some customers who want the variety of products that USCo has, but it may be able to retain the customer who is buying a limited array of items and is just looking for the best price.

All of your suggestions are interesting, and you would want to analyze the advantages and disadvantages of each in more detail before making any recommendations to the CEO.

Additional Case Questions

By the time you've gone through the case interview example and the interactive case you probably will have developed a good idea of what a case interview is all about. The best way to prepare for a case interview is to practice a few. Ask a friend or career counselor to give you a case using the sample cases below.

Difficulty: Hard
 Quant: Medium
 Company: BCG

9.2 Medical Software Industry

Step 1: Actively listen to the case

Your client is GenCo, a large, international, diversified company with a health care division that produces a wide variety of medical instruments and related services. Five years ago, it expanded into the health care software industry by purchasing MedCount, which markets administrative systems to large U.S. hospitals.

These systems are designed primarily for back-office functions; they are not designed for managing patients or providing other physician and technical support. Since it was purchased, the software division has failed to deliver the growth needed to justify the multiple GenCo paid for it.

GenCo feels it has already squeezed margins as much as possible, and now is looking for new sales opportunities. MedCount turned to you to help identify potential ways to increase revenues. How would you approach this problem?

Step 2: Establish your understanding of the case

First, let me make sure I understand the problem. The parent company produces medical devices and services, but before the acquisition was not involved in health care software. The company it purchased, MedCount, sells only administrative systems software to large hospitals. It is now looking for opportunities to increase revenues.

That is correct.
 Could I take a moment to jot down a few thoughts?

Sure, that would be fine.

Step 3: Set up the framework

I would suggest using the following structure: First, I'd want to understand the market size and growth rates for MedCount's market and related software markets. Next, I would like to explore the competition and their market shares. Third, I would like to examine customer requirements and then, given those external conditions, look at the division's capabilities to understand how well prepared it is to meet the needs of the marketplace.

That sounds fine. So what do you want to know about the market?

Step 4: Evaluate the case using the framework

Well, the first hurdle would be to identify the markets the company would be interested in. Besides administration systems, what other types of medical software systems do large hospitals purchase?

There are many software systems, but for the sake of time, the team focused on three primary markets: administration systems, patient administration, and physician support systems.

What do those systems do?
 Patient administration includes systems like admissions and tracking. Physician support systems are more specialized, for individual physician procedures.

I would like to know how large each market is and how fast each is growing. I would use secondary sources such as press releases, analyst reports, and published market studies, to obtain this information.

Great! That is what we did during the market study. Our information revealed the following market sizes and growth rates.

	Administration	Patient administration	Physician support
Market size (\$M)	1,500	1,000	1,200
Growth rate	5%	5%	12%

From a size and growth perspective, physician support systems look like a very attractive market. I'd like to know a little about the customers themselves. The client is currently targeting large hospitals. Approximately what percentage of the market do they represent? We were unable to get an exact breakdown, but we know that these hospitals make up the vast majority of the total medical software market. That would make sense, since the more sophisticated procedures at a hospital might necessitate more advanced software solutions. I know that there have been a lot of changes in the industry as a result of managed care. I don't know much about the industry, so I would want to look at market studies and press clippings to get a better sense of the hospital market in general and any technology or software trends more specifically.

Okay. Let's say that you did that and were presented with this summary of market trends: Consolidation in the industry, with three to four large hospital networks dominating 45 percent of the market; Cost controls instituted, particularly as these large hospital networks acquire smaller hospitals (centralization of functions being a key cost issue); Many hospitals seeking to consolidate their vendor base. With regard to technology, many hospitals upgrading their older systems.

If hospitals are consolidating vendors, perhaps our client has an advantage in being part of a larger medical company. May be the client could also gain some advantages by expanding into other software segments. Are the people responsible for purchasing software at the hospital the same for all three segments?

Like all things, it differs by hospital, but the larger hospital networks have tried to consolidate their purchasing not only within but also across hospitals.

Is the decision maker for medical software the same as for medical instrumentation and devices?

In some cases, the head of purchasing influences both decisions, but the person who makes the final choice is different. Software decisions are usually made by the hospital IT function and those for instrumentation by the medical staff.

I think I have a pretty good understanding of the market for now. Let's look at competition next. We could identify all the competitors and build up the market shares using a combination of public data and estimates.

Well, let's assume that you don't have an infinite amount of time to look at all the competitors. You can only look at the top five competitors in each market. You are given the following data:

Administration Systems	Sales (\$M)	Growth (%)
MedCount	700	4%
HCS Software Systems	100	7%
Morningside Software	80	3%
Admin Systems Solutions	70	2%
HTI Software	50	15%

Patient Administration	Sales (\$M)	Growth (%)
HTI	300	5%
Registration Software Solutions	240	4%
Signup Software	60	3%
HCS Software Systems	30	16%
Patient Software	20	-1%

Physician Support	Sales (\$M)	Growth (%)
HCS Software Systems	150	16%
Physician Support Systems	100	11%
Medical Technology Inc	25	18%
HTI	20	32%
MedSys	5	15%

Very interesting. The first thing I would note from the data is that the market concentrations are very different. In administrative systems, the top five competitors control 66 percent of the market and in patient administration, they control 65 percent. But in the physician support market, they control only 25 percent.

I would want to know what gross margins look like in each of these markets as well. I might turn to analyst reports and look at competitors' financial statements to deduce whether they are making money in each market.

Gross margins vary, of course, but the analyst reports have margins of 25 to 30 percent for administrative systems and for patient administration. For physician support, the margins tend to be higher, more like 45 to 50 percent.

I see that two competitors, HTI and HCS Software Systems, have very large revenue growth in all three sectors, although they each dominate one. I would want to look at their financials, annual reports, and press releases to find out a bit more about their strategy in each of these areas.

You'd find that they recently entered these non-core markets. Why might they have done that?

Perhaps, like our client, each had a strong position in its own segment, HTI in patient administration and HCS Software Systems in physician support. Maybe they too decided to branch out into the other segments to find additional growth.

That is a very good hypothesis. Let's say there is evidence in the sources you consult that supports your assertion.

Well, if that were true, these two companies could be a threat not only in the other two segments, but also in our client's segment, administrative systems. It looks as if the client is slowly losing market share in its segment, since it is growing more slowly than its market.

Good observation

The market and competitor trends could also suggest that the client may want to enter these other markets. In particular, the physician support market looks attractive; given it has high growth and lack of a dominant competitor. The higher gross margins may provide attractive returns on the necessary investment in software development. However, the patient administration market may also be attractive. Although it is more concentrated and offers lower margins than physician support, the client may be able to enter this segment with a smaller up-front investment. Given the trend toward upgrading existing computer systems, it may be important for MedCount to have a product offering in each of the three market segments. That should not be too difficult, since the company is already in the software industry.

Perhaps, but you should think a little more closely about these types of software. Are all software systems alike?

Well, let me think about that for a moment. I suspect patient administration would have relatively low entry barriers. From your earlier description, these systems appear to be pretty basic, dealing primarily with admissions and patient tracking. However, the entry barriers in physician support might be higher, since these systems are more complex and there are probably multiple systems for the various physician procedures. I guess it would be harder to get into those types of systems.

That would make sense.

Since the company might want to go into only some of the segments, I would want to know how important it is to have products in all three segments. Do we know if the competitors are marketing their products as a bundle?

How might you find that out?

Since it would be difficult to talk to a competitor directly, I would probably target a competitor's customer, particularly one that just converted from our client's software.

Let's say you get an interview with a customer that recently switched to HTI. You discover that the competitor was offering it a better pricing deal and service for software products in all three segments.

How were MedCount's software and service perceived in relation to those of competitors?

The customer thought that its administrative systems were adequate, "the old standby," but not stellar.

Were there any other key reasons it switched from MedCount's system?

When it decided to upgrade its systems, it tried to contact MedCount, but could never get a representative to describe its options.

Interesting. How did HTI perform?

The HTI representative had heard that the company was considering switching software vendors and provided a sales representative to pitch HTI's administrative product the next day.

It definitely sounds as if there was a problem with the sales function and that customer relations need to be improved, particularly for the larger hospital chains. There also seems to be an advantage from both a marketing and sales perspective in having multiple software products. I would want to confirm those views by doing further interviews. Let's say further interviews support those assumptions.

Since we have already looked at the external conditions, I would like to move on to the client itself. I'd like to know more about its marketing and selling organization as well as its software development skills.

So far, we know that our client offers administrative software and that there may be a problem with sales and marketing. Could you tell me a little about the marketing department?

The marketing department is organized regionally. Teams are assigned to hospitals within each state or geographic region, such as New England.

That could explain some of the problems with MedCount's marketing and sales. If hospital purchasing is centralized, the marketing organization may be outdated. Does the company have any teams dedicated to the four or five biggest hospital networks?

No, there are no dedicated teams. They talked about doing that for a while, but it conflicted with the regional structure it had in place.

With regard to software, does the company feel it has any strengths or weaknesses?

It feels that their administrative product is very strong ("best of breed") and is the dominant technology. Also, the product is modular in design, which allows for easier upgrades. Although the company has never branched out into other market segments, the software developers believe that certain modules could be used to build the foundation for other administrative software programs. The company feels customer support is also an area in which it excels.

Step 5: Summarize and make recommendations

Let's start with our client's market. The client dominates the administrative software market, which is fairly large but growing slowly, and the company appears to be slowly losing market share. Patient administration is also growing relatively slowly. Both markets are relatively concentrated and appear to offer lower margins than physician support. The physician support market is large and less concentrated, and could potentially provide higher margins, but would require a larger investment. The hospital market itself is becoming more concentrated and is pushing to consolidate vendors. The purchasing agent is often the same for the three types of software.

Looking at our client's competitors, HTI and HCS Software Systems, appear to be particularly threatening. Each has a dominant position in one segment and is branching out into other areas. They appear to be marketing their products and services as a bundle and are using service as a key point of differentiation.

The client offers only one type of system and appears to have some weaknesses in its marketing organization, particularly in marketing to the larger hospital networks, which offer the most promising market opportunities.

How would you recommend proceeding?

The first priority should be to fix the marketing organization, particularly for the large hospital networks. MedCount will have trouble expanding into new markets if it can't defend its current position and shore up its existing customer relationships. There should be a team dedicated to each of the major chains. The client should also look at improving customer tracking so that it is clear when its customers are going to upgrade. There should also be clear contacts so that the customer can easily keep in touch with MedCount.

Next, I would recommend that the client explore entering the other market segments by leveraging its dominant position in administrative systems. At first glance, patient administration does not appear to be very attractive, with slow growth, low margins, and large, dominant competitors. There appears to be some advantage, however, in having products across the product range. I would recommend that we interview some of MedCount's

existing customers to better understand their needs and future IT requirements. If the customer base is interested in one software provider for both back-office administration and patient administration functions, this segment looks promising.

If the client does decide to enter this market, it should look at the lowest-cost method of entry, either developing a product internally or acquiring a competitor. The modular design of its existing administrative software suggests internal development of the patient administration product may be the way to go, but we would need a more thorough comparison of the internal development and acquisition options, including both cost and time to market. I think that physician support offers our client an exciting growth opportunity, given its high margins, high growth, and fragmented competition. I would definitely think about an acquisition strategy, since the client may lack the technical capabilities to enter this specialized market. I would recommend going for one of the larger companies, as that would give the client a stronger position. Smaller companies would probably not offer an important enough position in the market. More research would be needed, however, for us to better understand the intricacies of the market and each potential acquisition.

Those are very interesting conclusions. Thank you.

Difficulty: Medium
 Quant: Hard
 Company: BCG

93 Gas Retail

Your client is the major operator (monopolist) in one of the largest European gas markets. His business includes two major activities: Gas sales to households and firms (gas bought from large producers in Russia, Norway, Algeria...), and Gas transportation from the national border, where it is delivered by the producer, to the end consumers. This implies the existence of a large ensemble of infrastructures: transportation network, distribution network, storage equipment, methane terminals...

Let's discuss the challenges on the natural gas market after market liberalization in Europe.

Situation

Concretely, the market's deregulation means

- The end of the monopoly for the gas sales; the arrival of new competitors
- The preservation of the monopoly on transportation, but under the surveillance of an independent authority that guarantees equal access to all competitors

Your client is at the head of the purchases/sales department. He is in the following situation:

- Today, company market share is 100%
- At a certain point in the next years the market will at once be opened to competition
- (which is a simplified way of putting it since in reality there will be stages)

Client's question

About the gas sale activity that will be opened to competition: What will be the level of competitive intensity at opening? What actors are likely to become my competitors?

Evaluate the case

According to you, how many and what types of competitors are likely to enter the market? (Structure)

I believe I would need to evaluate the market attractiveness (market growth, profitability/margin, risks) and the entry barriers (gas availability, brand). I would need to ask the following questions:

What are the rules of the game/key success factors (access to suppliers, customer intimacy, cost advantages, branding...)?

How are other players positioned to enter the market?

What are their competitive advantages thanks to synergies with other activities (electricity, services...)?

Let us focus on the gas retail sale activity's attractiveness. There are three dimensions you should consider: the natural gas market's growth potential, the profitability of this activity and the risks associated with it.

Let us start with the market's growth potential. What are the market's growth levers? (Structure)

I would differentiate between firms and households. The key levers by client type would be: Households: network penetration, share of gas vs. other energies; consumption of gas/household (climate, isolation...)

Firms: same as households, plus industry growth, productivity, competitiveness with other energy forms

Given the market's main growth levers for the firms' segment and for the households' segment, do you think that the market will strongly grow, stagnate, or decrease? (Judgment)

For the households, I would estimate the rise of penetration (network extension) but, overall, I think the consumption will decrease due to global warming and to better built houses. For the firms, I think it will decrease, especially in industries that consume a lot of gas (general price and risk issues).

So what is your conclusion? (Synthesis, So what)

I think there will be weak or inexistent growth. A new entrant will have to take clients from the major player.

Can you imagine what a gas retailer's cost structure is? (turnover = 100)? (Synthesis, Structure)

I believe it would include the energy itself (cost of goods – gas), the infrastructure cost and sales and marketing costs (commercial).

Here is a simplified cost structure: gas – 50%, infrastructures – 40%, commercial costs – 7% and the margin is around 3%. What cost advantage can a new entrant expect to build for each one of these costs? (Judgment)

Most probably, there is a small opportunity of differentiation through costs:

- Gas is sourced at comparable prices
- Infrastructure prices are identical for all competitors
- New entrants have to invest rather more in marketing
- New entrants are not expected to have a productivity lever and only have a small pricing lever.

I would have to check these assumptions.

