FOURTH EDITION

CASE IN POINT

Complete Case Interview Preparation

MARC P. COSENTINO

"With humor and insight, Marc gets students thinking about how to use the case interview as a showcase of their talents rather than an obstacle to their employment."
Nancy Saunders,
Assistant Director, Office of Career Services, Harvard University

CaseQuestions.com

AMAZON REVIEWS

★★★★★ **Secret to success — Consulting Case Interviews.** In graduate school I browsed many books on consulting case interview preparation. This was the only book I read. The clear, consistent way of thinking through how to manage case interviews made sense. Rather than focusing on formulas, frameworks (e.g., Porters Five Forces), or just examples, Cosentino classifies cases into sensible categories and coaches the student through how to think about answering. Additionally, he gives valuable tips on how to get comfortable in the interview.

The true proof however was that I interviewed with the two top strategy consulting firms and received offers from both. I would highly recommend this book to anyone considering interviewing with top strategy consulting firms.

★★★★★ **Outstanding prep for case interviews,** *Case in Point* is in my view the best book of its type on the market. The top firms vary their cases from interviewer to interviewer — Cosentino's book provides a good system for tackling any case that you're presented. This book got me extremely well-prepared for my interviews. I just received a summer associate offer from what's arguably the top consulting firm, despite my non-business background.

★★★★★ **This is excellent.** This is probably the best consulting book on the market for undergrads looking to get a job in a top consulting firm after college. I own the Vault Guide to the Case Interview and felt this was MUCH better because it gives you a system to follow, not just a bunch of random structures and cases. Cosentino does a great job of putting all these pieces together in a very useful book.

★★★★★ **Great book for consulting preparation.** Cosentino's compilation of cases is a superb way to prepare for management consulting case interviews. Not only does he provide a wide variety of cases (from market sizing to acquisition opportunity to dipping profits) he also offers several helpful frameworks for approaching consulting cases in general. I would highly recommend this book to anyone planning to do consulting interviews (and they're tough!).

★★★★★ **Having a job interview? Use this book: it's a must.** I used this book as a tool to prepare for interviews; and it really helped me. In this tough period, I followed the Ivy Case Method proposed, and it didn't fail. The book presents in a very readable way what to expect in an interview and how to create your best strategy. I'm usually very skeptical about these kinds of books, but I must say that Cosentino is able to attract the reader and through anecdotes and concrete examples, to keep the reader's interest till the last page. Definitely a must.

★★★★★ **Got me a consulting job!,** I was VERY nervous about getting a good job after school. I compared several interview guides and found some to be incomplete and others to be too long & confusing. Cosentino's *Case in Point* was easier to understand and covered the key techniques/frameworks behind case interviews. I practiced the sample cases and I eventually got a job in strategy consulting.

Also by Marc P. Cosentino

The Harvard College Guide to Consulting Case Questions

The Harvard College Guide to Consulting

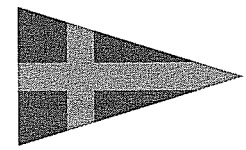
The Harvard College Guide to Investment Banking

Case In Point

Complete Case Interview Preparation

FOURTH EDITION

Marc P. Cosentino



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As with all case questions, we assume facts not in evidence, as well as generous assumptions. Familiar companies are used as examples because of the power of their brand and their familiarity to the general public. Information concerning the actual companies cited as examples may not be accurate. This information was based on research, but should not be used as reliable, up-to-date data.

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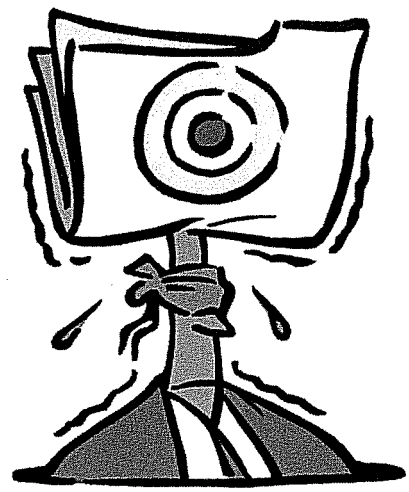
For Leisa, Emily and Colin

Life is one big case question, go and explore.



The mind is wondrous. It starts working from the second you're born and doesn't stop until you get a case question.

1 : Introduction

A European iron mining company bought a piece of land in Australia with high contents of iron. Should they mine the ore? In deciding, I want you to give me the cost per ton, the breakeven point, profit margin and the impact on the global market.

Consulting firms are in the business of renting out brains. Consultants get paid to synthesize massive quantities of foreign data, toss out the irrelevant information, structure an approach to a given client issue, and hypothesize logically and creatively before people of power and influence (like bigwigs at the mining company). That's why consulting firms put so much weight on the case question — because it allows them to judge how logically and persuasively a potential consultant (i.e., you) can present a case. In essence, a case interview is a role-playing exercise.

In order to nail a case interview, you need to know both how to prepare and how to perform. This book will help you do both. It walks you through the overall consulting interview, teaches you how to conduct your research, tells you what the consulting firms are looking for in a candidate, explores the various types of case questions, and then introduces you to the Ivy Case System©.

As a career officer at Harvard for over fifteen years, I've helped more than eight thousand of the nation's top students prepare for consulting interviews. During this time, students have tirelessly memorized individual frameworks and have then struggled to decide which one(s) to apply. All the while, the case questions given by consulting firms have become increasingly complex. The standard frameworks of the past, while still valuable, aren't enough to solve these sophisticated cases. I've developed The Ivy Case System in order to simplify things. This system will allow you to make an impressive start (without a long and awkward pause) and ensure that you approach the answer in an organized and logical way. The difference between a framework and a system is that a framework is a tool; a system is a process with all the tools built in. The Ivy Case System is the most sensible and comprehensive case interview strategy you can learn.

Keep in mind that case questions help educate you during your job search by acting as a self-imposed screening device. Is this the type of work you want to be doing? Is this the type of environment in which you can learn and flourish? You need to ask yourself, "Do I enjoy problem solving? Do I enjoy these types of questions and issues?" Case questions can and should be fun.

The best way to prepare is to hunker down and (i) read this book and don't skip any pages; (ii) attend all case question workshops sponsored by consulting firms or your Office of Career Services; (iii) practice with your econ professor, roommates, friends, and anyone you know who worked or is currently working in consulting (see The Roommate's Guide, page 170); and (iv) read this book again and don't skip any pages.

Sounds like you better start reading . . . .

2 : Interview

Relax, it's worse than you think. If you figure the odds of getting chosen for an interview, having all the interviewers like you, and making it through seven to 10 cases, you'll be spending next semester's tuition on lottery tickets. But you know what? You faced much greater odds when you applied to a top school. Not only were you accepted, you've thrived. So forget about the odds and concentrate on you. If there were ever a time for tunnel vision, this is it. Besides, the recruiters don't know about the time you . . . well, they don't know and we're certainly not going to tell them. You head into an interview with a clean slate.

INTERVIEW (time: what firms look for)

- **Intro**
  quick exchange: overall package, eye contact, smile
- **Questions About You**
  5-10 min: leadership, drive, enthusiasm, persuasion
- **Why Consulting?**
  2 min: commitment to consulting
- **Possible Math Question**
  1 min: grace under pressure
- **Case Question(s)**
  10-15 min: poise, analytical & communication skills
- **Your Questions**
  3 min: intelligence, homework
- **The Grand Finale**
  2 min: selling – why hire you?