Let us put ourselves in the shoes of a household client whose yearly gas invoice amounts to € 500. What is the price reduction potential for a new entrant? Can you give a rough estimate? (Judgment, Rigor)

If I assume I can reduce commercial/marketing costs by 33% ($500 \times 7\% \times 33\% = 11.55$) and I allow a 50% lower margin ($500 \times 3\% \times 50\% = 7.5$), then a new competitor can reduce the gas price around € 15–20/year ($11.55+7.5=19$). This might allow it to compete with the established client. Marketing costs can be reduced if the new entrant is already established in other energy markets and benefits from scale and known brand name.

What can we conclude on a new entrant's margin level? (Synthesis)

Margin will necessarily have to be weak or inexistent to attract clients and draw away from established player.

Let us now consider the risks borne by our retailer. In order to simplify, let us focus on what is called the climatic risk. The sales volumes will vary a lot depending on the year, whether the winter is cold or not. During a "warm" year, let's suppose that the heating volumes decrease by 10%, that the cost of supply/gas are totally variable, that the commercial costs are totally fixed, that the infrastructure costs are partly flexible, at 70%. What will be our gas retailer's margin? (Structure, Rigor)

I am basing my analysis on the sales and cost structure of a normal year (turnover = 100). Then I calculate the value of each cost block for a warm year, also the margin and compare with the margin in a normal year.

	Cold vs. warm
Sales:	100 vs. 90 (-10%)
Gas:	50 vs. 45 (-10%)
Infrastructure:	40 vs. 38.8 (30% of 40 is variable, makes 12, 10% reduction makes 1.2) Commercial: 7 stay 7
Total cost:	97 vs. 90.8
Margin:	3 vs. -0.8

In a warm year, it is more expensive to sell gas, so it is a high risk business.

What can we deduce from this risk calculation? (Judgment)

The climatic risk is too high to justify the small margin in a normal year.

Your first meeting with your client is tomorrow morning. What can you tell him/her to answer his/her question based on the analyses that we have just done together? (Synthesis)

Well, the market is not that attractive and new entrants are a weak threat.

Finally, it looks like our major player does not have to worry; the gas retailer activity's attractiveness is so weak that one would have to be stupid to venture in it at its opening! But why would it be a big mistake to tell our client not to worry? (Creativity)

We are not working on the right strategic segment: the gas retail sale segment is not independent of the electricity sale and services, as soon as the monopoly disappears. We have been influenced by the client's historical view.

In fact there is a bias in our reasoning from the start. What is it? (Creativity)

We have looked at the gas market on a stand-alone basis. But we need to take into account that the rules of the game might change and that other energy providers might enter the market. Those providers might offer additional products to the gas client: electricity, oil, services or other products.

Are there other levers that would enable a player to enter the gas market in a profitable way? (Creativity)

By offering other energy products or services and products, there can be synergies with the gas supply:

- Channel diffusion/delivery costs
- Margins from other services can cover production risk

On the other hand, there could be cost synergies on the commercialization:

- Client back-offices could combine gas and electricity sales
- Brand and client acquisition

Who could the other new players in the gas market be? (Judgment)

Potential new players that bring additional value to the client could be major electricity firms, major oil producers and/or major retailers. For the electricity firms, synergies would be mainly based on the commercialization cost synergies, also for retailers. For the oil producers, there are synergies on the supply side.

What can we finally say to our client? (Judgment)

The threat is real; the firm's traditional strategic vision must be questioned due to the emergence of the new market conditions and rules of the game. Examples of dangerous players are large power firms, oil producers if they don't have more profitable investments to make and a partnership between a large European energy player and a large retailer.

Difficulty: Medium
 Quant: Medium
 Company: BCG

94 Consumer ADSL Services

ADSL is a technology that enables the implementation of broadband Internet services via the existing telephony infrastructure. This telephony infrastructure is owned by the incumbent telecom operator in Norway. As in most European countries, the regulator has ruled that new entrants may offer ADSL services, using the existing incumbent-owned telephony infrastructure via MDF access. This means, the new entrant can hire the copper wire from the incumbent operator but has to purchase its own ADSL equipment.

The technical set-up that a new entrant would need in order to establish an ADSL connection basically consists of three elements: MDF access (copper wire), ADSL equipment, Internet uplink capacity (fiber access connecting the ADSL equipment to the Internet).

The costs involved in establishing the technical set-up are given (amounts have been converted to Euros):

- MDF access tariff is EUR 12 per line per month, set by the regulator
- Required investments for the ADSL equipment is EUR 120,000 per location, depreciation period of 5 years. For simplicity reasons we assume linear depreciation with no interest costs. In total, there are 250 locations where ADSL equipment could be installed, covering all households in Norway
- Internet uplink capacity is commercially available. Depending on the required end-user speed, costs are on average EUR 2 per end-user per month
- For simplicity reasons, we assume that the consumer ADSL modem is client-owned.

Suppose you wanted to assess if a new entrant can run a profitable business in offering consumer ADSL services, how would you approach this?

Let's see, since we are considering a new entrant, who has initially no customers, the company will at first generate loss, and gradually will become more profitable as the number of customers increases. I could make some assumptions on the pace at which the customer base will grow, but rather than making this too complex at the beginning, I would start by calculating some sort of break-even point. I mean, if we never reach break-even, this idea will certainly not fly.

I: Sounds good, how would you calculate the break-even point?

C: *Hmmm, we know all the costs, but we don't know the revenue, which would be price times number of customers. So I could assume a price and then calculate the number of customers we need. Subsequently, I would need to check if the required number of customers would be a reasonable number. Do we*

know anything about the price?

I: We know that the incumbent charges on average EUR 20 per month.

C: *OK, let's assume we could also ask EUR 20 to start with. Later we may need to reconsider this and see if we need to lower the price in order to become more competitive. So let's see if we can calculate this... hmmm, wait, I see we have a lot of information on technical costs, but I don't see anything on personnel costs, is this correct?*

I: Well spotted, we also need an organization and a small marketing budget. The new entrant has done some pre-work and has calculated that an annual budget of EUR 4.8 million would be sufficient to cover the entire country.

C: *OK, then I can calculate the break-even point. Per customer, the new entrant earns EUR 20, of which it uses EUR 14 to cover the expenses for MDF access and the Internet uplink. That means he has EUR 6 per customer per month to cover all other costs. We write off the ADSL equipment in 5 years, so that's EUR 2,000 per month per location. For 250 locations that's EUR 500,000 per month. In addition, we have to cover the organizational costs, which is EUR 400,000 per month. So for break-even we need EUR 900,000/EUR 6=150,000 customers.*

After the basic set-up of the case, the interviewer assesses the candidate's ability to make some basic assumptions in order to get to the next level (Judgment) and play around a little bit with that to see if the candidate can really see through the drivers of the case (Synthesis).

I: OK, so what do you think, is that a realistic number to achieve? Let me add that we have roughly 2 million households in Norway.

C: *Hmmm, let's see...at first sight, 150,000 out of 2 million does not seem impossible, but I would like to know a bit more about the market. For instance: is there a lot of growth in the market? How many competitors are there? Can you tell me a bit more about that?*

I: Yes, at the time of this situation, the incumbent operator was still the only provider of ADSL services in Norway, but others have considered entering the market, just as we are doing now. The distribution was as follows: 20% of the households had ADSL services, 20% used Broadband via cable, 50% still used dial-up and 10% had no Internet. We know that these percentages were established in 5 years time. That is: 5 years before no broadband Internet existed. We have no data from in-between years.

C: *OK... so that's a fast growing market. I would say we start focusing on acquiring new customers from the group that is currently using dial-up, since this is the largest group and since it is probably easier to acquire new customers than*

to persuade customers from our competitors to switch. Now, if we would take a situation for instance 5 years later and if we assume that by then the market has grown again with roughly the same amount, the ADSL market increases from 20% to 40%, which means 400,000 new households will subscribe to ADSL. We would be competing for these clients, against the incumbent operator, and maybe some other new entrants as you mentioned. So... let's say the incumbent operator gets at least a 50% share of that, since it has a strong presence in the market already. Let's assume we would be competing against 1 or 2 other competitors, which means we could get 17–25% share of the new customers, or ~70,000–100,000 in total. So it seems that it won't be possible to reach break-even from new customers only. We could also have a look at the existing customers, both ADSL and cable customers. But then I would need to know how likely it is that they would switch?

I: OK, that is something you may want to investigate. But what would be your upfront judgment on this?"

C: I can imagine that customers would want to switch if they are very unsatisfied with the current service, or if the new entrant would offer a much lower price. Do we know anything about customer satisfaction?

I: Most customers are very satisfied, the service is very reliable.

C: OK, so let's look at lowering the price. For instance a 10% discount... Hmm... but that would mean we also would need more customers to reach break-even. A 10% discount means we drop from EUR 20 to EUR 18 contributing EUR 4 per customer instead of EUR 6 to the fixed costs. So we would need 225,000 customers in this case. Even if we could get a greater share from new customers, I still think it would be unrealistic to assume we could persuade a large number of customers to switch for a EUR 2 discount, particularly if they are satisfied with the current service. In addition, there's the risk that our competitors would lower their prices too. Concluding, I would say this is a risky business to step into.

When the basics of the case have been cracked, the interviewer would finally test if the candidate is able to assess the problem from different angles and if he/she can come up with alternative solutions (Creativity). If the case runs smoothly and there's time left, the candidate can even quantify part of these alternative solutions.

I: I agree. The way we have been looking at it, the business case looks very challenging indeed. But let's spend a minute to see if we can come up with some creative ideas here. Could you think of some ideas that would make this business case more attractive?

C: I was struck by the negative effect a slight price decrease has. So, I was thinking: could we somehow increase the price?

Of course, this can only be justified by offering better service. Would it be possible to increase the speed, for instance?

I: Yes, technically this would be possible. You would need to make sure that you buy enough capacity on the Internet uplink. Let's assume the speed you can offer is directly proportional to the capacity you buy and the costs associated with it.

C: OK, so doubling the speed would increase the cost per subscriber by EUR 2 per month, while we could probably charge a much higher tariff, maybe EUR 30 or so. If we could diversify our offering, and if part of the customers subscribe to the premium packages, this would certainly improve the case. Furthermore, I am considering offering additional services, like telephony or even video services if that's possible. Of course we would need to make a separate business case for that, but since EUR 12 out of the 20 we charge is spent on MDF access, any other service we can offer, which re-uses this asset, would greatly improve the case. I mean, we would spread our largest cost component across multiple services.

I: OK, sounds like these ideas are worth investigating. Anything else you can think of?

C: What about starting in a limited number of regions, instead of covering the entire country from the start? Is the number of customers per location equal across the country?

I: Good point! The area of each region is more or less the same, which means...

C: You have a huge variation in the number of households per location. If we pick the high density areas, for instance the Oslo area, plus some other larger cities, we can perhaps reach 50% of the households through, I don't know, maybe only 20% of the locations and thus only 20% of the ADSL equipment cost. That would make a difference.

I: You're absolutely right, and you know, looking back this is exactly what new entrants have done when entering the ADSL market: start in high density areas, offer higher speeds at premium prices, in particular to small and medium-sized enterprises, and – at a later stage – expand the service by offering additional services.

Difficulty: Easy
 Quant: Easy
 Company: BCG

95 Call Center

There is a company, let's say a travel agency, that sets up a centralized call center where all incoming phone calls from all branches are diverted to. Shortly after setting up the call center, the travel agency is virtually unreachable because of the large amount of phone calls received.

Before answering any questions, the candidate should check if he/she completely understands the problem stated. The candidate can ask additional questions if the problem is not completely clear.

The first question tests the candidate's creativity and ability to come up with more than one idea, at the same time it tests the use of a structure, which helps coming up with more ideas. First, the candidate should think of main causes, and then specify these main causes in more detailed possibilities.

Interviewer: What could cause the overload of the call center?

Candidate: I believe there could be different types of reasons:

Caused by supply

Lack of call center agents (by sickness, by poor planning)

Poor organization of the call center (unstructured call-diverting)

Caused by technical difficulties

Calls are not transferred to the centralized call center

Caused by demand

Peak in client demand (more calls than expected due to international affairs, high- season, bad weather...)

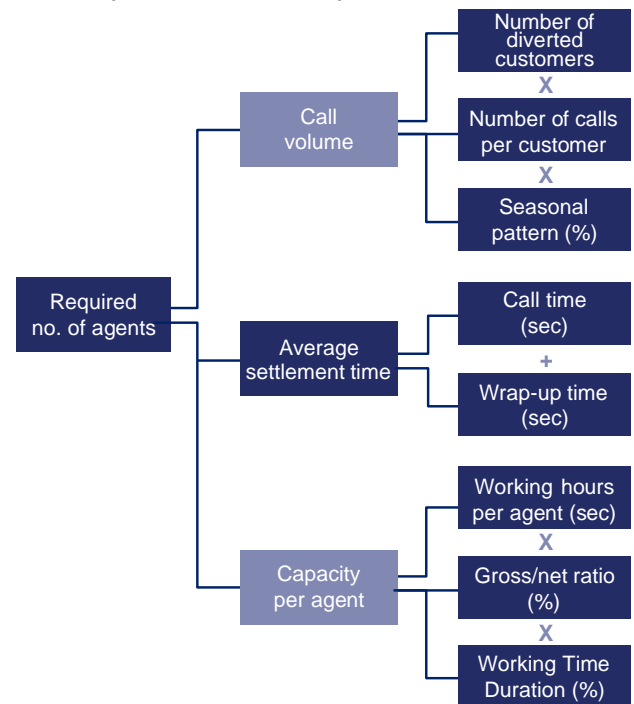
I: Let us assume that the overload in the call center is not caused by technical problems or by peaks in demand, but is solely caused by the fact that the amount of required agents does not match the number of agents in the center. How would you calculate the required number of call center agents needed to fix the problem?

For this question, it is important to set up a good structure to tackle it. Not a general structure, but one tailored to this specific situation. This is one of the main things the interviewer tests with this question: can the candidate set up a good structure, tailored to the problem. Furthermore, the interviewer tests if the candidate understands the problem and has some (business) judgment (e.g. in this case: a call center agent is not productive 8 hours per day).

This answer first divides the required number of agents in volume of calls, average time spent on a call and capacity per agent. The next step would be to divide these three main parts into smaller parts. For the volume of calls, the first important driver is the amount of diverted customers. Furthermore, customers can call up more than once; this is called the average number of calls per customer. The third driver of the volume of calls is the

seasonal pattern. The average time spent on a call is simply the duration of the call and the time needed by the agent to wrap up the call (e.g. enter information in a computer).

FIGURE 1 (POSSIBLE ANSWER):



The capacity per agent starts of course with the working hours per agent, but an agent is not 100% productive. There are several ways to define the productivity, in this example the productivity is split up in two parts. The first is gross versus net working hours due to lunch breaks etc. The second is "working time duration", this is the percentage of the time the agent actually is busy with a phone call. An agent can be busier during prime time and less during other hours of the day.

There is now a clear structure to show what drives the amount of agents needed, and therewith a way to calculate the required amount of agents.

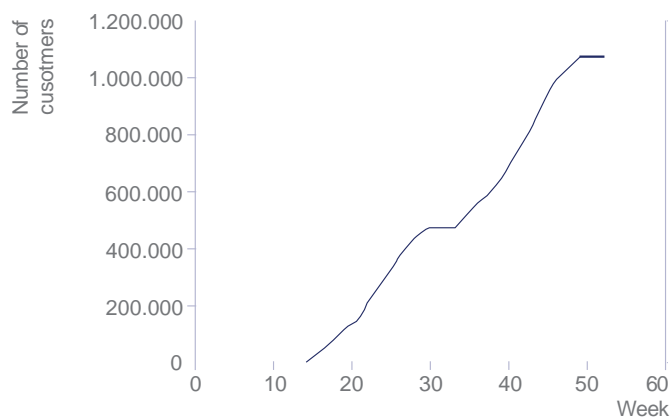
I: How many agents are required in week 20?

Most case interviews have some computation in them. To solve it, the candidate will have to figure out the numbers for all parts of the "driver-tree" to compute the required number of agents. There are several ways to figure out the numbers. First of all, an interviewer might give the candidate some data to start with, and he/she will have to pick out the numbers to use in the calculation. Secondly, the candidate can ask the interviewer for data, and thirdly the candidate can make assumptions using common sense. The candidate should always clearly state when he/she is making an assumption and how he/she comes up with it.

In this case interview, the following data is given by the interviewer:

CUMULATIVE NUMBER OF CUSTOMERS WHO ARE DIVERTED TO THE CENTRALIZED CALL CENTER

Note: At the moment of set-up of the call center, the graph starts with 0.



From this graph, the candidate can deduct the cumulative number of diverted customers in week 20: approximately 140.000 customers. So in week 20, there are 140.000 clients “in the database of the call center”. To calculate the required number of agents, other data in the driver-tree is needed, and the candidate will have to figure it out. He/she can start off with asking the interviewer for data, but it’s always best to make assumptions and test these with the interviewer. For example: “I assume that on average, a client has contact with an agent of the call center twice per year, so the average number of calls per customer is 2”. And: “I wonder if there are many more calls in week 20 versus the other weeks of the year, for now I assume the seasonal pattern to be 0%”. The candidate then calculates the calls’ volume: $140.000 / 52 * 2 + 0\% =$ approximately 5.400 calls in week 20.

To determine the average settlement time, the candidate can ask the interviewer for information. The interviewer may either tell the candidate to make an assumption, or give the numbers. In this case, these are given: “Monitoring talk- and wrap-up-time gave an average call time of 240 seconds and an average wrap-up-time of 60 seconds per call”. This information gives the candidate the average settlement time: $240 + 60 \text{ seconds} = 5 \text{ minutes} = 1/12 \text{ hour}$.

The last driver is the capacity per agent. The candidate can assume that the number of hours an agent works is 40 per week. To determine the gross/net ratio, the candidate could ask the interviewer, though he/she could also easily make an assumption on own experience: “I assume that of the 8 hours worked in a day, approximately 1.5 hour is lost to lunch and other breaks. This makes the gross/net ratio ~80% $((8-1.5)/8 = 81\%)$. The last number to figure out is the working time duration, this is a hard number to guess without knowledge of call centers, but the candidate could still give it a try. The candidate should then ask the interviewer if the assumption is more or less right. From experience, the number is ~50%. This gives the capacity of an agent per week:

$40 * 80\% * 50\% = 16 \text{ hours per week}$.

Now, the candidate has all numbers to calculate the amount of agents needed in week 20. The candidate should not forget to use the same units for all parts of the equation (all in seconds, hours, or weeks) and not make any unnecessary mistakes. In this case, the number of agents needed in week 20 is: $5.400 \text{ calls} * 1/12 \text{ hours per call} / 16 \text{ hours per week} = 28.1$, so either 28 or 29 agents are needed.

I: There are no additional trained call center agents available. What other ways can you think of to help the travel agency with its telephone problem?

It is stated that the amount of required agents does not match the number of agents in the center. However, since there are no additional trained call center agents available, the candidate has to find ways to decrease the amount of agents needed.

This question will test if the candidate really grasps the problem and if he/she uses his/her structure in the right way. Looking again at the structure, the answer is clear: There are three levers to decrease the amount of agents needed:

1. Reduce the call volume
2. Reduce the average settlement time
3. Increase the capacity per agent

To determine specific solutions, the candidate needs creativity and understanding of the problem.

On the first lever:

- Stop diverting the calls from branches to call center (and divert back)
- Insert a computer-based menu which answers the most frequently asked questions

A possible solution to the second lever is:

Reduce the wrap-up time by monitoring it, determine the most common wrap-up actions and shorten these actions where possible. For example introduction of a computer application that helps the agents with the standard wrap-up actions such as “sending a brochure”

For the third lever, a possible solution would be:

Align planning of agents with actual demand for agents by mobilizing more agents during peaks in client demand and less during a low. This solution can be for example achieved by stimulating the agents to work part-time.

Difficulty: Medium
 Quant: Easy
 Company: BCG

9.6 Supermarket Deli Turnaround

Questions and Facts

1. Client's deli financials

See Exhibit 1

2. Overall industry/ customers

Deli meat category has been flat to slightly declining recently. Prepared foods category has been growing at roughly 10% per year as people have less time to cook at home.

3. Competitors

Increasing competition from deli departments of other supermarkets, discounters, etc. – e.g., expanding product lines, increasing advertising. Also competes with fast food restaurants in prepared foods category.

4. Client's product mix and recent events

Mix has remained constant, with the exception of two products introduced a couple of years ago – BBQ chicken wings and “made to order” sandwiches. Both products have been a major boost to prepared foods revenue.

5. Info on new products

BBQ wings are similar to the chicken wings the company already sells, although they take a little longer to fry and are tossed in BBQ sauce after frying. “Made to order” sandwiches is client's response to Subway, etc. – for two hours during lunchtime and two hours during dinnertime, one employee's sole task is to make sandwiches to order for customers.

6. Financials of new products

Revenues for each product are \$40M annually. Costs are not broken down at the product level.

See Exhibit 2.

Framework and Analysis

There are three main questions asked to the candidate:

Which part of the business is responsible for the lack of profit growth – deli meats, prepared foods, or both?

Is the lack of profit growth caused by flat revenues, increasing costs, or both?

What is causing the flat revenues or increasing costs (and what should the client do)?

Based on Exhibit 1, the candidate will see that gross margins for both business lines are flat. Furthermore, deli meat sales have been basically flat while prepared foods sales have been growing at 10%.

The candidate should recognize that the client's deli meat and prepared food sales have been growing at about the category averages; therefore, revenues are not the main issue here. Deli meat COGS have been more or less flat, mirroring sales. However, despite robust growth in prepared food sales, prepared food profits have been flat, implying deteriorating margins.

At this point, the candidate is asked for some potential reasons for deteriorating margins (e.g., change in product/sales mix, rising material costs, rising labor costs).

If the candidate asks about changes in product mix, the interviewer informs him/her about the BBQ chicken wings and the “made to order” sandwiches. The candidate should be suspicious at this point and ask to learn more about these products.

By doing a back-of-the-envelope analysis of product profitability (based on data in Exhibit 2), the candidate can find that BBQ wings have a 50% margin, indicating that they are not a problem. On the other hand, he/she will find that the client is losing a lot of money on the “made to order” sandwich concept.

The candidate is then asked for recommendations, which could include:

- 1) Eliminating the “made to order” sandwich
- 2) Restricting the “made to order” sandwich to busier stores or during busier times of the day (e.g., lunch hours only)
- 3) Raising or lowering prices (to either increase profit per sale or units sold – will depend on demand elasticity)
- 4) Boost demand (through increased advertising, promotions, better merchandising, etc.).

The candidate can also consider the second-order effects of eliminating the product or boosting sales (the effect on traffic in the deli and the overall store).

SUPERMARKET DELI TURNAROUND

EXHIBIT 1

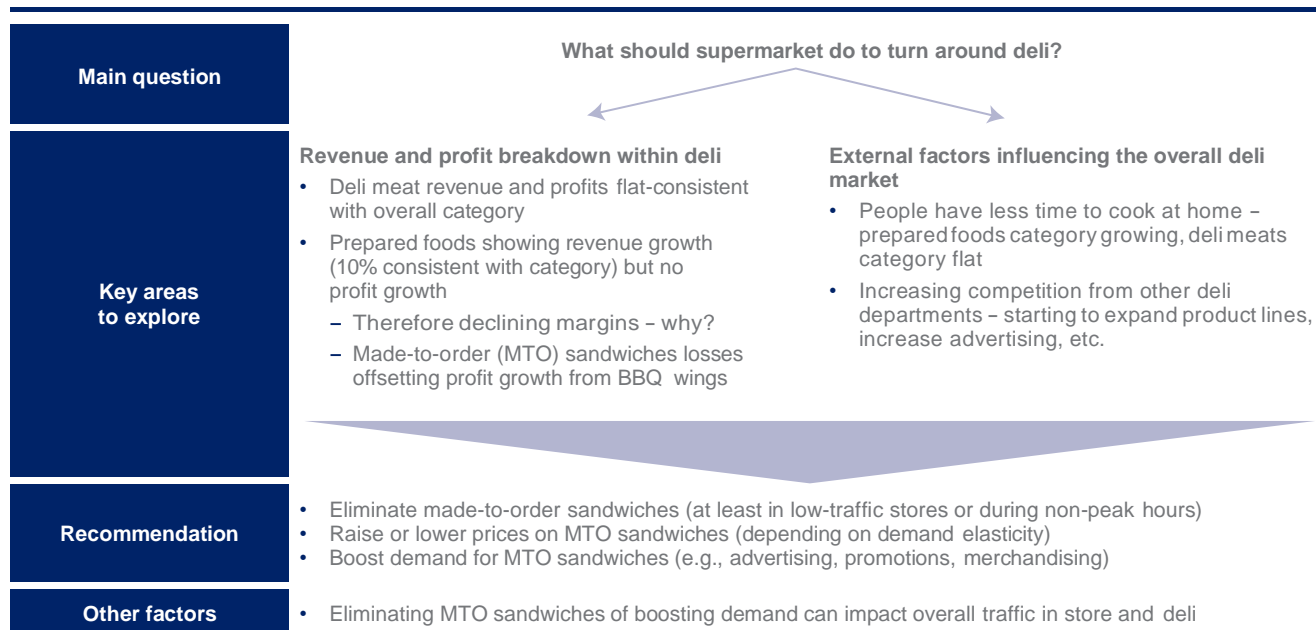
		\$M		
		2002	2003	2004
Deli meats	Revenues	260	255	260
	COGS	160	155	160
Prepared foods	Revenues	360	400	440
	COGS	190	230	270
Overall	Revenues	620	655	700
	COGS	350	385	430
	Gross margin	270	270	270

SUPERMARKET DELI TURNAROUND

EXHIBIT 2

BBQ wings		"Made-to-order" sandwiches	
Price	\$5 for 20 pieces	Price	\$4 per sandwich
Total material cost	\$0.10 per piece	Avg. sales/store	20 sandwiches per day
Prep time	15 minutes per batch of 200	Total material cost	\$2 per sandwich
Employee cost	\$20 per hour (fully loaded)	Employee cost	4 hours per day
Total COGS	\$2.50 per 20 pieces	Dedicated hours	4 hours per day
Margin	\$2.50 per 20 pieces	Revenue	\$80 per store per day
		Total COGS Margin	\$120 per store per day
		Margin	\$(40) per store per day

SAMPLE APPROACH



Difficulty: Medium
 Quant: Easy
 Company: BCG

9.7 China Outsourcing

Problem set-up

The client is a national manufacturer of plastic consumer products that are sold in a variety of retail formats, including supermarkets, discounters, club stores, and dollar stores. The company has three main product lines: 1) freezer bags, 2) plastic plates and utensils, and 3) specialty plates and utensils.

The CEO has been reading for some time about American companies outsourcing their production overseas to low-cost countries such as China. She wonders whether this makes sense for her company as well. It worries her that none of her main competitors have established foreign production capabilities; on the other hand, this could be a tremendous opportunity to gain a competitive advantage.

We have been asked to help the client understand the benefits and risks of moving its production capabilities to China and to provide a recommendation.

Question and Facts

1. Freezer bags

Plastic bags are used mainly to store food items in freezers. According to customers, top purchase criterion is quality, since low quality bags will result in food spoilage. Client is #3 in category, with 200 million lbs. sold. The category leader has a strong brand and strong innovation.

2. Plastic plates and utensils

Disposable plates and utensils; intended for single/limited use. According to customers, top purchase criterion is price. Client is #2 in category, with 300 million lbs. sold. Client is at cost parity with category leader but has a weaker brand.

3. Specialty plates and utensils

Plastic plates and utensils produced for specific retailers, customized to their design specs. According to customers, top purchase criterion is style/design. Because many products are new and untested, demand is highly variable. Client is #1 in category, with 100 million lbs. sold. No strong competitors.

4. Current client production capabilities

All products are made in a single factory in Ohio. The factory is at capacity and the company is considering building or acquiring a nearby facility.

5. Chinese production options

Client has no previous experience in building and managing a factory overseas. Client has met with several Chinese manufacturing partners and has done initial product testing.

All three product lines have similar cost structures and savings (Exhibit 1).

Quality: lower quality on freezer bags, equal quality on plastic plates and utensils (both regular and specialty).

Lead time: need 3-4 weeks of additional lead time for each product line for transportation from China to U.S. distribution center.

6. Chinese market, current client presence

All three categories are relatively underdeveloped but growing, dominated by local manufacturers. Client does not currently have any sales in China, although a few of their U.S. customers (e.g., Wal-Mart) do have presence there.

Framework and Analysis

The candidate should start with a brief overview of the potential benefits and risks of outsourcing to China. The main benefit is lower costs, mostly driven by inexpensive labor. A secondary benefit is a possible springboard into the emerging Chinese (and other Asian) market. Risks include lower labor productivity, possible quality issues, longer lead times, additional transportation costs, and potential communication/coordination issues. The candidate can be asked about the ramifications of longer lead times – they include greater carrying costs, higher cycle and safety stock, greater forecast error, and less responsiveness to demand.

There are three main questions asked to the candidate: How much cheaper is producing in China?

What do consumers value and how would outsourcing affect those criteria?

What are the client's current production capabilities and how would outsourcing part/all of their production affect the remainder?

First, the candidate should size the opportunity – is this a \$5 million or a \$500 million opportunity? By solving for the last column in Exhibit 1, the candidate will find that the client would save \$0.25/lb. (25% of current costs) by outsourcing to China. Given current production levels, the client would save \$50 million by outsourcing freezer bags, \$75 million by outsourcing plastic plates and utensils, and \$25 million by outsourcing specialty plates and utensils. Two notes: 1) costs may increase if the Chinese Yuan rises versus the dollar and 2) these estimates do not include a profit margin for the Chinese outsourcing partner.