This chapter will walk you through a first-round interview and will show you how to prepare properly for each step. Some firms set up two back-to-back 30-minute interviews for the first round. In these interviews, one interviewer spends more time questioning you about yourself and then gives a shorter case question, while the other interviewer spends less time on you and more time on the case.

+ Introduction

You get called, offer your clammy hand, then lie and say, "It's great to be here." Nothing to it, you did it the last time you had a blind date. (Let's hope this goes a little better.)

Cliché time: you never get a second chance to make a first impression. Eye contact, a pleasant smile, and a firm handshake are paramount.

+ Questions About You

The first part of the interview is all about "getting to know you." McKinsey calls it a PEI, which stands for Personal Experience Interview. They will ask you to come up with several examples of times when you influenced or persuaded a group, about your relationship building style, and goals that you set for yourself and were successful in meeting. Interviewers will ask you several questions drawn from your resumé (anything on your resumé is fair game).

What they are looking for:

- a confident, comfortable demeanor and strong communication skills (Are you a nervous wreck?);
- leadership ability and initiative (Forget about the time you organized that keg party.);
- ability to be a team player (Do you play well with others?); and
- drive, aspirations, energy morals, and ethics. (Do you have any?)

In this part of the interview you should be responding, not thinking. You're going to do enough thinking during the case questions to last you for a week. You need to research yourself beforehand. Look at the list of the most commonly asked questions in a consulting interview (*see sidebar*). You may not be asked any of these questions, but if you take the time to write out the answers, or better yet bullet point out the answers, you will be forced to think about things you haven't thought about in years (or ever). So dig into the old treasure chest and come up with memorable stories and accomplishments which substantiate the skills that will make you a strong candidate.

COMMONLY ASKED CONSULTING INTERVIEW QUESTIONS

If you take the time to answer these questions before the interview, you will be more articulate and focused when it comes time to perform.

- Tell me about yourself.
- What are you doing here?
- Why consulting?
- Why did you pick your school?
- What do you think consultants do?
- What do you know about this job and our firm?
- Why would you choose our firm over our competitors?
- How are your quantitative skills?
- What percentage is 7 of 63?
- Tell me of a time you showed leadership skills.
- Tell me of a time you were a team player.
- Give me an example of a time you influenced or persuaded a group.
- Tell me about a recent crisis you handled.
- Have you ever failed at anything?
- Tell me about a time you took the initiative to start something.
- What type of work do you like to do best?
- With what other firms are you interviewing?
- Which other industries are you looking into?
- What accomplishments have given you the greatest satisfaction?
- What experiences/skills do you feel are particularly transferable to our organization?
- Why should I hire you?

Interviewers remember stories and accomplishments more than common answers ▶ ▶ ▶

You want to get labeled. If you tell the interviewer your captivating tale about windsurfing across the English Channel, then at the end of the day when the interviewer sees your name on her list she'll remember you as "the windsurfer." Everything you spoke about will come back to her. If she sees your name and thinks, "Which one was he?" your candidacy is over.

How Do I Answer? ▶ ▶ ▶

Three of the most problematic interview questions are:

- **Have you ever failed at anything?**
- **With what other firms are you interviewing?**
- **Within what other industries are you interviewing?**

How do you answer these truthfully?

Q : 1 **Have you ever failed at anything?**

Say yes! Everybody has failed at something. People fail all the time. That's how you learn.

• **Dos:** Do talk about a failure and what you learned from that failure. Better yet, talk about how you failed, what you learned from that mistake, then how you turned it into a success. A perfect example comes from Michael Jordan. He failed to make his high school basketball team his freshman year, persevered, and became a basketball legend. Have a story to tell; make it memorable.

A DOZEN REASONS TO ENTER CONSULTING

Just in case you're not sure, below are 13 (a baker's dozen) of the most popular reasons students go into consulting.

1. You'll work and learn from very intelligent and articulate people.
2. You'll develop a vast array of marketable skills in a prestigious environment.
3. The learning curve never ends.
4. You'll receive exposure to the corporate elite: the way they think, act, and analyze their problems.
5. You'll be exposed to many industries.
6. You'll work as part of a team.
7. You'll solve problems.
8. You'll make organizations more efficient.
9. You'll work on multiple projects.
10. You'll travel.
11. You'll improve your chances of being accepted into a top business school.
12. It will always look great on your resume.
13. The money's good.

• **Don'ts:** Don't talk about a personal failure. Stay away from anything that is going to make the interviewer feel uncomfortable (i.e., "I never got to straighten things out with my Dad before he passed away," or, "My girlfriend dumped me . . ." or, "I couldn't out run that police car when I was seventeen."). Interviewers don't want to hear it. The other thing they don't want to hear is an academic failure. I can't tell you how many Harvard students have told me in mock interviews, "I took an upper-level science class, worked like a dog, but I failed." "What did you get in the class?" I'd ask. "B minus." That's not failing. If you really did fail a course, they would know about it and ask why it happened.

Q : 2 **With what other firms are you interviewing?**
It's okay to tell them that you're interviewing with other consulting firms. Competition's tough; you'd be foolish to put all your energy into just one firm. However, you must be able to tell them why they're your first choice and what makes them better in your mind than the other firms. Consulting firms are rated on a tier scale. There are first-tier firms and second- and third-tier firms. While who's in which tier is very subjective, don't be shy about mentioning interviews with other firms in either the same or higher tiers.

Q : 3 **With what other industries are you interviewing?**
Consulting goes hand in hand with two other industries. While interviewing for a consulting position, it's okay to mention that you are looking at investment banking and/or strategic planning. These positions look for the same qualities in a candidate and require similar job skills. In fact, McKinsey's and BCG's biggest competitor is Goldman Sachs — not one another.

+ Why Consulting?

You know the interviewer is going to ask you why you want to be a consultant. Now this is important — not only should your answer be immediate, but you must look the interviewer right in the eye. If you look away, it indicates that you are thinking about the question and that's enough to end the interview right then and there. You should have given this answer a great deal of thought long before you walked into the interview. While I don't want you to memorize your answer, I do want you to memorize bullet points. This makes your answer focused, linear, and an appropriate length. Avoid talking aimlessly. Having several good reasons why you want to be a consultant isn't enough. It's not always what you say, but how you say it. Your voice should carry sincerity and enthusiasm.

+ Possible Math Question

They may ask you about your quantitative skills. This could be followed by a small math question such as, "What's 100 divided by 7?" Or, "9 is what percentage of 72?" The questions aren't hard, but they might take you by surprise. It may be time to break out the flashcards.

** **Note:** During the first part of the interview, you're being judged. The interviewer is asking herself whether or not she'd like to work and travel with you. Are you interesting? Engaging? Do you have a sense of humor and like to have fun? This is better known as the "airport test." The name comes from the question, "How would I feel if I were snowed in with this candidate for nine hours at the Buffalo Airport? Would we have a lot to talk about or would I have to pretend that I was in a coma so I wouldn't have to talk?"*

The interviewer is also measuring your maturity, poise, and communication skills, while thinking, "Would I feel comfortable bringing this candidate in front of a client?"