The candidate should also recognize that cost savings alone are not sufficient to make a decision. It is important to understand how an outsourced product will affect sales. The candidate should suggest market research to understand consumer behavior.

Freezer bags: since customers' top purchase criterion is quality and outsourcing would produce lower quality bags, the candidate should raise a red flag here. A more sophisticated recommendation would be to conduct market research to see the impact on sales of the lower quality bag at lower prices – even though quality

is more important than price, the magnitude of a price change may override the drop in product quality.

Plastic plates and utensils: the top purchase criterion here is price, which makes this product line an attractive outsourcing opportunity. The candidate can be asked what the client should do with the cost savings – potential recommendations include dropping price to steal share, investing to defend its position in case competitors begin outsourcing (e.g., brand, innovation, customer service), and milking the product line as a cash cow.

Specialty plates and utensils: the highly variable and unpredictable demand for these products means that shorter lead times are critical in order to adjust production quickly. Longer lead times will result in greater forecast errors, higher safety/cycle stock, and more unsold inventory and/or out-of-stocks. Therefore,

specialty plates and utensils should not be outsourced.

An analysis of customer purchase behavior indicates that plastic plates and utensils should be outsourced, specialty plates and utensils should not be, and freezer bags probably should not be. The final step is to understand the impact of outsourcing on the client's current production capabilities. For example, will it lead to plant closings (resulting in closing costs and possible negative publicity)? Will it lead to underutilization of current facilities?

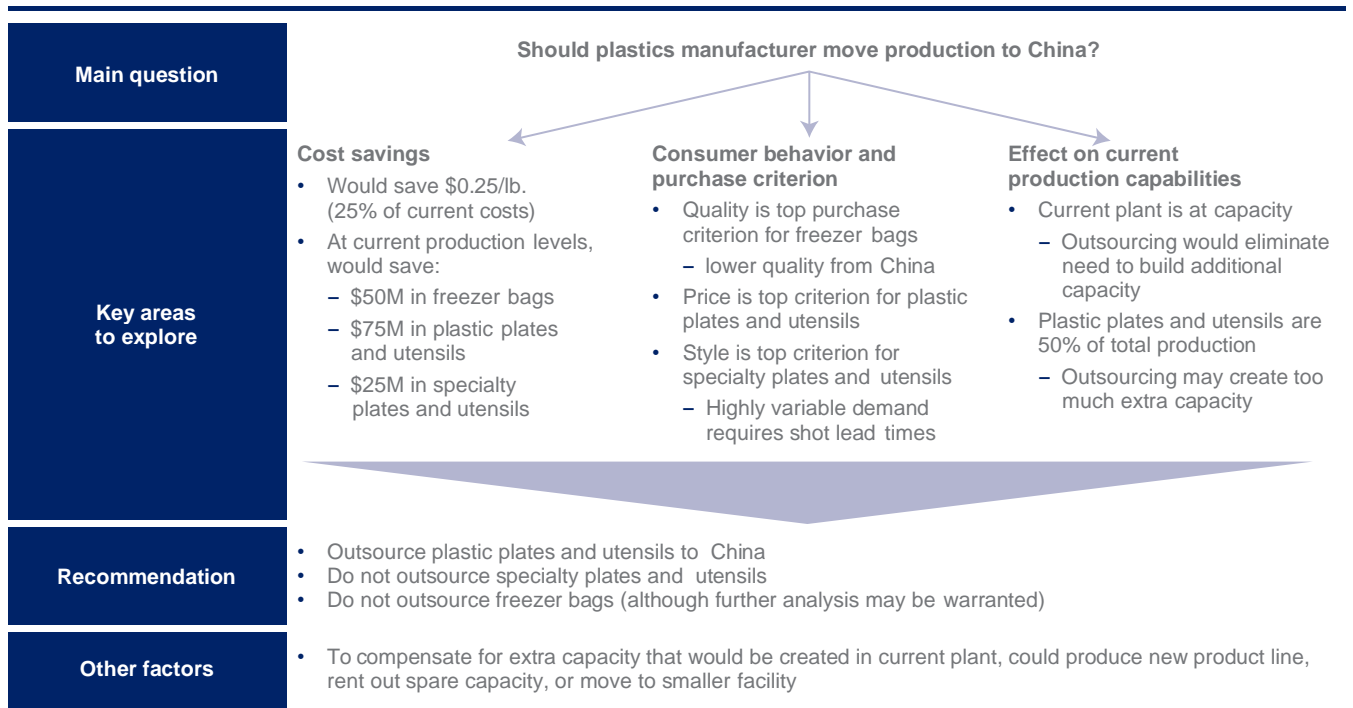
Since the current plant is already near capacity, moving plastic plates and utensils offshore would actually save the client from investing in new facilities. However, since that product line makes up 50% of total production (in terms of lbs.), removing it may create too much extra capacity in the current plant for the two remaining lines. To compensate, the client could produce a new product line, rent out the extra capacity, or move to a smaller plant.

CHINA OUTSOURCING OPPORTUNITY

EXHIBIT 1

Costs	Costs in U.S. (\$/lb.)	Costs in China relative to U.S.	Costs in China (\$/lb.)
Labor	0.30	8% of wage rate 8% of productivity	
Material			
• Plastic resin	0.30	80%	
• Other material (incl. packaging)	0.20	75%	
Variable overhead		140%	
Transportation			
• China to U.S. distribution center	N/A	\$6K to ship 40K lbs.	
• U.S. distribution center to customer	0.05	Same	
Total	1.00		

**CHINA OUTSOURCING OPPORTUNITY
SAMPLE APPROACH**



CHINA OUTSOURCING OPPORTUNITY QUESTIONS AND FACTS

Topic	Information
Supply chain	<pre> graph LR Raw[Raw mats] --> Layering[Layering] Layering --> Sheeting[Sheeting] Sheeting --> Packaging[Packaging] Packaging --> Distrib[Distrib.] </pre> <ul style="list-style-type: none"> • Rolls of paper • Adhesive • Non-stick liner • Adhesive and liner applied to rolls • Rolls of layered paper cut into sheets
	<ul style="list-style-type: none"> • The client is not capacity constrained in its manufacturing process • The client's manufacturing and packaging operations are currently configured to package specialty papers in boxes
Customers	<ul style="list-style-type: none"> • There are approximately 24,000 commercial printers in the United States • Printers are roughly categorized into three groups: small, medium, and large • Differences among the groups are driven by the type of printing technology employed and the size of print jobs that the printers are able to serve • Printers prefer to receive product from the specialty paper manufacturers in different forms, primarily driven by the type of printing technology employed <ul style="list-style-type: none"> – Small printers prefer to receive their specialty paper in boxes – Medium printers prefer cartons of specialty paper – Large printers prefer to receive palletized shipments of specialty paper
Market share	<ul style="list-style-type: none"> • The client has approximately 30% market share with small printers and only 10% share with medium and large printers
Client financials	<ul style="list-style-type: none"> • Margins are currently acceptable but management is against cutting price to gain market share, knowing that competitions can match price cuts • Price and cost to serve per equivalent box are different for each customer type

Difficulty: Easy
 Quant: Easy
 Company: BCG

9.8 Specialty Paper Sales

Problem set-up

Your client is a leading manufacturer of specialty papers sold to commercial printers. The client produces self-adhesive sheeted papers that are ultimately used in a variety of labeling applications – including the labeling of consumer goods and the printing of self-adhesive signs.

Your client's operations are profitable, but the business has failed to grow over the past few years. The client would like to invest in the business and you have been asked to identify opportunities for growth.

Framework and Analysis

The problem set-up indicates that the client wants to invest in this business. Investment can take many forms including expansion of manufacturing operations and capacity, expansion of customer-facing activities, and acquisition of competitors. It is interesting to note that this is currently a profitable, no-growth business for the client. Investment decisions cannot be made unless the management team (and the candidate) understands the market conditions as well as the client's internal capabilities

This case does not lend itself well to traditional "case solution structures". A strong initial response is to list a set of internal and external factors that must be understood and evaluated. Ultimately, the candidate should decide whether investment is warranted, and if so, where.

Strong hypotheses might include:

- Assuming the client is not capacity constrained, there are likely groups of customers that represent opportunities for profitable growth
- Depending upon the current go-to-market strategy, the client may need to re-evaluate the way that it is configured to serve existing and potential customers

The client can expand its packaging operations to better serve medium or large customers, but not both. Client economics and cost to serve each customer group are shown on Exhibit 1. For simplicity, taxes and depreciation are ignored and SG&A is assumed to be fixed.

The candidate should recognize that a comprehensive solution evaluates the required investment to serve a particular market segment (packaging line, manufacturing operations, additional SG&A) against the expected return.

The candidate should evaluate the profit pool from serving medium and large customers. This should be based upon an assumption about the size of the market that the client can capture. Assuming the client can match its small printer market share, the client could capture an additional 20% of the medium or the large printer customer segment

The following is given to the candidate:

- Investment and operation of carton packaging line would cost \$675,000 per year
- Investment and operation of the palletizing line would cost \$2,300,000 per year

A logical conclusion would be that an investment in a carton packaging line would be a superior investment compared to the palletizing line

Potential conclusions:

- The carton packaging line is a less-risky investment (requires less up-front capital)
- The solution assumes a static environment. If large printers are growing in number and or usage of specialty paper, this may change the answer
- The investment in a new carton packaging line would need to be evaluated against other potential investments to understand if it is the optimal use of the client's capital

GROWING SPECIALTY PAPER SALES QUESTIONS AND FACTS

	All figures are per equivalent box		
	Small (boxes)	Medium (carton)	Large (pallets)
Price to printer	20.00	18.00	15.00
Materials	5.50	5.50	5.50
Coating	1.00	1.00	1.00
Sheeting	0.50	0.50	0.50
Packaging (direct costs)	3.00	2.00	1.00
Gross profit/(\$ per equivalent box)	10.00	9.00	7.00
Number of printers	20,000	3,000	1,000
Annual usage (number of equivalent boxes)	100	500	3,000
Total potential profit pool (\$)	20,000,000	13,500,000	21,000,000

Difficulty: Easy
 Quant: Easy
 Company: Strategy&

99 Oil Tanker

Step 1: Background and question

My grandfather has just died and left me an oil tanker. I need a valuation for tax purposes, and I have hired you to tell me what it is worth. For your information, there are 3 types of tankers in the world: small, medium, and large. Within these three classes, each tanker is identical to every other. I have just inherited a medium tanker

Step 2: To be given as a response to student inquiries: Supply-side information

	Small	Medium	Large
Number	100	100	100
Capacity	1 unit	2 units	4 units
Number of trips per year	1	1	1
Operating cost	\$50,000/trip	\$75,000/trip	\$100,000/trip

Demand-side information

Scenario I: fixed demand for 500 units of capacity per year (transport costs are a negligible part of total oil-cost structure, and demand is completely inelastic for purposes of this analysis).

Scenario II: fixed demand for 650 units of capacity per year (note: change demand-side scenario to this only if student correctly determines value of tanker under first scenario and if time permits).

The market is highly fragmented and therefore competitive. The discount rate is 10%.

Step 3: Solution

Because the market is competitive, the market price will be the lowest price sufficient to cause enough capacity to enter the industry to serve the fixed demand, and the marginal unit will earn revenue just sufficient to cover its costs.

Clearly, the large tankers have the lowest cost structure, followed by the medium tankers and finally the small tankers. The large tankers can supply 400 units of oil transportation services, the medium tankers 200 units, and the small tankers 100 units.

If demand is fixed at 500 units, then medium tankers will be the marginal capacity, and we can say directly that the market-clearing price will be just sufficient to cover the costs of operating such tankers. So my tanker has no value (or, alternatively, scrap value only).

For completeness, the market-clearing price will be \$37,500 per unit. Large tankers, all of which will be employed, will earn profits of \$50,000 per year and be worth \$500,000. Half of medium tankers will be employed at rates that just cover their costs, while the other half sit idle. Finally, small tankers will not have costs low enough to enter the market and will also be worth zero or scrap value only.

If demand is instead fixed at 650 units, the small tankers will be the marginal capacity and medium tankers will earn profits and have positive value. The equilibrium price will now rise to \$50,000 per unit. Medium tankers will earn \$25,000 per year and be worth \$250,000; large tankers will earn \$100,000 per year and be worth \$1,000,000.

Step 4: Discussion

This case is a business problem that at its core is a relatively simple problem in microeconomics.

Students need not get all the way to a numerical answer for the value of the tanker, and few should be expected to give both answers depending on demand assumptions. Nevertheless, students should first demonstrate a good conceptual framework for determining the tanker's value, and be reasonably creative about asking for the right kind of data to get at least part way to the solution.

Note that both the revenue and cost side of the problem need to be understood in order to reach a valuation.

Difficulty: Medium
 Quant: Easy
 Company: Strategy&

9.10 Video Game

Step 1: Background

The CEO of a large, diversified entertainment corporation has asked a team to examine the operations of a subsidiary of his corporation that manufactures video games. Specifically, he needs to know if he should approve a \$200 million capital request for tripling the division's capacity.

Step 2: Question

You are a member of the team assigned to this project. Assume you and I are at the first team meeting. What are the critical issues we should plan to examine to determine if the industry is an attractive one for the CEO to continue to invest and why?

Step 3: To be given as a response to student inquiries

The following information may be given if requested by the candidates, though the candidate should focus on identifying issues, not on obtaining more information.

Market share

- Division is 3rd largest manufacturer of hardware in industry (10 percent market share) Top two producers have 40 and 35 percent market share
- Remainder is divided by small producers
- Division sells to broad range of consumers

Sales

- Division sales have increased rapidly over last year from a relatively small base
- Current estimate is annual sales of 500,000 units
- Current estimate of industry hardware sales is 5,000,000 units annually
- Industry growth has been strong though over last few months, however company sales growth has slowed
- Division's current sales price for the basic unit is \$45 per unit
- Division remains less than 20 percent company sales
- Top two competitors also develop, manufacture and sell software/games though division sells only licensed software
- Industry growth of software continues to increase

Cost

- Division estimates current cost is \$30 fully loaded. Requested expansion should reduce the cost by 5 to 7 percent and triple production of the hardware unit
- Top two competitors are estimated to have a 10 to 15 percent cost advantage currently
- Main costs are assembly components and labor

Current

- Division estimates much of initial target market (young families) has now purchased the video game hardware
- No large new user segments have been identified

Distribution

- Primarily outlets of distribution are top end electronics stores

Profitability

- Division currently exceeds corporate return requirements, however, margins have recently been falling

Product

- Hardware standards have been established by the industry leaders
- Product features are constantly developed (e.g., new type of remote joy stick), to appeal to segments of the market

Step 4: Solution

Minimum Requirements: the following issues would need to be covered for candidate to have done an acceptable job:

1) What is future market potential?

The candidate needs to question the continuation of overall industry growth. She/he might ask about the saturation of markets, competitive products (home computers), and declining "per capita" usage.

2) What is the competitive outlook?

The candidate should at least recognize the need to examine competitive dynamics. Issue areas might include: concentration of market shares; control of retail channels; and R&D capabilities (rate of new product introductions, etc.).

3) What will be the price/volume relationships in the future?

Issues of prices need to be considered.

Better answers would address:

Market Potential

- Recognize that there is a relationship between market penetration and growth in new users which, when combined, yields an industry volume estimate
- Address the shifting mix of product purchases, in this case from hardware (player unit) to software
- Seek to look at buyer behavior in key buyer segments, i.e., "fad" potential of product

Software

- Recognize technology standards are set by industry leaders. In this situation, the division as a secondary player will have to follow these standards
- Recognize that different distribution needs may exist for different products (in this case, hardware versus software)

Price/Volume Relationships

- Discuss the effect capacity additions can have on overall industry price/volume relationships and on industry price levels

Company Ability to Compete

- Should ask what the capacity expansion is designed to do
- Explore the cost position of the client division relative to that of other competitors
- Seek to understand reasons for poor profit performance of division

Step 5: Discussion

The primary issue of the case is to determine if the industry is attractive and, especially, if our client's position in that industry is sustainable. The candidate should identify issues which are necessary for assessing both the industry and our client's position, but should not be expected to solve the problem.

If the candidate begins to discuss too deeply a specific issue, before having covered the key issues overall, he/she will probably be brought back to discuss the industry more broadly by questions such as "what other issues must be examined?"

If the candidate is discussing issues which seem irrelevant to the attractiveness of the industry, he/she may be asked "how will that analysis help to assess the attractiveness of the industry or our client's position?"

Difficulty: Easy
 Quant: Medium
 Company: Strategy&

9.11 Toy manufacturer

Your client is the third largest toy manufacturer in Europe and has come to you because their sales have been stagnant or even declining during the last few years. Sales had been rising before. Why are sales like this? How can the client improve the situation? Which elements would you like to analyze?

Information to be given as a response to student inquiries:

- Company is selling traditional toys
- Company segments their market into: pre-school (0-6 years), girls' toys and boys' toys
- Highest volume products are: plastic toys, dolls and vehicles + action figures
- Industry growth has been flat
- Profit margin is ten to fifteen percent
- Production takes place in Asia
- Company has subsidiaries in main European markets, responsible for sales in these markets. The sales force visits the distributors of the toys, which are mainly supermarkets and department stores on the one hand and dedicated toy shops on the other hand
- Brand image of client is good

Question asked:

Suppose you are in a meeting with this client and the question arises as to how large the toy market really is in Belgium? How would you determine this?

Suggested answer:

Let's say that we consider mainly (for this client) the market of 0-14 year old children. There are 10 million people in Belgium, which translates into about 3 million households if you take an average of 3 people per household. Not all households have children, and some have more than one, and so I guessed that there would be about 0.5 children on average in this age category per household, so 1.5 million children.

Then I looked at the gifts they receive and started to enumerate important occasions children at that age get presents from their parents: birthday, Christmas, beginning and end of school, and maybe one more occasion, which gives 5 in total. Then I said that each time the parents would spend 50 Euros on average. So this means that each child receives toys for an amount of about 250 Euros per year. I then multiplied the 250 Euros with the 1.5 million children to find my estimate for the toy market in Belgium of about 375 million Euros.

What would you think could be a reason of the stagnant sales of the client? Suggested answer:

The first one that comes to mind is that the client is not strong in the electronic game business, which has been the fastest growing segment over the last decade in the toy industry. The client should consider one of three options: either grow their electronics business themselves, or buy a company that already is specialized in electronic games, or else form a partnership with such a firm.

Difficulty: Medium
 Quant: Easy
 Company: LEK

9.12 UK Premium Confectionary Manufacturer

You have been hired by a small confectionary manufacturer that is in financial trouble. They are based in the UK, where they have a single manufacturing facility that serves the UK market. The company has consistently been operating at a loss for the last 5 years.

They have asked you to investigate the reasons for this, and make recommendations to address the situation.

Question 1: What is the current profit / loss position of the manufacturer?

You are provided with the following information:

The plant sells 0.5m units of its specialty chocolate product per annum, and achieves an average price per unit of 50p.

Further information will be provided if requested across the following areas of cost:

Per unit costs:

Raw materials: 24p

Packaging and distribution: 3p

Energy costs: 3p

Labour costs: 5p

Overhead costs:

In total overhead costs amount to £100,000 per annum. No breakdown is provided (or needed for this question).

Having identified the various categories of cost, the net profit can be simply derived as follows:

$$\begin{aligned} \text{Net profit} &= (\text{volume} \times \text{unit price}) - (\text{volume} \times \text{variable cost}) \\ &\quad - \text{fixed cost} \\ &= (0.5\text{m} \times \text{£}0.50) - (0.5\text{m} \times \text{£}0.35) - \text{£}100,000 \\ &= \text{loss of } \text{£}25,000 \end{aligned}$$

Question 2: Can this current loss-making be rectified?

This answer can be broken down into a consideration of each of the following areas in turn:

1. Scope to increase the unit price of the product
2. Scope to achieve reductions in the quantum of variable costs or fixed overheads
3. Scope to increase volume sales, and hence reduce the per unit fixed cost

1. Price increase

Interviewer provides the following information - the confectionary manufacturer is a relatively small player that has a distinctive niche in the chocolate market. It already achieves something

of a premium for its product relative to the competition, and management strongly believes that any further premium would have a severely detrimental impact on its sales volumes.]

2. Scope to achieve reductions in costs

[Supplementary question – which areas of cost are most likely to offer scope for achieving reductions]

This question is open-ended and looking to test commercial reasoning / judgement. Examples of points to make:

- **Starting with the variable costs, raw materials** are a large element of the total cost, and would be worth looking at for that reason. However, it may not offer much scope for reduction since a number of the key inputs into chocolate (e.g. cocoa beans, sugar) are **commodities**. There may of course be some scope to achieve better terms for increased volumes, which we consider later.
- Packaging and distribution is also likely to be a relatively commoditised area, although given the niche premium positioning of the product, it is possible that the packaging costs are high relative to the industry. This might therefore be an area worth exploring further.
- Energy: The UK market is competitive and unlikely to offer scope for reduction, although the terms of current contract would need to be investigated.
- Labour: Workforce is unlikely to be highly skilled in this sector, with minimum wage levels setting a potential floor on any scope for reductions. Level of unionisation could also be a consideration, but unlikely to be an issue for a small-scale manufacturer
- Overhead costs – these costs are likely to relate to premise lease costs, depreciation of plant and machinery, and managerial labour overhead. Depending on utilisation of the premises, **relocation to a cheaper location could be considered**. Sales of plant and machinery could reduce the depreciation charge, but may not be feasible whilst maintaining a viable production facility. Overhead labour could also be examined further, but given the total quantum of overhead may not be significant.

[Further guidance is provided that a **working assumption should be made that costs cannot be reduced in any category**]

3. Scope to increase volume sales

Supplementary question - By how much would sales need to be increased in order to achieve break-even?

Break-even can be calculated using the following formula:

$$\begin{aligned} \text{Break-even sales} &= \text{Fixed costs} / \text{Gross profit} \\ &= \text{£}100,000 / \text{£}0.15 \\ &= 666,667 \text{ units} \end{aligned}$$

Given current unit sales of 0.5m, breakeven requires an increase of sales of 33%.

[Supplementary question – **what factors would you want to consider in assessing the potential for an increase in volumes**]

- Firstly, the capacity of the company would need to be investigated. Guidance is provided that for the given cost structure of the facility, volumes could be increased to up to 1m per annum, which exceeds the break-even level.
- Secondly, demand conditions would need to be considered e.g. scope for increasing penetration of the current product into the market. [Guidance is provided that the product is relatively niche, and in its current form is unlikely to find much in the way of additional untapped demand to be exploited].
- White-labelling of the product could also be considered e.g. selling in volume to an up-market supermarket chain to be own-labelled [Guidance is provided that currently no retailer is prepared to offer terms to the manufacturer that allow it to realise its variable costs]
- It might also be worth investigating whether other confectionary products could be produced utilising the existing asset base of the company e.g. alternative chocolate formulations, different-sized bars.

[Supplementary question – the company has identified a potential new confectionary product that it could produce using existing machinery that would allow it to increase sales by 50% (assume the new product has the same unit price and cost structure as the current product). However, some re-tooling of the plant capacity would be required to provide the required production flexibility, and this would cost £150,000. Would you recommend that the company proceed with this additional investment?]

The impact of the £150,000 investment can be evaluated as follows:

$$\begin{aligned}
 \text{Profit impact of retooling} &= \text{incremental sales} \times \text{gross profit} \\
 &= 0.5\text{m} \times 50\% = 250\text{k} \times \text{£}0.15 \\
 &= \text{£}37.5\text{k per annum}
 \end{aligned}$$

The investment therefore offers a 4 year pay-back.

Whether the company should proceed with this investment depends on the company cost of capital. However, at this level of return, it is likely to be a sensible investment.

Difficulty: Medium
 Quant: Easy
 Company: Delta Partners

9.13 Telco A Security Services

Note	<ul style="list-style-type: none"> This is a broad, qualitative strategy case and is to be given in a very open and conversational manner. No hard data is provided - instead, the interviewer should ask the candidate to come up with assumptions and estimates to drive the case forward. Therefore, there is no "right" answer, but the candidate must be able to come up with reasonable assumptions and then follow them logically to a conclusion.
Problem	<ul style="list-style-type: none"> Telco A is the nation's largest provider of local telephone services. They are considering entering the home security market. Should they?

Expected questions and answers

Framework/structure	<p><i>The candidate should explain what framework / structure he / she is going to use to solve the problem</i></p> <p>Good Answer:</p> <ul style="list-style-type: none"> I am going to look at the market size and what share of that the telco can get based on <ul style="list-style-type: none"> Competition Internal capabilities xxx Then I will look at the cost structure to deploy this services for the telco If this mets xx, yy conditions then I would say yes, go for it
----------------------------	---

Priority discussion areas

Market size	<p><i>If the candidate asks for the size of the market, make him/her come up with assumptions and calculate the total market size. A sample calculation based on sample assumptions follows:</i></p> <ul style="list-style-type: none"> Total Households in US: 100M % Households Serviced by Telco A: 50% % Households That Can Afford Service: 50% Annual Subscription Price: \$250 Total Addressable Market: $100M \times 50\% \times 50\% \times \\$250 = \\$6.25B$
Cost structure	<p><i>Ask the candidate to discuss what the cost structure might be for Telco A to enter this market. What are the fixed costs? Variable costs? Does Telco A have a cost advantage over other players?</i></p> <p>Good Answer: The business has very little fixed cost beyond the infrastructure already installed in potential customers' homes (i.e. the existing phone wiring). Customer would need door / window / motion sensors installed, which could be done by a third-party installer and billed to the customer at cost + markup and owned by the customer</p> <p>Variable costs are also very small - essentially just the cost to maintain enough call centre operators to dispatch police when alarms are triggered. Telco A does not seem to have much of a cost advantage over other players, since they are all using the common carrier phone network. Telco A might have some economies of scale in operating the call centre, but this effect would be slight.</p>

Expected questions and answers (1)

Customer segment

Ask the candidate to speculate on the various customer segments and their relative importance, size, and value

Good Answer: We can reasonably divide the customer base into urban and suburban customers, having different needs and different price sensitivities. Urban customers are likely to have lower incomes but a high willingness to pay due to the increased crime rate of the city. Suburban customers are likely to have a higher income but a lower perceived threat due to a lower suburban crime rate. By first-degree price discrimination, it may be reasonable to charge the suburban customers a higher price because they are presumably less price sensitive. We can assume that 50% of customers are urban and 50% suburban

Pricing

Have the candidate come up with a pricing scheme and prices for each of their identified customer segments. There is no right answer, but they must justify why they are setting the price they are. Some areas they might consider:

- Insurance companies generally give breaks on homeowner's insurance for having an alarm. This will increase the EVA to the customer and can inform pricing.
- What other services to homeowners pay for monthly? Cable, phone, DSL. How are the values of these services perceived compared to the value of the alarm?
- Pricing will need to be competitive with other market players.
- The candidate might assume a net margin based on the competitive landscape and use this with assumed market size to determine attractiveness rather than determining an end-consumer price.

2nd priority discussion areas

Competition

- The market is composed of a large number of mom-and-pop alarm company operators. No firm has over 5% market share overall, although there are some strong regional players

Expected questions and answers (2)

Regulation

- The market is not regulated and government regulation is not expected to play a role

Marketing

Ask the candidate what advantages Telco A might have in marketing via a vis its competitors. Keep points the candidate should identify include:

- Telco A has monthly customer contact with a large pool of potential alarm services customers through its phone bills
- Telco A already has brand loyalty for phone service, why not alarm service?
- Sheer size of the company (and deep pockets) make it more able to achieve scale economies in marketing and reach a broad audience.

Conclusion

A star candidate will see that his/her time is nearly up and will present a recommendation for the client without prompting. If the interview is within 3 minutes of the end, ask:

Good Answer: Yes. Telco A possesses several small but important competitive advantages for entering into this new market. It has economies of scale in call center operations that will enable it to be highly cost-competitive in operating a security network. It has an established brand that the consumer associates with reliability as well as with networking and communications - the primary function of a home security system. More importantly, Telco A already reaches 50M households every month through its phone services bill that it could leverage to launch and market this new service. Also, the company has deep pockets and the ability to advertise such a service far more effectively than the small, regional competitors.

The size of the opportunity is large enough for Telco A to consider. Assuming a potential market size of \$6B in Telco A's territory, even at only a 10% share, Telco A can add \$600M in revenue. Given the low cost structure of this business and the high perceived value to the customer, this is likely to be highly profitable revenue as well.

With Telco A's marketing clout and customer reach, the company should be able to gain significant market share and become the national leader in this.