PRE-INTERVIEW QUESTIONS

1. What type of consulting does the firm do?
2. In what industries does the firm specialize?
3. How big is the firm?
   - How many domestic and international offices does the firm have?
   - How many professionals are in the firm?
4. What kinds of training programs does the firm offer?
5. What type of work does an entry-level consultant do?
6. How much client contact does an entry-level consultant have the first year?
7. Does the firm have a mentor program?
8. How often do first-years sleep in their own beds? What's their travel schedule like?
9. How many hours make-up a typical workday?
10. How is a case team picked?
11. How often do you get reviewed?
12. How many consultants does the firm expect to hire this year?
13. How does that compare to last year?
14. Where do the consultants go when they leave the firm?
15. Is it possible to transfer to other offices, even international offices?

+ Case Questions

The second part of the interview is the case question(s). They carry a tremendous amount of weight. You can pass the airport test and be as poised and articulate as Cary Grant, but if you fumble the case, that's it. We'll cover the case questions in depth in Chapter Three.

+ Your Questions

The last part of the interview requires a good deal of research about both the industry and the company. In your research, you should be looking for answers to the pre-interview questions (*see sidebar*). Questions for which you can't locate answers become excellent questions to pose to your interviewer.

However, before you ask your first question, if there is anything critical that you didn't get a chance to bring up in the interview, now is the time. Simply state, "Before I ask my first question, I just want to make sure you understand . . . ." Get it out before you leave the room. If you don't, you're going to kick yourself all the way home, and even worse, you'll never know if that statement could have turned the tide.

The best ways to collect these answers are to: ▶▶▶

❑ **Attend career fairs and speak to the firm representatives:** Pull out your list of questions and ask three or four. Make sure that you try to turn this meeting into a conversation. At the end, thank the reps for their time, ask them for their business cards, and inquire whether it would be all right if you called or emailed them with further questions. At this point, no one is going to judge you on your level of company knowledge. They are there to provide information and hype the firm.

❑ **Scour the company's web site:** This will let you know how the firm sees itself and the image that it's trying to project.

❑ **Talk to alumni and graduate school students who used to work for the companies that you're interviewing with:** Often, career services offices will be able to match you up with alumni who are working in a specific industry. Interviewing past employees can be very enlightening. They will tell you more about their old firm in a half an hour than you'll learn by spending two hours on the Internet. Plus, they'll tell you things that you'll never find on the Internet. They can be completely objective; they don't have to try to sell the firm.

❑ **Attend company information meetings:** Get your name and face in front of firm representatives so that they can associate your face with your resumé. While these people don't have the power to hire you, they do have the power to get you on the interview list. Top-tier firms often get 400 resumes for 100 first-round interview slots. Ensure that interview slot by networking and schmoozing with firm representatives every chance you get. One of the best kept secrets of company presentations is to go early. If a company presentation is scheduled to start at 6 pm show up at 5:45. Most students won't arrive until 6 or a little after, but the firm's representatives show up at around 5:30 to make sure that the room is set up correctly and the cheese table is laid out nicely. If you show up early, not only will it impress the consultants, but it will allow you to get at least five minutes of quality face time with one of them. They are more likely to remember you if you talk for five minutes in the beginning of the night than if you hang around until the end hoping for 45 seconds of their time. They are also more likely to have their business card with them. Remember to ask for their business card and send a follow-up email.

❑ **Search *The Wall Street Journal* or Lexis-Nexis for articles on the firm:** This allows you to be current on any firm's news.

Have your list of questions with any specific facts or figures you've dug up written out when you walk into the interview. It shows that you have done your homework and have given this interview a great deal of thought. Besides, if you freeze up, it's all right there in front of you.

The Grand Finale: Why Should I Hire You?

This is your opportunity to shine and market yourself. But before you launch into a laundry list of skills and attributes, you may want to simply state that they should hire you because you want to be a consultant. Then, reiterate all the reasons that you brought up earlier when they asked you, "Why consulting?"

Consulting firms look for "low-risk" hires. You're a low-risk hire if you've worked in consulting, liked it, and want to return, or if you've done your homework. Consulting firms' biggest fear is that they will spend a lot of time and money hiring and training you, only to have you bail out after six months because consulting isn't what you expected it to be.

If they aren't convinced that this is what you want to do, then it doesn't matter how talented you are. It's not worth it for them to extend you an offer. Think of it this way: How would you feel if someone accepted your dinner invitation because their first choice fell through? If your heart's not in it, they don't want you.

Students who receive job offers in consulting do so for four reasons: ▶ ▶ ▶

1. They are able to convince the interviewer that they are committed to consulting and know what they're getting into (e.g., type of work, lifestyle, travel).
2. They can demonstrate success-oriented behavior.
3. They exhibit good analytical skills when answering case questions. (That's where we come in.)
4. They are able to articulate their thoughts, create a positive presence, and defend themselves without being defensive.

Now that you understand the structure of the interview for the first round, the subsequent rounds are not all that different. The second round is often held at a nearby hotel and usually consists of two interviews, both 45 minutes in length, each with a heavy focus on case questions. The third round is typically held in the firm's offices where there are five interviews, 45 to 60 minutes each, again with a heavy emphasis on case questions.

There are other kinds of first-round interviews. Some firms conduct phone interviews while others conduct group case interviews.

First-Round Telephone Interviews

There will be times when your first-round interview will be conducted over the phone. Sometimes this is a screening interview, other times you'll get a case question as well. There are several things to remember. If possible, go to a quiet and private place. Turn off the television and lock the door so your roommate doesn't barge in and interrupt you.

Most importantly, you are your voice. That is the only thing the person on the other end of the line has to go on. Your voice should be up-beat and enthusiastic; speak clearly and with confidence, but not arrogance.

There are advantages to phone interviews. The first thing I'd do is make copies of the Ivy Case System (see pages 26–40) and tape them to your wall. That way you can have the different case scenarios in front of you in case you get stuck. Another reason to tape them to the wall is so the interviewer doesn't hear papers rustling in the background. Bullet point out in advance the answers to all the important questions like why consulting? (See the List of Commonly Asked Consulting Interview Questions on page 3). It's important to bullet point your answers and not write out passages. People can easily tell when you are reading something over the phone.

Finally, lose the calculator. I know that it is tempting to have it right there, but if you get the answer too quickly, or they hear buttons being pushed in the background, you're sunk.

First-Round Group Case Interviews

McKinsey and other firms have started holding group interviews for non-MBA graduate students as part of their first-round interviews. During a group interview, consultants look more at the group dynamics than how the group answers the question. Does this candidate have the ability to build relationships, empathy, and teamwork? On one hand, you are a competitor to the other people in the group, but on the other, for this moment in time you are teammates. People who are aggressive and try to dominate the conversation are the ones that don't get called back. Remember, consultants work in teams and if you're not willing to be a team player, then you're out.

In my Harvard Business School classes, the professor rarely called on anyone who had his hand raised while someone else was speaking. This indicated to the professor that the hand-raising student wasn't listening to his classmate and had his own agenda. Like a business school case class, you are expected to build on what others have said. You are expected to move the discussion forward, not take it off on a tangent or move the discussion back because you had a point you wanted to make.

Remember, build on what other team members have said and don't interrupt a team member when she is speaking.

One last note on preparation: Be familiar with business terms and trends. No firm is going to judge you on your business acumen, but if you can't define profit and loss, revenues, fixed and variable costs, or cost-benefit analysis, then start reading. (Please refer to the Consulting Buzzwords section.) You should also read *The Wall Street Journal* every day to keep abreast of national and world news. In other words, climb out of that academic shell and join the rest of the world. Your familiarity with business terms and trends will make it easier for you to communicate with the interviewer and demonstrate your interest in business and consulting.

And now, at last, it's time for . . .

A case question is a fun, intriguing, and active interviewing tool used to evaluate the multi-dimensional aspects of a candidate.

+ Purpose of the Case Question

Interviewers don't ask case questions to embarrass and humiliate you. They don't ask case questions to see you sweat and squirm (although some might consider it a side perk). They do ask case questions . . .

- to test your analytical ability
- to test your ability to think logically and organize your answer
- to observe your thought process
- to test your tolerance for ambiguity and data overload
- to assess your poise, self-confidence, and communication skills under pressure
- to discover your personality
- to see if you're genuinely intrigued by problem solving
- to determine if consulting is a good "fit" for you

WHAT FIRMS LOOK FOR

Consultants spend a great deal of their time on the road at the client's site. They work in small teams and are sometimes put in charge of groups of the clients' employees. Often, consultants work under great pressure in turbulent environments while dealing with seemingly unmanageable problems. It takes a certain type of personality to remain cool under pressure, to influence the client without being condescending, and to be both articulate and analytical at the same time.

As we said earlier, the business of consulting is really the renting of brains, packaged and delivered with an engaging and confident personality. So as you work through the case, the interviewer is asking herself, if the candidate is:

- relaxed, confident, and mature?
- a good listener?
- engaging and enthusiastic?
- exhibiting strong social and presentation skills?
- asking insightful and probing questions?
- able to determine what's truly relevant?
- organizing the information effectively and developing a logical framework for analysis?
- stating assumptions clearly?
- comfortable discussing the multifunctional aspects of the case?
- trying to quantify his response at every opportunity?
- displaying both business sense & common sense?
- thinking creatively?
- rolling with the punches?

+ Case Preparation

Case questions can be made simple through preparation and practice. I never like to equate an interview with a test, but they do have in common the fact that the more you prepare, the better you'll do. Maybe you've experienced the feeling of being so prepared for an exam that you can't wait for the professor to hand it out so you can rip right through it. Case questions are the same way. Firms look to see if you have that "rip right through it" look in your eyes. It's called confidence.

Before we look at some cases, it is best to understand The Commandments. Follow these rules and your case interviewing life will become much easier.

The Case Commandments

[1. Listen to the Question]

Listening is the most important skill a consultant has. The case isn't about you or the consultant; it's about the client. What are they really asking for? Pay particular attention to the last sentence — one word can change the entire case.

[2. Take Notes]

Taking notes during the case interview allows you to check back with the facts of the case. As someone once said, "The palest ink is stronger than the best memory." If you blank out, all the information is right in front of you.

[3. Summarize the Question]

After you are given the question, take a moment to summarize the highlights (out loud):

- it shows the interviewer that you listened
- it allows you to hear the information a second time
- it keeps you from answering the wrong question
- it fills that otherwise awkward pause when you're trying to think of something intelligent to say

[4. Verify the Objective(s)]

Professional consultants always ask their clients to verify their objective(s). Even if the objective seems obvious, there could be an additional, underlying objective. When the objective seems apparent, phrase the question differently: "One objective is to increase sales. Are there any other objectives I should know about?"

[5. Ask Clarifying Questions]

You ask questions for three main reasons:

- to get additional information that will help you identify and label the question
- to demonstrate to the interviewer that you are not shy about asking probing questions under difficult circumstances (something you'll be doing on a regular basis as a consultant)
- to turn the question into a conversation (nothing turns off an interviewer quicker than a five-minute monologue)

In the beginning of the case, you have more latitude in your questioning. You should ask basic questions about the company, the industry, the competition, external market factors, and the product. The further you get into the case, the more your questions should switch from open-ended questions to closed-ended questions. You start to get into trouble when you ask broad, sweeping questions that are hard for the interviewer to answer. These kinds of questions give the impression that you're trying to get the interviewer to answer the case for you. You'll know that you crossed that line when the interviewer says to you "What do you think?"

[6. Organize Your Answer]

Identify and label your case, then lay out your structure. This is the hardest part of a case — and the most crucial. It drives your case and is often the major reason behind whether you get called back. We will spend more time on this in Chapter Four.

[7. Hold that Thought for "One Alligator"]

The interviewer wants you to think out loud, but think before you speak. If you make a statement that is way off-base in an interview, the recruiter will wonder if he can trust you in front of a client. If he thinks he can't trust you, the interview is over.

[8. Manage Your Time]

Your answer should be as linear as possible. Don't get bogged down in the details. Answer from a macro-level and move the answer forward. It's easy to lose your way by going off on a tangent. Stay focused on the original question asked.

[9. Work the Numbers]

If possible, try to work numbers into the problem. Demonstrate that you think quantitatively and that you are comfortable with numbers. When doing calculations, explain what you are thinking and how you are going to do it. Take your time. I'd rather have you get it right than make a careless mistake.

[10. Be Coachable]

Listen to the interviewer's feedback. Is she trying to guide you back on track? Pay attention to her body language. Are you boring her? Is she about to nod off? Is she enthralled?

Being coachable also means asking for help when you need it. If you run into a wall, lose your train of thought, or are just in over your head, ask for help. There is no shame in asking for help — it's a sign of maturity. Look at it from the interviewer's point of view. If you were working on an actual project and got stuck, she would much rather have you ask for help than waste time spinning your wheels.

[11. Be Creative and Brainstorm]

Some of the best experiences you'll have as a consultant will be brainstorming over Chinese food at 10 o'clock at night. *Brainstorming without commitment*, as consultants call it, allows you to toss out uninhibited suggestions without being married to them. It gives you the opportunity to review all the options and eliminate the inappropriate ones. Consulting firms like liberal arts candidates with intellectual curiosity who can "think outside the box" and offer up a new and interesting perspective.

[12. Exude Enthusiasm and a Positive Attitude]

Earlier we spoke about a "ripping right through it" attitude. It's not enough to do well on the case, you have to thrive on the challenge of the case. Recruiters want people who are excited by problem solving and can carry that enthusiasm throughout the entire interview.

[13. Bring Closure and Summarize]

If you have done all of the above and you've made it through the analysis, the final action is to create a sense of closure by summarizing the case. Review your findings, restate your suggestions, and make a recommendation. You don't need to sum up the whole answer; pick two or three key points and touch on those. Students are often afraid to make a recommendation, thinking that their analysis was faulty so therefore their answers will be wrong. There are no wrong answers. Just make sure your answer makes good business sense and common sense.

+ Types of Case Questions

Case questions generally fall into one of three major categories: brainteasers, back-of-the-envelope questions, which are often called market-sizing questions, and business case questions. It's quite common to find a market-sizing question enclosed within a larger business case question. Whether fun or frustrating, all case questions are valuable learning experiences.

▶ Brainteasers

Brainteasers are scarce these days, but they still pop up in the occasional first-round interview, so it's important to be aware of them. Brainteasers are basically the same riddles and conundrums that we've all been struggling to solve since fourth grade. Some brainteasers have a definite answer; others are more flexible in their solutions. Interviewers are looking to see not only if you can come up with a good answer, but also whether you can handle the pressure. Do you get frustrated, stressed, and upset? The key is to keep your cool and try to break the problem down logically. Just give it your best shot and don't be afraid to laugh at your mistakes or be a bit self-deprecating. It makes you human and more fun to be with.

Below is an example of a brainteaser with a definite answer, and one with a more flexible solution.