Difficulty: Easy
 Quant: Easy
 Company: Delta Partners

9.14 Project Prioritization for IT Department

Project prioritisation for IT department

- | | |
|-------------------------------|--|
| Initial Information | <ul style="list-style-type: none"> You are doing a project for a mobile virtual network provider (MVNO), entering the market. IT team is overloaded with the requirements and CIO asked you to help with prioritisation of two critical projects, which he received from Marketing and Sales team. How will you help him to solve this challenge? |
| Additional Information | <ul style="list-style-type: none"> Information given when requested: <ul style="list-style-type: none"> Projects do not have any influence on each other Projects can be done at any period of time |

Key Areas of Discussion	Expected Answer
Interview flow	<ul style="list-style-type: none"> Interviewer should identify the way of project assessment: potential impact and/or resources required Assuming that both projects are critical for owners (one is a new tech for the new offer and another technology to improve channels performance), the interviewer should focus on cost assessment Ideally, candidate should propose several dimensions for cost assessment such as time, budget and manpower Both projects are long-term (>1 year) and don't require any extra budget. The key difference between the project is a manpower requirement: <ul style="list-style-type: none"> Project 1 needs 40 hours of project manager time and 100 hours of analyst time per week Project 2 needs 20 hours of project manager time and 20 hours of analyst time per week Candidate should change the focus from demand part to supply and request the following information: <ul style="list-style-type: none"> Available resources - IT department has 3 project manager and 4 analysts Current utilization - project managers are utilized by 50% and analysts are by 40% Making the assumption that each person has 8 hours working day and 5 days a week, candidate should estimate the bottleneck (1 analyst resource) and say that IT department has resources only for project 2
Final solution	<ul style="list-style-type: none"> Interviewer should ask the candidate to summarize the all available information and give the recommendation The exceptional candidate will remember that both projects are long-term and recommend the company to hire one extra analyst to do both projects.

Difficulty: Medium
 Quant: Medium
 Company: Bain

9.15 Company PaintCo

Client Situation

- PaintCo, a Major European industrial goods company, focuses mainly on coatings.
- The performance coatings division wants to develop a growth strategy while maintaining high margins, by looking at the potential of its different businesses.
- One of the businesses which we are looking at now is Vehicle Refinishing, repairing scratches and other paint damage on cars, where our client is #4 globally.
- Vehicle Refinishing is currently one of the more profitable businesses in PaintCo's portfolio, selling premium and commodity refinishing products which come with a wide array of services - from training to free equipment.
- The client wants to find out what EBITDA growth it can expect from its Vehicle Refinishing business going forward.

Steps to suggested case solution:

1. Split EBITDA growth into market growth, acquisitions and profitability increase
2. Estimate market growth bottom up
3. Look at potential acquisitions
4. Look at profitability increase
5. Place refinishing in the portfolio, taking everything into account

Step 1: Structure the problem

EBITDA growth tree

- Market growth
- Acquisitions
- Profitability increase
- Mix effects
 - Price
 - Cost

Alternative:

- Revenue increase
 - Price / unit
 - Mix effects
- Volume increase
 - Acquisition
 - Market growth
- Cost decrease

Step 2: Market Growth

Estimate the growth of the refinishing market (rough estimates are sufficient, no need for an exact %)

(Tests creativity by asking details on the potential drivers of each element)

Market growth: +

Number of cars: +

Population: +

Cars / person: ++

Car accidents involving paint damage: -

Distance travelled / car: =

Accidents / km travelled: -

Road infrastructure

Safety equipment in car

% damage repainted: =

Insurance coverage: +

% insured cars declared total loss: -

% non-insured cars repaired: =

Paint / car: -

layers: =

Thickness of 1 layer: -

Price of paint: ++

Step 3: Potential Acquisition.

(Tests business insight - a plus, but not critical to get this)

We've done a screening of some potential targets, but although interesting, the bigger targets have high synergies with their automotive OEM "factory" paints, which we are not selling. Automotive OEM paints have a much lower margin.

OK so we will either need to pay for synergies we won't have or acquire a lower margin business which will not help our profitability objective.

Step 4: Profitability Increase

(Tests analytical skills)

Drivers are

- Prices
- Costs
 - Raw materials
 - Production
 - SG&A
 - R&D
 - Overhead

Half of our products are premium paints, which sell at 25 EUR /liter, the other half are commodity selling at 15 EUR /liter. We do not expect this mix to change

(Give Figure 1: cost bar slide)

Raw materials and sales are the largest cost elements.

Raw material cost is in line with the benchmark, but sales is not.

When you compare costs of premium products to commodity, what do you see?

SG&A is almost as high in commodity as in premium. Couldn't we cut back services in commodity customers?

(Give Figure 2, customer survey slide)

Premium gives high importance to service. For the others, price is key. It seems feasible that cutting commodity services will have no major impact on its sales.

Suppose we could cut our SG&A costs for commodity products by 50%, what would our new total EBITDA margin be?

- *Commodity sales cost: 4 €/liter*
- *50% savings is 2 €/liter*
- *New cost: 11 €/liter*
- *Average cost: 50% * 11 €/liter + 50% * 19 €/liter = 15 €/liter*
- *Average price: 50% * 15 €/liter + 50% * 25 €/liter = 20 €/liter*
- *Margin = 1 - 15 €/liter / 20 €/liter = 5 €/liter / 20 €/liter = 25%*

Step 5: Recommendation

Given what you know, how would you position the vehicle refinish business in the company's portfolio? Would you invest, divest or maintain? Why?

Invest if possible, maintain otherwise

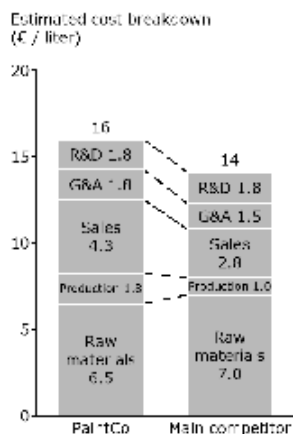
(Looking for elements such as:

- Good growth & margin
- More profitable in PaintCo's portfolio
- #4 position
- Acquisitions will be difficult)

FIGURE 1

PaintCo has a higher cost base than its main competitor

PAINTCO HAS A HIGHER COST COMPARED TO ITS MAIN COMPETITOR



PAINTCO'S COMMODITY PRODUCTS HAVE A LOWER COST THAN PREMIUM

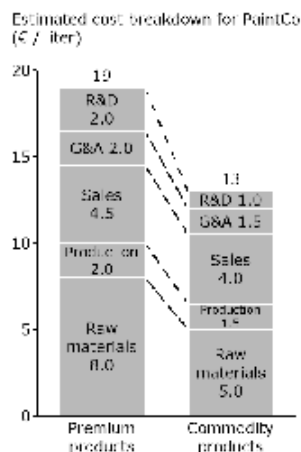
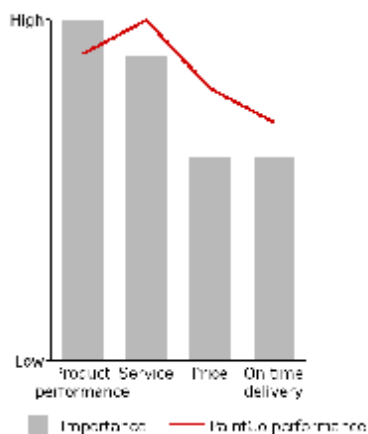


FIGURE 2

Customer survey reveals performance is key for Premium, price for Commodity

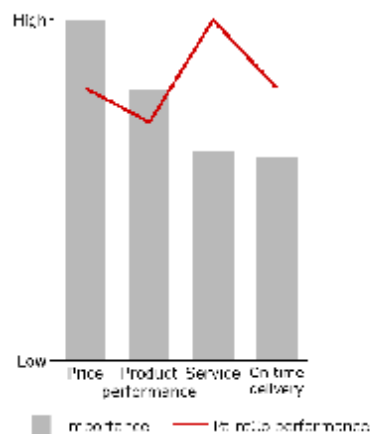
PREMIUM PRODUCTS

Key purchase criteria for Premium products (Customer survey, N = 104)



COMMODITY PRODUCTS

Key purchase criteria for Commodity products (Customer survey, N = 95)



Difficulty: Medium
 Quant: Medium
 Company: OC&C Strategy

9.16 Heavy-Duty Soap (OC&C Strategy)

Part 1: Context

Our client, Clean Inc., is a manufacturer of heavy-duty soap with most of its £200m in revenues concentrated in Europe and the US. They sell soap to four client segments: healthcare, industry, commercial, and food.

They have asked us to help them think about potential growth opportunities in both their existing markets and elsewhere.

Part 2: Market Sizing

Let us start by looking at one of Clean’s core markets, the UK, where the company generates 20% of its sales. How would you go about sizing the market for Clean’s products in the UK?

[A good answer will introduce two possible approaches (bottom-up and top-down) and discuss benefits/drawbacks of each. The selected approach should be bottom-up, at which point the interviewer will provide you with a data table :

	# of Employees	Usage per Employee	Spend per Usage
Healthcare	5m	10L a year	
Industry			
Commercial		2.5L a year	£1.00/L
Food	1m		

a) Introduce approach

- $Market\ Size = number\ of\ Employees\ (i.e.\ users\ of\ soap) * Spend\ per\ Employee$
 - Specify differences in both inputs by client segment
- b) Analyse each input separately
- $Spend\ per\ Employee = Usage\ per\ Person * Spend\ per\ Usage$
 - » Specify time as part of calculations (per day, per year)
 - » (Bonus) Mention distinction between MSP and RSP in value sizing of market
 - » (Bonus) Mention penetration rate by segment (in the UK it’s 100% for this case)
 - Candidate should proactively estimate numbers based on sensible assumptions
 - » Fill in the blanks in the data table in Exhibit 1
 - (Bonus) Sense checks you answer. For example:
 - » Market share of Clean in UK is 40%
 - » Personal experience on soap usage (amplified to account for heavier use)
 - (Bonus) Mention Impact of external factors, such as regulation, health scares, innovation, etc.

	# of Employees	Usage per Employee	Spend per Usage	Spend per Employee	Market Size
Healthcare	5m	10L a year	£1.50/L	£15.0	£75m
Industry	5m	5L a year	£2.00/L	£10.0	£50m
Commercial	10m	2.5L a year	£1.00/L	£2.5	£25m
Food	1m	5L a year	£2.00/L	£10.0	£10m
					£160m

Part 3: Growth Opportunities

Question A: Now let us talk about the potential growth opportunities for Clean. Before we get into specifics, how would you think about the ways that our client could grow?

Answer A: Here you should introduce a relevant framework to identify areas of growth. Examples frameworks include:

- 2x2 with New/Old Products vs Existing/New Customers works well
- Domestic v. International is an important angle
- Innovation and new products is also key
- (Bonus) Identify growth drivers tied to either Price (Spend per Employee) or Volume (Usage per Employee)
- (Bonus) Call out likely evolution of Number of Employees in each sector (e.g., declining in Industry due to automation)

Question B: Can you think of a few potential growth opportunities for each of the areas you have identified?

Answer B: open ended – no correct answer

Part 4: New Product

Context: Clean has been working for the past 10 years on an innovative new product: an electronic group monitoring system for soap usage. Their product consists of a sensor attached to a soap dispenser that registers every time someone uses it; sensors are wirelessly linked to a central database to generate reports.

Pilot trials have started in two hospitals and the initial results have been encouraging. It is now up to us to advise the CEO if he should go ahead with the project or not.

Question A: What do you think will be the impact of this new product for the company? The market? What are the implications for Clean’s strategy?

Answer A: you should structure your answer to cover most of the following:

- Size of opportunity (potential market)
- Time horizon for payback
- Investment required
- Profitability of product
- IRR/NPV or other kind of internal threshold used for go/no-go decisions

- Expected market share of Clean
- Other competitors
- Other types of products that achieve the same results (e.g., badges on users)
- Sectors to which this product would be attractive
- Demand and expected take-up of potential clients
- (Bonus) external drivers to make product attractive (eg, high cost of low hand-washing compliance in healthcare)

Question B: Based on the data in Exhibit 3, what are the expected profits by 2018 if they decide to go ahead with this product?

Answer B

Information for Part 3

- Global electronic monitoring market size: £10m 2014, £50m 2018, £250m 2025
 - Group monitoring share of market: 60% (the rest are individual tracking systems with badges)
 - Investment required: £5m in 2014, £2m every year afterwards
 - Margins of product: 30%
 - Margins of Clean total: 25%
 - Payback time horizon: 5 years
- Assume linear market size growth (2014: £10m, 2015: £20m, 2016: £30m, 2017: £40m, 2018: £50m)
 - Calculate yearly revenues with 60% share of product and 60% Clean market share
 - » 2014: £3.6m; 2015: £7.2m; 2016: £10.8m; 2017: £14.4m; 2018: £18m
 - » Total Revenues: £54m
 - 30% Margin = £16.2m
 - Investment required = £13m (£5m in 2014, £2m in 2015, £2m in 2016, £2m in 2017, £2m in 2018)
 - Net Profit: £3.2m (25% return)

Difficulty: Medium
 Quant: Easy
 Company: OC&C Strategy

9.17 Vitamins Retailer

Part 1: Context

Our client is a leading specialist vitamins retailer, directly operating c.500 stores in the UK. Their products include vitamins, minerals and supplements, all sold as pills in bottle format (for the sake of simplicity).

Part 2: Market Sizing and Growth Drivers

Question 2a: How large is the UK vitamins market? (i.e. total annual spend on vitamins)

Answer 2a: A good answer will introduce two possible approaches (bottom-up and top-down) and discuss benefits/drawbacks of each. One solid approach would be bottom-up starting with the UK population and based on average spend, segmented by age bracket. You should make sensible assumptions around penetration & volume consumed by age bracket and support your assumptions with a clear rationale.

1) Introduce approach

- Market Size = Number of People (by age bracket) * Penetration rate * Annual spend per person
- Specify differences in both inputs by client segment

2) Analyse each input separately

- Number of people: start with the total UK population and break into sensible brackets with similar consumption levels
- Penetration rate: explain rationale behind your assumptions and why the penetration levels are different across the age brackets
- Annual spend: keep it simple and be practical. Think about the fact that vitamin is typically sold in bottles that can last several months, meaning that this is not a monthly purchase, making an annual spend the better metric to use here (as opposed to monthly)

Example calculation shown in Exhibit 1, resulting in a £1bn UK market.

Question 2b: Let us assume that the UK vitamins market is £1bn, what are its underpinning growth drivers? Moreover, do you believe that this market will grow in the future?

Answer 2b: A good approach is to structure the growth drivers in line with the metrics used to size the market in the previous question

- Ageing population means will shift the weight to the higher spenders therefore driving the market size up
- Greater public awareness about the benefits of vitamins and supplements is likely to drive up penetration across all age groups
- More government campaigns about nutritional requirements is

similarly likely to drive higher consumption

- Product innovation, such as the introduction of multi-vitamins, is likely to drive consumption

» (bonus) worth flagging that new products can drive high adoption at first, but may just be a temporary fad

- The rise in specialist diets can drive higher penetration levels and spend (e.g. supplements for people on a free-from/vegan diet or with intolerances)

- (bonus) Increased availability of products as they are accessible via more retail channels, such as grocers, online and D2C subscription services

Part 3: Product Margins

Question 3a: The client sells both branded products and own-label products. Which are more attractive to sell from a margin perspective?

Answer 3a: Here you should break down the product economics and highlight the differences between the two product types.

The own-label products will be cheaper to sell, but substantially cheaper to purchase (because there are many potential suppliers relative to branded products). The branded sellers may be able to exhibit supplier power.

(Bonus) When thinking about price promotion, the Client has more control on depth of promotion for own-label products but on the downside, the investment in promotion has to be fully covered (i.e. not shared with the brand).

(Second Level Bonus) You can ask if the Client manufactures their own-label products, and if they do then their margins are higher than on branded products because the Client captures both the RSP and MSP, as opposed to losing the MSP to the manufacturer of branded products.

Part 4: Investment Thesis

Question 4a: Given what we have learnt about the market, and by looking at below two charts on the channel shift & our client's revenues, would you invest in this business? Why?

Answer 4a: This is a very attractive business due to several reasons, which you should be able to derive following a logical framework far

1) Is the market attractive?

- Yes, as established in Part 3, the market is growing

2) Is it aligned with channel trends?

- Mostly yes, using Exhibit 2 the specialist retailer channel mix appears stable
- (Bonus) Another good point to add here is that the threat from online might be a concern in the future, therefore the business

should be prepared to expand their offer online if the market starts to shift in that direction

3) Is the business well positioned with consumers?

- Yes, the Client is clearly to dominant player in this market. From Exhibits 2 and 3, you can derive the Clients' market share (18-20%)

4) Is the business growing?

- Yes, you should first note from Exhibit 3 that Clients' revenues have consistently grown over the past 5 years, and from Exhibits 2 & 3 that their growth was far ahead of market growth (11% vs 4%)

Question 4b: As the new owner, how would you grow this business?

Answer 4b: Here, you should come up with several ideas to grow the business and elaborate on each. These questions are often to test your creativity rather than focusing on a particularly clever structure. Some examples are:

- Introduce new products and new formats (e.g. different size of bottles, new vitamin mix)
- Rollout more stores in the UK with similar catchment characteristics to strong performing existing stores
- Introduce online sales via own website. (Bonus) Discuss that this is a pre-emptive move in the face of Amazon and online pure plays entering this category
- Introduce products in adjacent categories to drive basket size (e.g. healthy snacking, natural beauty products)
- Introduce a subscription scheme
- Expand to attractive international markets with similar characteristics to the UK. This can be by opening own stores, franchising stores, and/or wholesales to local retailers. Conditions for market selection include:
 - o Large and growing vitamins market
 - o Similar consumption per capita & comparable consumer attitude to vitamins
 - o Similar competitive landscape
 - o Easy product compliance processes (no import challenges)
 - o No regulatory challenges (e.g. do not enter countries where vitamins are only sold at pharmacies by law)

EXHIBIT 1: ANSWER TO PART 2

Age Bracket	Population (millions)	Penetration Level (%)	Number of Bottles Purchased per Year (#)	Annual Spend per Person (£)	Annual Spend per Age Bracket (£)
<20	10m	10%	3	£15	£15k
20 – 30	10m	25%	5	£25	£63k
30 – 40	10m	25%	10	£50	£125k
40 – 50	10m	40%	10	£50	£200k
50 – 60	10m	40%	15	£75	£300k
60+	10m	50%	15	£75	£375k
	60m				£1bn

Key Assumptions

- UK population: 60m
- Linear population distribution
- 100 pills per bottle
- Price of a bottle: £5

EXHIBIT 2: VITAMINS MARKET BY CHANNEL (£BN), 2012-16

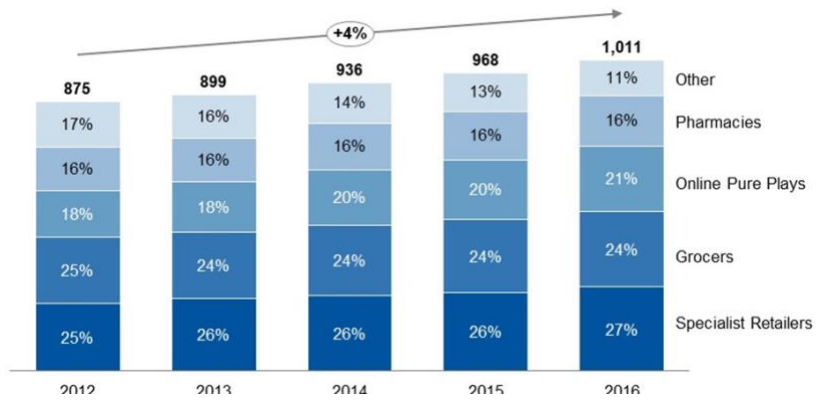
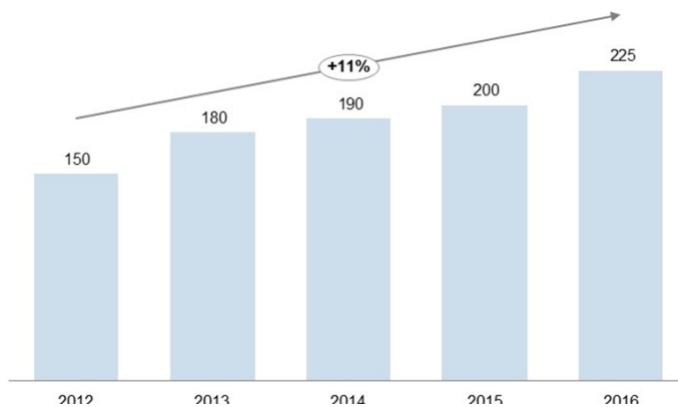


EXHIBIT 3: CLIENT REVENUE (£M), 2012-16



Difficulty: Medium
 Quant: Medium
 Company: Parthenon-EY

9.18 Gotham University

About the case:

This case is about Gotham University, which is a university in the City of Metropolis that is spread across three campuses (which are each a ~20 minute bus / tube ride away from each other)

It is currently a low ranked university in the City of Metropolis

Over the past five years, Gotham University has experienced declining enrolments

Gotham University is currently loss making (i.e. operates an annual financial deficit)

Advice to candidates:

If you don't understand something, please ask for clarification

There are no 'tricks' here – we are trying to find out what you can do, not if we can catch you out

Take the time to think through your answer and structure your response

Please write down your workings clearly on the sheets of paper provided so that your interviewer can follow along

Please keep working through even as your interviewer is taking notes

FOR CANDIDATE (Q2):

DATA FROM GOTHAM UNIVERSITY

Cash Reserves (in the bank before the start of the 2015/16 academic year)	£35M
Number of Students in 2015/16	12,000
Expected Annual Growth in Student Numbers	-15%
Annual Revenue per Student	£9,000
Revenue per Student Increase in 2017/18	10%
Annual Fixed Costs	£40M
Annual Variable Costs (% of student revenue)	80%

Questions for candidates

Q1. Gotham University is currently loss making.

1a. What do you think could be driving this loss making status?

1b. Which of these drivers do you think is most important?

Q2. Before the start of the 2015/16 academic year, the university had £35M in cash reserves, which was accumulated from selling part of the estate.

2a. Based on the estimated student numbers and expected costs (on the following data sheet), in what academic year do you expect the university to run out of cash?

2b. We were provided this data by Gotham University. If you could check any one of these numbers to ensure its validity, what number would you check? (Diagram for Question 2)

Q3a. What can Gotham University do to fix the fact that it is loss making (assuming you can impact all variables)?

Q3b. And which of these potential solutions would you prioritise?

FOR INTERVIEWER:

GOTHAM UNIVERSITY CASE EVALUATION (1 OF 3)

Question	Poor	Average	Good	Excellent
<p>1. Gotham University is currently loss making.</p> <p>a. What do you think could be driving this loss making status?</p> <p>b. Which of these drivers do you think is most important?</p> <p><i>(5 mins)</i></p>	<ul style="list-style-type: none"> Does not structure the question and does not get the most important drivers 	<ul style="list-style-type: none"> Mentions either the revenue or cost drivers, or mentions both but lacks structure and misses several points 	<ul style="list-style-type: none"> Structures the problem into the drivers of revenue and costs Picks up on the key drivers: <ul style="list-style-type: none"> Revenue: student fees, student numbers, additional revenue sources (i.e. cafeteria, housing, etc.) Fixed Costs: rent, investment in the estate (refurbishments) Variable Costs: academic faculty, administrative staff 	<ul style="list-style-type: none"> Achieve all 'good' criteria Understands the importance of student numbers in driving a profitable business given the material fixed costs associated with this business <ul style="list-style-type: none"> Identifies that the market context be contributing to falling enrolment (i.e. rising competition, changing needs of students) Understands that a shrinking university m struggle to right size its cost base (potentially resulting in: high teacher / student ratios, poor estate utilisation, inability to scale down central admin costs etc.)
<p>2. Before the start of the 2015/16 academic year, the university had £35M in cash reserves, which was accumulated from selling part of the estate.</p> <p>a. Based on the estimated student numbers and expected costs (on the following data sheet), in what academic year do you expect the university to run out of cash?</p> <p>b. We were provided this data by Gotham University. If you could check any one of these numbers to ensure its validity, what number would you check?</p> <p><i>(10 mins)</i></p>	<ul style="list-style-type: none"> Can't do calculation in year 1 Significant mathematical errors 	<ul style="list-style-type: none"> Can get many of the calculation but needs help and guidance in all years 	<ul style="list-style-type: none"> Sets up a table for each year Does the calculation in each year correctly but misses a few of the data points 	<ul style="list-style-type: none"> Achieve all 'good' criteria Gets almost everything correct

FOR INTERVIEWER:

GOTHAM UNIVERSITY CASE EVALUATION (2 OF 3)

Question	Poor	Average	Good	Excellent
<p>1. Gotham University is currently loss making.</p> <p>a. What do you think could be driving this loss making status?</p> <p>b. Which of these drivers do you think is most important?</p> <p><i>(5 mins)</i></p>	<ul style="list-style-type: none"> Does not structure the question and does not get the most important drivers 	<ul style="list-style-type: none"> Mentions either the revenue or cost drivers, or mentions both but lacks structure and misses several points 	<ul style="list-style-type: none"> Structures the problem into the drivers of revenue and costs Picks up on the key drivers: <ul style="list-style-type: none"> Revenue: student fees, student numbers, additional revenue sources (i.e. cafeteria, housing, etc.) Fixed Costs: rent, investment in the estate (refurbishments) Variable Costs: academic faculty, administrative staff 	<ul style="list-style-type: none"> Achieve all 'good' criteria Understands the importance of student numbers in driving a profitable business given the material fixed costs associated with this business <ul style="list-style-type: none"> Identifies that the market context be contributing to falling enrolment (i.e. rising competition, changing needs of students) Understands that a shrinking university m struggle to right size its cost base (potentially resulting in: high teacher / student ratios, poor estate utilisation, inability to scale down central admin costs etc.)
<p>2. Before the start of the 2015/16 academic year, the university had £35M in cash reserves, which was accumulated from selling part of the estate.</p> <p>a. Based on the estimated student numbers and expected costs (on the following data sheet), in what academic year do you expect the university to run out of cash?</p> <p>b. We were provided this data by Gotham University. If you could check any one of these numbers to ensure its validity, what number would you check?</p> <p><i>(10 mins)</i></p>	<ul style="list-style-type: none"> Can't do calculation in year 1 Significant mathematical errors 	<ul style="list-style-type: none"> Can get many of the calculation but needs help and guidance in all years 	<ul style="list-style-type: none"> Sets up a table for each year Does the calculation in each year correctly but misses a few of the data points 	<ul style="list-style-type: none"> Achieve all 'good' criteria Gets almost everything correct

FOR INTERVIEWER:

GOTHAM UNIVERSITY CASE EVALUATION (3 OF 3) - CASH FLOW CALCULATION

Assumptions

Cash Reserves (Before the start of 2015/ 16)	35,000,000
Number of Students (2015/ 16)	12,000
Expected Annual Growth in Student Numbers	-15%
Revenue per Student	9,000
Increase in Student Fees in 2017/ 18	10%
Fixed Costs	40,000,000
Variable Costs (%of student revenue)	80%

	2015/16	2016/17	2017/18
Fees per Student	9,000	9,000	9,900
Number of Students	12,000	10,200	8,670
Total Revenue	108,000,000	91,800,000	85,833,000
Fixed Costs	- 40,000,000	- 40,000,000	- 40,000,000
Variable Costs	- 86,400,000	- 73,440,000	- 68,666,400
Total Costs	- 126,400,000	- 113,440,000	- 108,666,400
Profit / Loss	- 18,400,000	- 21,640,000	- 22,833,400
Cash Reserves	16,600,000	- 5,040,000	- 27,873,400



Gotham University runs out of cash in 2016/1

Difficulty: Medium
 Quant: Medium
 Industry: Parthenon-EY

9.19 Premium Paints

About the case:

This case is about Premium Paints Ltd., (PPL) a company that sells “premium” paints for the interior and exterior of homes. For now, the company only sells paint in the UK

“Premium” or “posh” paints are priced at a premium to “standard” paints, and market themselves as having better colour density and a better finish than “standard” paints

The market for premium paints has grown substantially over the last two decades, and this growth has been led by PPL. PPL is the market leader in premium paint with sales of 4M litres of paint in 2013

PPL has hired Parthenon to answer three questions:

- Q1. What % of UK households does PPL serve with its paint products?
- Q2. How large (£) is the total premium paint market in 2013?
- Q3. What % of total paint sales (£) were premium paint sales in 2013?(slide on UK paints market summary plot)

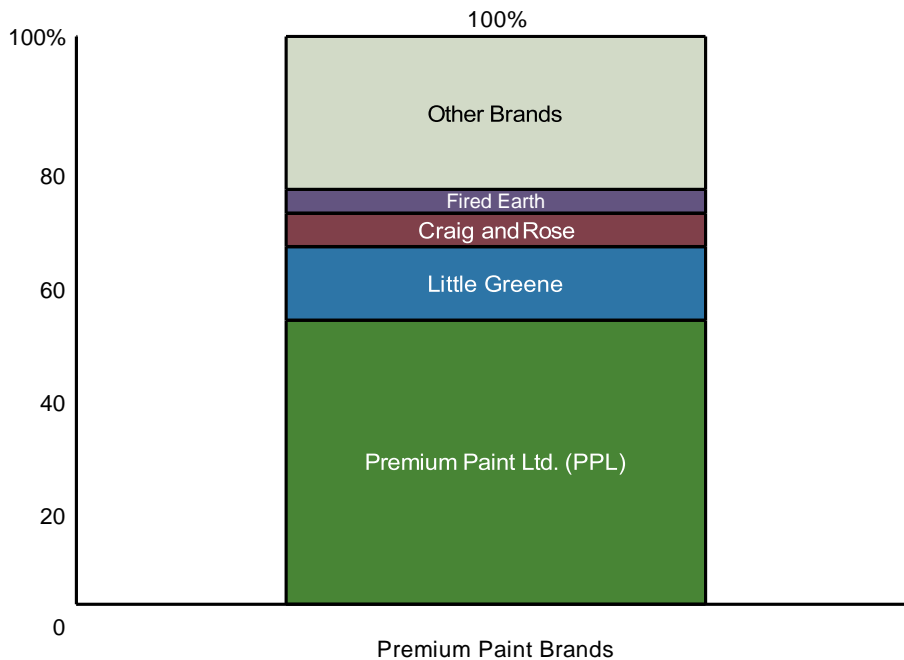
Additional Information on UK Paints Industry