The Bags of Gold

Q : 1 ***There are three bags of gold. One of the bags contains fake gold. All the bags and all the coins look exactly alike. There is the same number of coins in each bag. The real gold coins weigh one ounce each, the fake coins weigh 1.1 oz. apiece. You have a one-pan penny scale and one penny, which means you can weigh something just once. (You load the scale, put the penny in, and the scale spits out a piece of paper with the weight.) How can you tell which bag has the fake gold?***

A : 1 *You take one coin from the first bag of gold, two coins from the second bag, and three coins from the third bag. Place them all on the scale. If the coins weigh 6.1 oz., then you know that the first bag held the fake gold. If they weighed 6.2 oz., then it was the second bag. If the coins weighed 6.3 oz., then the third bag held the gold.*

Virgin Atlantic

Q : 2 ***You are driving down the road in a mini-van. In the back of the van are six 8-year-olds who you are bringing back from soccer practice. None of the children are yours. You drive by a movie marquee which announces the movie "The Last Virgin in America." One of the children asks, "What's a virgin? And why is America down to its last one?" What do you tell her?***

A : 2 *Obviously, there is no right answer. People have come up with anything from grades of olive oil to airplane logos to "Ask your mother." Again, the key is to prove that you can remain poised. As a father, I can tell you what I'd say: "Who wants ice cream?!"*

There are numerous puzzle and brainteaser books to be found in your local bookstore. If you are worried about these types of questions, you may want to pick up one of these books.

Back-of-the-Envelope

Back-of-the-envelope questions or market-sizing questions surface all the time and can be found during any round of interviews and within many larger business case questions. The back-of-the-envelope question received its name because the questions used to start with, "You're on an airplane with no books, phone, or any other resources. On the back of an envelope figure . . . ." You'll find some of these questions intriguing; some will be fun; others preposterous. However, it's important to have the "rip right through it" look in your eyes; at least pretend that you're having fun.

Oftentimes during market-sizing questions, all you have to work with are assumptions. There are going to be instances when your assumptions are wrong. Sometimes the interviewer will correct you, other times he will let it go. The interviewer is more interested in your logic and thought process than whether your answer is correct. If you are still concerned you can always say, "I'm not that familiar with this market, so if my assumptions are off, please correct me." Ninety percent of the time, the interviewer will tell you not to worry about it. Everything you say has the potential to be questioned — be ready to stand behind your assumptions. Your assumptions should be based in some sort of logic. If you just pull them out of the air, you're risking the interviewer aggressively challenging your assumptions and your credibility. Examples are:

- **How many gas stations are there in the U.S.?**
- **How many garden hoses were sold in the U.S. last year?**
- **How many pairs of boxers are sold in the U.S. each year?**
- **How much does a 747 weigh?**

Although they seem similar, these are four very different questions. Here are some hints.

- First of all, there are no right answers. Even if you had just read a Forbes article on the number of gas stations and could recite the exact total, the consultants wouldn't care. They want to see how logically you answer the question.
- All you really have to work with are assumptions. If your assumptions are too far off, the interviewer will tell you; otherwise, guesstimate.

- Use easy numbers — round up or down.
- Write the numbers down. Half of your brain is trying to figure out how best to answer this question and the other half is trying to remember the sum you just figured. Write the numbers down so you can focus on the process, not the numbers.
- **Determine if this is a population-based question, a household question, an individual question, or a "Who thinks this stuff up?" question. To determine whether it's a population, household, or individual question, ask yourself if the item is used by a population, a household, or an individual.**

❑ **How many gas stations are there in the U.S.? (Population question)**

I live in a town with a population of 30,000. There are six gas stations serving our town. Therefore, I'll assume that each gas station serves about 5,000 customers. If the population of the U.S. is 300 million, I'll just divide 300 million by 5,000 and get 60,000 gas stations in the U.S.

If you tried to answer this question based on households or individuals you would quickly find yourself mired in numerous and unnecessary calculations.

BACK-OF-THE-ENVELOPE AND MARKET-SIZING ASSUMPTIONS

Oftentimes, with back-of-the-envelope questions, all you really have to work with are assumptions. Below are common assumptions:

- The population of the United States is 280 million, although this number can fluctuate from 250 million to 300 million to make your calculations easier.
- Men and women each represent 50% of the U.S. population.
- The average life expectancy of an American is around 80 years.
- Americans per household is 2.8.
- Number of U.S. households is 100 million.
- Percentage of households that own a VCR is 90 percent/DVD 40%.
- Percentage of households that have cable TV is 68 percent.
- Percentage of households that have a PC is 65 percent.
- Percentage of households that are connected to the Internet is 61 percent.

❑ **How many garden hoses were sold in the U.S. last year? (Household question)**

The population of the U.S. is 280 million people. The average U.S. household is made up of 2.8 people, so we are talking about 100 million households. (You always want to work with 100 million households in the US and 200 million in Europe)

I'm going to estimate that 50 percent of the households are either suburban or rural. That makes 50 million households. I'll also assume that 20 percent of those homes are apartments or condos. That narrows us down to 40 million houses which most likely use a garden hose. Garden hoses are relatively inexpensive, so people are likely to have a hose in the front and a hose in the back yard. That makes 80 million hoses. I want to add in another 10 million hoses which can be found in nurseries, zoos, and other outdoor facilities like Fenway Park. Most of those businesses have at least two hoses.

We are now up to 90 million garden hoses. Hoses aren't replaced every year. I'd say that they are replaced every 3 years unless they are run over by a lawn mower or run into the business end of a dog's tooth. So we take 90 million hoses divide it by 3 and come up with 30 million garden hoses sold each year.

❑ **How many pairs of boxers are sold in the U.S. each year? (Individual question)**

I'm going to start by stating some assumptions. I'm going to assume that the population of the U.S. is 250 million, that the life expectancy is 80 years, and that there are the same number of people in each age group (i.e., there is the exact same number of 3-year-olds as 73-year-olds). So if you divide 250 million by 80, you get a little over 3 million people per age group. We'll round it off to 3 million people. I will also assume a 50/50 split between men and women.

Children ages zero – three mostly wear diapers, and kids ages four – nine mainly wear jockey-style. So we'll focus on the ages between 10 and 80. That's 70 years to cover. I'm going to go out on a limb here and say that only 10% of females ages 10 to 30 own a pair of boxers and, of that group, each might buy one pair a year.

So:
(1.5 million females x 20 years) x 10% = **3 million boxers.**

Males between the ages of 10 and 20 wear them as a fashion statement, so I'll assume that 75% wear boxers and that they buy 3 pairs a year (the economical 3-pack).

So:
(1.5 million males x 10 years) x 75% = 11,250,000 million boxers
11 million boxers x 3 pairs = **33 million boxers.**

Of males between the ages of 21 and 80 (round off to 60 years), 50% wear boxers and buy or receive as birthday or holiday gifts 6 pairs (2 sets of 3-packs) a year.

So:
(1.5 males x 60 years) x 50% = 15 million males wearing boxers.
15 million x 6 pairs of boxers = **90 million pairs of boxers.**

Add them all together:
3 million + 33 million + 90 million = 126 million pairs of boxer shorts were sold in the U.S. last year.

❑ **How much does a 747 weigh? ("Who thinks this stuff up?" question)**
Your guess is as good as mine. Ask questions, then break down the elements, and make assumptions. Are there passengers on board? No. Any baggage? No. Are the fuel tanks full or empty? Full. Any food or beverages on board? No.

Now you just go ahead and calculate the weight of each part of the plane.