- 1. PPL only sells paint in 5L tins
- 2. The average price per litre of premium paint is £20; the average price per litre for standard paint is £10
- 3. On average, people paint 4 rooms per redecoration
- 4. On average, it takes 5L of paint per room

Advice to candidates:

If you don't understand something, please ask for clarification
There are no 'tricks' here – we are trying to find out what you can do, not if we can catch you out
Take the time to think through your answer and structure your response
Please write down your workings clearly on the sheets of paper provided so that your interviewer can follow along
Please keep working through even as your interviewer is taking notes

FOR CANDIDATE: UK PAINT MARKET
MARKET SHARE OF PREMIUM VS. NON-PREMIUM PAINTS (VOLUME)



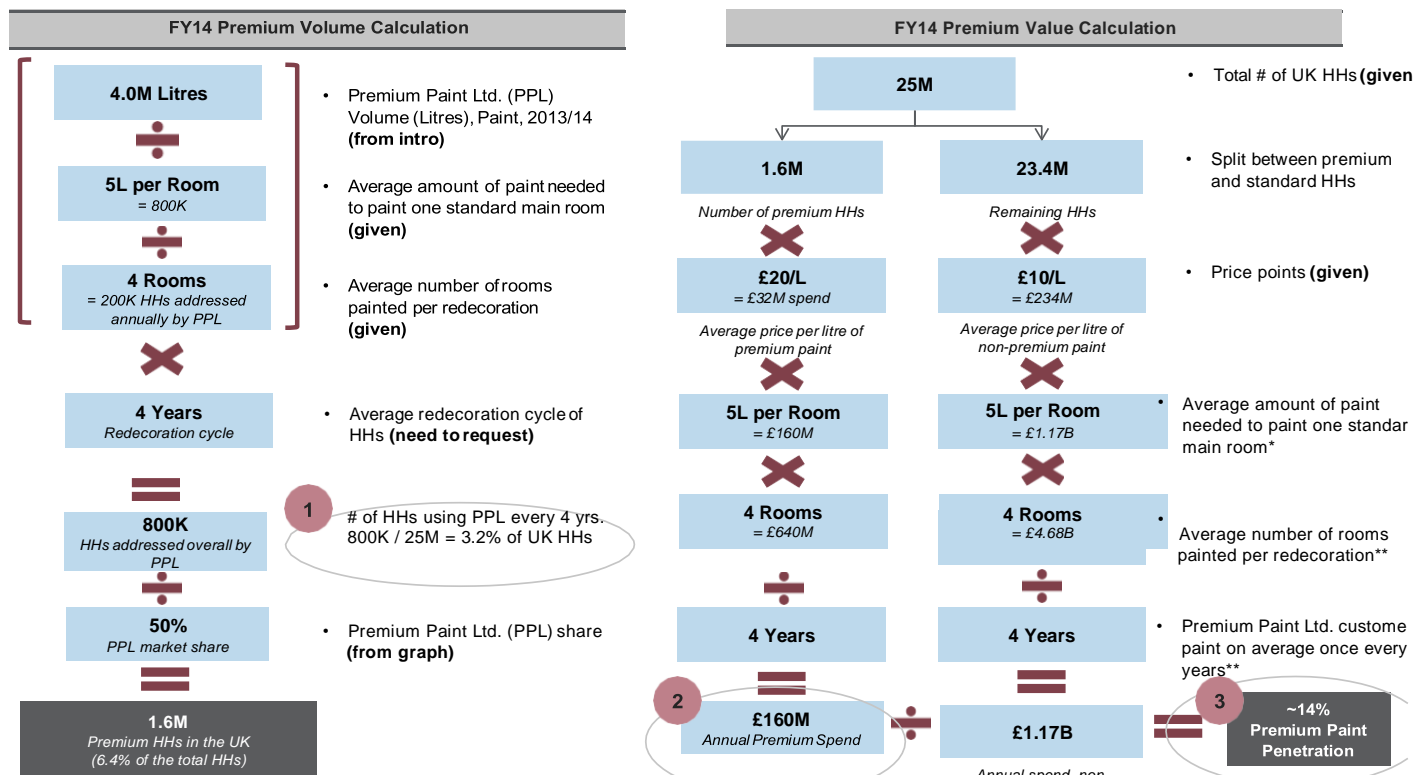
Premium Paints Ltd. (PPL)
 Share of "Premium" Paints Market 50%

PREMIUM PAINTS QUESTIONS

Question	Poor	Average	Good	Excellent
<p>Premium Paint Ltd sold 4M litres of paint in 2013. What percent of UK households are being “addressed” [definition: when they paint, they use PPL] by PPL?</p> <p>(10-15 mins)</p>	<ul style="list-style-type: none"> Limited view on required assumptions No meaningful structure Significant assistance required in developing problem solving approach Significant mathematical errors 	<ul style="list-style-type: none"> Asked for some, but not all the data points needed Non-MECE structure Not fully sensible approach to problem solving / needed prompts Some minor mathematical errors 	<ul style="list-style-type: none"> Identified the right data-points to get to the number of HHHs using PPL share and volume Market sized with a clear, MECE structure Clearly arrive at the number of HHHs using PPL in one year When prompted quickly pick-up on the redecoration cycle 	<ul style="list-style-type: none"> Achieve all 'good' criteria Move from number of people using PPL in one year seamlessly to number of HH being addressed, identifying that a redecoration cycle assumption might be necessary
<p>How big is the total premium paint market in the UK in 2013?</p> <p>(5 mins)</p>	<ul style="list-style-type: none"> Missed volume link to value 	<ul style="list-style-type: none"> Got volume link to value, but mathematical errors 	<ul style="list-style-type: none"> Needs to be prompted to ask for the share of premium paint or to move from value to volume However, when prompted the maths is executed well 	<ul style="list-style-type: none"> Achieve all 'good' criteria Understands the need to move from volume to value and then PPL value to total premium value
<p>What % of total paint sales were premium paint in 2013?</p> <p>(5 mins)</p>	<ul style="list-style-type: none"> Needing prompting to link premium calculation to remainder of UK HHHs 	<ul style="list-style-type: none"> Linked to remainder of HHHs, but answered in value not percentage and made mathematical errors 	<ul style="list-style-type: none"> Linked to remainder of HHHs, made minor mathematical errors 	<ul style="list-style-type: none"> Made no errors in approach maths
<p>Additional Questions (if time):</p> <p>Do you think other markets would be attractive for international expansion? How would you go about assessing the most attractive opportunities?</p>	<ul style="list-style-type: none"> Off the cuff view, binary answer, without any strong rationale 	<ul style="list-style-type: none"> Some consideration of factors that might make a market attractive, e.g., percentage of market that is premium, premium paint momentum, presence of incumbents 	<ul style="list-style-type: none"> Further developed views on market considerations, some level of prioritisation 	<ul style="list-style-type: none"> Thoughtful identification of market attractiveness factor clear prioritisation based on logical assumptions of importance

Note: Candidates will have to make the assumption that all 25M HHHs in the UK will undertake redecoration projects within 4 year cycles, and that when they undertake these redecoration projects they choose to paint (as opposed to wall paper, for example) Better candidates will ask on this assumption / identify this is an assumption they will have to make

ADDRESSABLE MARKET – CURRENT PENETRATION (PREMIUM AND TOTAL MARKET CALCULATIONS)



Difficulty: Easy
 Quant: N/A
 Company: Oliver Wyman

9.20 Best Buy

Format:

You will present your response to this case question in front of a panel of two Partners/Consultants for 30 minutes. You should expect to present your response for approximately 15 minutes, and the panelists will use the remaining time to ask any questions. A whiteboard will be available in the room and you may bring notes/exhibits with you.

Case question:

The CEO of Best Buy (consumer electronics retailer) calls you and shares the following situation: Our US retail store sales are declining because people are basically coming in, looking at products, and then going home and buying them online more cheaply elsewhere. I want to augment our revenue model by charging electronics manufacturers an annual showroom fee to carry their products in our store. I am meeting with Samsung in 2 months to tell them this and I need help figuring out how much of a showroom fee I should ask for. What would your approach be to solving this problem for me over the next 2 months in advance of the meeting?

Guidance:

- You are expected to present an approach, not the answer – focus on how you would solve this problem if you had time and resources
- Be structured
 - Establish an objective – what are we really trying to solve?
 - Define a method – What are the key areas that a project would need to focus on in order to accomplish this objective?
 - Prioritize – what are the important areas to focus on vs. the less important ones?
- Be analytical – this case isn't about doing math on the spot but it is imperative that you demonstrate fluency in analytical concepts.
 - What analyses would you need to do to accomplish the objective and what information would you need?
 - Use and talk through exhibits to help the panel understand your approach
- Be creative
- Please note, you are not permitted to use mobile phones or other electronic devices as part of your case preparation

Answer Guidance for interviewers – not to be given to candidates

- Candidates should frame the basic problem:
 - The basic objective is to generate revenue from doing something that Best Buy already does and doesn't get paid for: serving as an electronics showroom
 - The fundamental issue is that this is a one-sided value exchange that Best Buy is trying to make less one-sided – so we're trying to identify a zone of potential agreement. There are two outcomes with different payoffs to the two parties:
 - Best Buy keeps carrying Samsung
 - Best Buy gets the showroom fee (+) AND whatever revenues they get from selling Samsung products (+)
 - Samsung pays the showroom fee (-) BUT keeps the revenues (+) that they generate 1) directly from their sales at Best Buy and 2) sales that occur elsewhere but where the consumer's decision was influenced by seeing the product at Best Buy
 - Best Buy stops carrying Samsung
 - Best Buy loses revenues from selling Samsung products (-)
 - Samsung loses revenues from Best Buy sales and other sales that benefitted from the Best Buy showroom (-)
 - There are a few twists that influence these numbers
 - The showroom effect may not work equally for all products – perhaps consumers do want to touch and feel Samsung phones before buying but not DVD players (ie, they may be very content just to buy online). Therefore Samsung may not be willing to pay Best Buy anything for DVD players but they would for phones
 - Samsung would also care if Best Buy also carried competitors' products – if Best Buy carried lots of near-substitutes, Samsung would pay less for the privilege of showrooming. If Best Buy locked out competitors, then Samsung would pay more for that.
- The approach should try to size the magnitudes of the various (+) and (-) effects taking into account these twists

Difficulty: Easy
 Quant: N/A
 Company: Oliver Wyman

9.21 Amazon Prime

Format:

You will present your response to this case question in front of a panel of two Partners/Consultants for 30 minutes. You should expect to present your response for approximately 15 minutes, and the panelists will use the remaining time to ask any questions. A whiteboard will be available in the room and you may bring notes/exhibits with you.

Case question:

The Head of Strategy of Amazon (ecommerce retailer) wants to hire us to address the following issue:

“It’s been almost a decade since we launched Amazon Prime in 2005, a subscription service that provides free 2-day shipping to customers for an annual fee. The CEO wants to know 1) how profitable the program has been and 2) what changes should be made going forward to increase profitability.”

The team asks you to take a first crack at the approach (NOT the answer). You have 30 minutes to prepare and then present to your fellow consultants

Guidance:

- You are expected to present an approach, not the answer – focus on how you would solve this problem if you had time and resources
- Be structured
 - Establish an objective – what are we really trying to solve?
 - Define a method – What are the key areas that your approach would need to focus on in order to accomplish this objective?
 - Prioritize – what are the important areas to focus on vs. the less important ones?
- Be analytical – this case isn’t about doing math on the spot but it is imperative that you demonstrate fluency in analytical concepts.
 - What analyses would you need to do to accomplish the objective and what information would you need?
 - Use and talk through exhibits to help the panel understand your approach
- Be creative
- Please note, you are not permitted to use mobile phones or other electronic devices as part of your case preparation

Answer Guidance for interviewers – not to be given to candidates

- Candidates should frame the problem:
 - The key questions are already stated as evaluating the profitability of the Amazon Prime program and finding ways to improve its profitability
 - Determining profitability involves an assessment of the relative revenues and costs of having the program versus not
 - Improving profitability involves identifying the drivers of profitability and understanding how to impact said drivers
- Determining profitability can progress in various stages of sophistication
 - Basic assessment identifies revenue from membership fees and sales and costs of shipping
 - More sophisticated answers address net profit relationship between revenues from membership fees and additional sales from the free 2-day shipping offer that Amazon hopes generate enough profit to offset shipping costs, taking into account how Prime members will be skewed towards higher annual shipping costs
 - The most sophisticated candidates would devise analysis to investigate the purchase behavior of Prime members and how they differ from non-Prime members to arrive at the net profitability of the program
- Candidates should identify and clearly justify ways to impact the drivers of profitability, invoking concepts such as:
 - Customer segmentation to divide customers into casual customers who occasionally buy one-off items from Amazon and habitual customers who regularly purchase everyday items from Amazon. This can be done via purchase volume, frequency, or purchase category (phone vs toilet paper). The idea is to identify ways to shift more customers from casual to habitual to improve overall profitability via targeted offers, new services, etc.
 - Price optimization to determine the profit-maximizing annual membership fee by inferring customers’ utility functions based on which customers choose to enroll in Prime historically
 - Competitive advantage, whereby Amazon invested heavily in its logistics infrastructure to support the Amazon Prime program by dramatically lowering the costs of offering free 2-day shipping via warehouse optimization and better inventory management
- Candidates should clearly articulate at each step what results they would need to see in their analysis to support their conclusions
- Direct candidates away from answers that refer to other Amazon services that distract from the case (e.g., Subscribe & Save, Amazon Student)

10/

Conclusion

We hope that the INSEAD Consulting Club Handbook will prove useful to all INSEAD students in finding both summer internships and full-time jobs in consulting.

Please consider this book as one source of preparation for a career in consulting. The INSEAD Consulting Club in association with Career Services organizes a range of events throughout the year which also help you prepare. Some of these events include peer to peer mock case interview sessions, ex-consultant INSEAD students sharing 'a day in the life of a consultant' experiences

and group crack the case sessions. Please make the most of these stimulating events, in addition to seeking more informal opportunities to practice cases with colleagues and friends.

We would welcome any feedback on improvements or general comments about the book, to ensure that future editions incorporate these suggestions and build on the last one. Please email: club-consulting@insead.edu.

All the best!

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