- **8 full fuel tanks:** I'll assume the plane can fly 6,000 miles and uses 10 gallons to the mile. So that's 60,000 gallons at 2 pounds a gallon equals 120,000 pounds.
- **18 tires:** I'll assume that the tires weigh 200 pounds each — that's 3,600 pounds.
- **4 engines:** I'll assume 2,500 pounds each adds another 10,000 pounds.
- **2 wings:** 200 feet long by 30 feet wide is 6,000 square feet, times a square foot weight of 5 pounds times 2 wings equals 60,000 pounds.
- **Interior:** 75 rows of seats times 4 feet per row equals 300 feet. Add on the cockpit, bathrooms, etc., let's say around 400 feet long. I assume that the average weight per foot is 10 pounds, which equals 4,000 pounds.

• **The seats:** They number, say 500, and weigh 10 pounds each, so that's 5,000 pounds.

• **Air in the cabin:** It's captured air so we need to add one ton for the air in the cabin — 2,000 pounds.

• The **aluminum exterior:** It's pretty thin and lightweight. If the plane is 400 feet long by 25 feet high, then about 10,000 exterior square feet at 1 pound per foot equals 10,000 pounds.

• **Miscellaneous materials:** The tail, overhead bins, carpet, stairs and bathroom fixtures add on, say, another 2,000 pounds.

Now you add up the pieces:
120,000 + 3,600 + 10,000 + 60,000 + 4,000 + 5,000 + 2,000 + 2,000 + 10,000 = 216,000, or round up to 220,000 pounds, or **110 tons.**

❑ **How much chocolate did America eat in 2004? (Individual problem)**

First, I'm going to determine what percentage of the population loves chocolate; what percentage likes chocolate; and what percentage doesn't care for it, is allergic to it or is too young to eat it. Then I'm going to look at how they eat it.

• I'll assume that there are 250 million Americans.[1]

30% love chocolate – 75 million
50% like chocolate – 125 million
20% don't care for it – 50 million

• People consume chocolate in the following ways, via candy, junk food, commercial baking, coffees, chocolate milk and adult drinks (i.e., B52s). Taking into account four crucial holidays, Valentine's Day, Easter, Halloween, and Christmas, I'm going to estimate the number of pounds of chocolate each person within those categories eats a year.

• I'll assume that the average candy bar weighs 1.5 ounces. Someone who loves chocolate probably eats 2 candy bars a week (3 oz. times 52 weeks) equals 156 oz. or round it off to 160 oz. or 10 pounds. The person who likes chocolate probably eats two candy bars a month (3 oz. times 12 months) equals 24 oz. or 1.5 pounds. We'll round it off to 2 pounds.

The person who doesn't care for chocolate probably won't eat any candy bars.

• Next, let's look at commercial baking. It's hard to get away from chocolate, it seems to turn up everywhere. This area includes desserts at restaurants, special coffee drinks, hot chocolate and junk food. Someone who loves chocolate probably consumes another 5 pounds while someone who likes it might eat another pound. I'm also going to add one pound for those who don't care for it. They might consume it in ways that they don't know about or eat a piece of birthday cake, that sort of thing.

• Finally, there are ice cream and homemade items like cookies and cakes. While these items aren't solid chocolate, people probably consume more goodies containing less pure chocolate.

• People who love chocolate eat 25 pounds times 75 million equals 1.875 billion pounds. People who like chocolate consume 8 pounds times 125 million equals 1 billion pounds. And people who don't care for chocolate eat 1 pound times 50 million equals 50 million

pounds. This all adds up to 2.9 or around 3 billion pounds of chocolate.

NB. (Americans consumed approximately 3.5 billion pounds of chocolate in 2000.).

	Loves	Likes	Doesn't care
Candy	10 lbs.	2 lb.	0
Commercial baking / coffees / drinks	5 lbs.	1 lb.	1 lb.
Ice cream / homemade cookies	10 lbs.	5 lbs.	0

❑ Estimate the size of the bubble gum market in the U.S. (General population question)

First, I'm going to make a few assumptions. I'll assume that there are 280 million Americans and that the average life expectancy of an American is 80 years. I'm also going to assume that there is an even number of people in each age category. So, I divide 280 million by 80 and get 3.5 million people in each age group. To make things easier, I'm going to calculate assuming 50 weeks in a year.

I'd also like to think about where bubble gum is sold. As I remember, bubble gum is sold in packs of 10 pieces in convenience stores, grocery stores, newsstands, etc. You can also find bubble gum inside baseball trading cards, and gumball machines.

I'm going to break the population down into different age categories, estimate the number of people that chew bubble gum in each age group, the number of pieces they chew each week and convert that into an annual number. Let's make a chart.

Ages	No. People	# that Chew	pieces / per week	pieces / year
0–5	17.5	1m	2	100m
6–10	17.5	12m	10	6b
11–15	17.5	12m	20	12b
16–20	17.5	10m	5	2.5b
21_40	70	4m	1	200m
40–80	140	1m	1	50m
Totals	280 m	40m		20.85b

So I'm going to say that 20 billion pieces of bubble gum are sold each year. Ten pieces per pack equals 2 billion packs, at 50 cents a pack, equals $1 billion.

❑ How many ATMs are there in the country? (Population problem)

I live in Needham, Massachusetts. The population of my town is approximately 30,000. There are fifteen ATMs in town. So I'll assume that each ATM services 2,000 people. I'm going to assume that the population of the U.S. is around 280 million people. Next I'll divide 2,000 into 280 million and come up with 140,000 ATMs.

With a "population type" market-sizing case that you think you'll break down by generation, have certain numbers and assumptions planned out in advance. Pick a number like 280 million Americans that is easily divisible by 4 so you'll know in advance how many people per generation. You wouldn't believe the number of people who stumble through this, come up with odd numbers, and thus start off on the wrong foot.

"I'll assume that there are 280 million Americans and the average life expectancy is 80 years. I'm going to break them down by generation assuming equal numbers within each generation."

Also, when you are determining percentages of the generations, use easy numbers like 1%, 2%, 5%, 10%, etc,. You want to make it as easy for yourself as you can.

Ages	No. of people in millions	% that need pacemakers	No. of people with pacemakers
0–20	70	0	0
21–40	70	1	.7
41–60	70	2	1.4
61–80	70	5	3.5
Total	280		5.6

Ages	People per generation	% that uses printers	People using printers
0–20	120	50%	60
21–40	120	75%	90
41–60	120	75%	90
61–80	120	25%	30
Total			180

❑ European PC manufacturer

Your client is a European PC manufacturer and profits have been falling. The client is thinking about entering the printer business and wants to know if it's an attractive business to enter. Estimate the size of the EU printer market.

I'll assume that the population of the European Union is 480 million and the average life expectancy is 80 years. I'm going to break it down by generations. I'm also going to estimate the number of people who use a printer either at or home at work.

We have a 180 million Europeans that use printers. I'll assume that half of them are printer buyers either for their own home or at work. Now we're looking at 90 million people. I further assume that printers are replaced every five years. Thus, 90/5 equals 18 million printers sold each year. If we assume each printer sells for a 100 Euros, that makes a 1.8 billion Euro market.

A second way to do it . . .

I'm going to divide the buyers up into two groups: commercial buyers and home buyers. Commercial buyers are (i) small organizations and (ii) small and medium-sized enterprises and businesses.

Type	Small businesses and organizartions	Large companies and corporations
Number of organizations	50,000	60
Numbers of printers per organization	10	100
Total number of printers	500,000	200,000
Replacement rate	1 in 5 years	1 in 3 years
Average price per printer	500	1000
Total market size / revenue potential (# sold each year times price per printer	€50 million	about €67 million

Now for the home market. There are 480 million Europeans. I'll estimate that the average size of the European household is 2.4 people, which means that there are 200 million households. We'll say that a quarter of the households have a printer. That establishes a market of 50 million households. We'll also assume that the life of a printer is 5 years, thus the market for home printers is 10 million printers a year.

So, the home market is 10 million, small business is 100,000, and the corporate market is 66,000 for a grand total of 10,166,000.

Business Case Questions

Business case questions come in all shapes and sizes, but they usually fall into two categories: numbers cases, and business strategy and operations cases.

❑ **Number Cases:** There are pure number cases that are really just math problems you are expected to do in your head. There are also "case-like" numbers cases, which seem like strategy cases, but are not. Case-like number cases are about numbers — sounds simple, but most people get them wrong because they don't listen to the question and try to turn it into a strategy case.

• Pure number cases to do in your head

A) The total widget market is $170 million and our sales are $30 million. What percentage of the market share do we hold?

B) Our total manufacturing costs are $20 million. With that we can make 39,379 units. What is our approximate cost per unit?

C) Our total costs are $75,000. Labor costs make up 25% of the total costs. How much are our labor costs?

D) You bought a stock for $36 a share. Today it jumped 6%. How much is your stock worth?

E) You raised $3.5 million for a start-up. Your commission is 2.5%. What's your commission in dollars?

F) What's 7 times 45?

G) In 1999, the number of current outstanding shares for Macromedia Inc. was 41,084,000. Institutional investors hold 25,171,000. Approximately, what is the percentage of shares held by institutions?

	Price	Change	Percentage change
H)	$27.00	.54	
I)	$31.00	.62	
J)	$40.00	1.00	
K)	$75.00	3.00	
L)	$10.00	1.70	
M)	$50.00	2.50	

N) Banana Republic makes 14% of The Gap's estimated $16 billion in sales. What are BR's sales?

O) Europe's population is approximately 480 million. By 2007, the EU population expected to drop to 450 million. What kind of percentage change is that?

Go figure: Try to estimate some of the percentages in your head, and then work out the others without a calculator. Round off the answers as you would during a case question. (p.s. these are from a 5th grade math test.)

P) 60% of 70 = ___ **Q)** 25% of 124 = ___ **R)** 68% of 68 = ___ **S)** 12% of 83 = ___

T) 23% of 60 = ___ **U)** 27% of 54 = ___ **V)** 13% of 19 = ___ **W)** 65% of 80 = ___

X) 78% of 45 = ___ **Y)** 78% 0f 90 = ___

Answers:
A) about 18% B) about $500 C) $18,750 D) $38.16 E) $87,500 F) 315 G) 60%
H) 2% I) 2% J) 2.5% K) 4% L) 17% M) 5%
N) Banana Republic: approximately $2.3 billion O) Europe's population around -6 percent
P) 42 Q) 31 R)46 S)10 T) 14 U) 15 V) 2 W) 52 X) 35 Y) 70

- **Case-like number cases:**

American Express is facing stiff competition from a host of new credit cards that have no annual fee and low interest rates. In response, American Express is considering dropping its $50 annual fee. What are the economics of dropping the $50 fee? (This is a popular case and one that has repeatedly turned up in interviews.)

Nine out of 10 students think this case is about competition. They focus their answer on strategy and alternatives to dropping the fee. The first part of this question is not relevant. The real question is **"What are the economics of dropping the $50 fee?"**

In order to answer this question you need to ask three questions:

- How many card members does Amex have?
- What is the average amount that each card member spends annually?
- What are Amex's revenue streams?

Amex has 10 million card members. Amex card members average $2,000 a year in purchases. Amex makes 2% from each purchase.

Amex Revenues:

10 million customers paying a $50 annual fee equals $500 million. Each member spends $2,000 x 2% = $40 a year x 10 million customers = $400 million. Total revenues then = $900 million, with 55% of that figure coming from fees.

Would card members spend more money if they didn't have to pay the annual fee? Amex card members would have to more than double their purchases to make up for the loss in fee revenues. It seems unlikely that they would go from spending $2,000 a year to spending $5,000 a year because of a dropped $50 fee.

Even a modest bump in new members couldn't make up the difference.

How many new customers would Amex have to secure in order to make up the $500 million dollar difference? Amex would have to more than double its card members from 10 million to about 25 million in a short period, say two years. Is that feasible? It took Amex 25 years to reach the 10 million customer base. So doubling it in two years seems unrealistic.

My advice to Amex is to keep its fee in place.

That's it. That's the answer. The interviewer doesn't want to hear about reducing the fee to $25 or turning Amex into a credit card. This is a straightforward question. Listen to the question.

❑ **Business Strategy and Operations Cases:** Some business strategy and operations cases should be answered in less than 15 minutes. These are referred to as mini-cases. An example:

- *GE has invented a new light bulb that never burns out. It could burn for more than 500 years and it would never blink. The director of marketing calls you into her office and asks, "How would you price this?" What do you tell her? (See answer on pg 122.)*

A regular case question, like the DuPont case below, could take anywhere from 30 to 45 minutes to answer. It could combine a market-sizing question with a strategy question all rolled into one, such as:

- *DuPont has just invented a lightweight, super-absorbent, biodegradable material that would be perfect for disposable diapers. Estimate the size of the diaper market and tell me if Dupont should enter this market and if so, how? (See answer on page 133.)*

✣ Written Case Questions and Tests

Over the last couple of years we have seen more and more firms turn to written cases, particularly in the second and third rounds. Monitor Group was the first to pioneer the written case. Since then they have added a few new twists to the process. The interview can go something like this:

You arrive for the interview and are handed a written case (usually about 5 pages; three pages of text and two pages of charts and graphs). You are given twenty to thirty minutes to read and take notes. When the time is up, a consultant comes in and you are expected to "present" the case, much like in a Harvard Business School class. More often than not it turns into a discussion. Chances are you will be touching on all the same points as you would if given a verbal case.

Here's where it gets really interesting. Sometimes when you have finished reading the case you are taken into a room where you'll meet two to three other candidates (you all have read the same case and are applying for the same position). Again, you are expected to "present" the case. The consultants watch closely to see how you interact with the other candidates. Are you dominating the discussion? Are you sitting back and being dominated by others? Or are you building on what the other candidates say in a positive and civil manner. The Monitor consultants look to see how you interact with your peers. Are you a team player? Do you play well with others? Can you hold your own? It all boils down to fit, communication skills, respect for others, empathy, and teamwork.

This is taking the brilliance of case questions as an interviewing tool one step further.

There could be one last twist. Sometimes, when you arrive, you are joined by two or three other candidates in a small conference room. You are all given the same case and asked to present it in twenty minutes. A Monitor consultant stays in the conference room with you to monitor the group's interaction and dynamics while accessing the leadership skills of all the candidates. When your team is ready to present, two other consultants join in and your "team" presents the case.

Now, one, two, or all three of the candidates might be called back for the next round. While you act as part of a team during presentation of the case, you are all judged individually.

McKinsey & Company now requires that some candidates take a written test. "The test is testing problem solving in a written format; folks will be surprised that the straight 'quant' questions are the minority. It's not like a GRE quant test," explains a senior McKinsey recruiter.

"The bulk of it involves making judgment calls/recommendations based on information available to you at that point," the recruiter explains. "The exercise is supposed to feel like a case interview, but with multiple choice responses."

There are three cases based on McKinsey engagements — 35 questions total, about 12 per case. Candidates receive a bit more information about the business, the environment, and the problem with each question.

Students get 70 minutes and can't bring in calculators or scratch paper. The test was designed by ETS (the SAT and GMAT folks). "It was fun, now that it's over," recants a non-MBA Harvard graduate student. "There are some ratios and percentages, a couple formulas, but nothing too overwhelming. Also a few charts are used to present some of the information, but, again, fairly basic, in my opinion."

A McKinsey recruiter states "You need to be comfortable with calculating some percentages, basic equations, understanding relationships among data, but nothing terribly advanced."

Some international offices have a math section that one student says is more like the GMAT than the GRE. You have 18 questions and get 30 minutes to complete it. "You start with probability and it gets harder from there," recounts a Harvard graduate student.

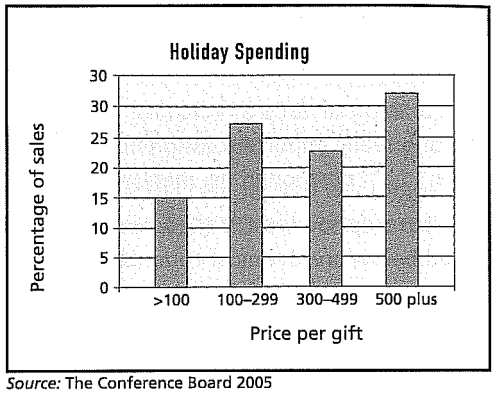
The McKinsey recruiter explains, "The resulting score is used as one more 'data point' on problem solving for the interviewers to refer to if they have concerns or opposing reads. There is no magic or required score, and performance in face-to-face interviews are of greater importance to us."

Reading Charts and Graphs. One of the best ways to shake the dust off your chart and graph reading is to look at the charts and graphs printed in *The Wall Street Journal* and *The Economist* and draw some conclusions. Then read the article and compare your thoughts to the main points of the article.

Making Slides and Graphs. There is another new twist this year, making slides and graphs. The recruiter hands you a few pages of data and asks that you create (on paper) three or four PowerPoint® slides. You are then expected to present them during the case as you would during a presentation to a client.

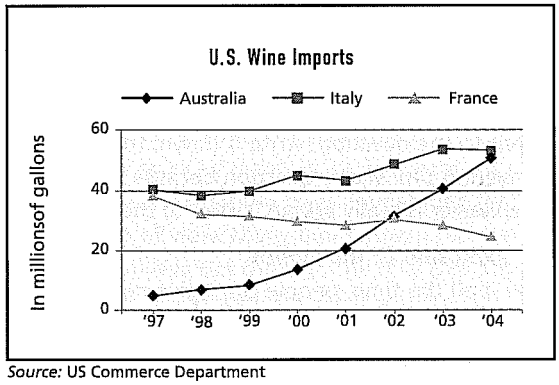
Chances are you will only need to use one of the three basic graph forms; the bar graph, the line graph or the pie chart. Be sure to give your charts and graphs an appropriate title that explains what the data measure.

Use the bar graph when you want to show relationships between groups. The two items being compared don't need to affect each other. This chart shows what percentage of holiday sales falls into what price category.



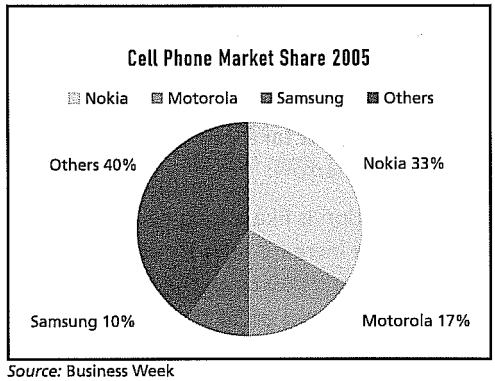
Source: The Conference Board 2005

Trends over time are generally shown in line graphs. The line graph plots the rise and fall of one data set or multiple data sets. The line graph is needed when you want to show the effect of an independent variable on a dependent variable. The second chart follows U.S. wine import levels from Australia, Italy and France over an 8 year period.



Source: US Commerce Department

A pie chart is used to show how something relates to the whole. It usually deals with percentages. This last chart shows the market share of the U.S. cell phone market in 2005.



Source: Business Week

+ Irking the Interviewer

Interviewers get easily bored and irked. Let's face it, these guys and gals spend most of their days telling the CEOs of Fortune 1,000,000 companies what to do. Now, they've been yanked out of a really important assignment to interview you and a dozen of your closest friends. Yawn . . . "I postponed my meeting with Bill Gates for this? Dazzle me!"

The first step toward CID (Case Interview Dazzlement) is to avoid costly and obvious mistakes. Listed below are the most common mistakes that past interviewees (some still unemployed) made.

❑ **The Leno / Letterman syndrome**
A five-minute monologue will do more to hurt your career than any of the other mistakes. Remember, you ask questions not only to get additional information, but to draw the interviewer into the case with you. Make the interviewer feel that he is a stakeholder in your candidacy. Turn the question into a conversation.

❑ **What was the question again?**
Listen to the question; write it down; then repeat it to the interviewer. Candidates are always answering the wrong question because they don't take the time to identify what the interviewer is really asking. Listen to the question!

❑ **Explosion of the mouth**
I see it all the time, people can't give me the answer fast enough. Slow down. Don't jump off the mark and give the first answer that pops into your head. Take your time and analyze the information. The interviewer is there to observe the logic and thought process behind your answer.

❑ **Digression city**
You go off on a tangent because it's easy, you're on a roll, and it provides you with a false sense of security. You think it hides the fact that you can't move forward in your answer, but it doesn't. Tangents take you off the path and it becomes extremely difficult to get back on the straight and narrow.

A case question is like a long corridor with numerous side doors. Suppose the question was, "How do we increase sales for the local 7-Eleven convenience store?" You start walking down the corridor and you open the first door on the right and yell, "We can raise our prices." Close the door and move on to the next door. Open that door and yell, "We need to get more people in the store." Close the door and move on.

The problem arises when you open the door and yell, "We need to get more people in the store." Then you start walking down the side hall trying to come up with creative ways to get more people in the door. You come up with all sorts of promotions involving your favorite late-night snack food. Hey, this is easy! But that's NOT the question.

The best way to enter the market is to look for a small chain that has good locations but bad management. Buy the chain, change the name and bring in your own management. All stores should be in close proximity to a Texas Star grocery store. If they can't find a buy-out target, they should start from scratch.

And I just want to restate that it is a combination of name recognition, location and prices that will make this idea a success.

– Okay, well that was pretty good. Now you got me thinking. Texas Star, as you can tell is always looking for new ways to increase their revenue streams. They are also considering opening an in-store bank. No other competitors in their area are currently doing it. What do we need to be thinking about?

Again, they are entering a new market. There are a number of things that they need to figure and decide. First, do they have the space in their stores or will they have to construct additional space? Also, if they do have the space, we need to think about whether that space can be used more effectively. How much space is needed?

– It's the equivalent of a florist department, and we already have one of those. And yes, we do have the space for this. It would take some remodeling, but nothing significant.

We need to look at who the major players are; what size market share they have; will our products or services be any different from our competition's, and if there are any barriers to entry.

– What would you guess?

That there's plenty of competition and that our products or services might be basic compared to our competitors. All we really have to offer them is convenience. Hopefully, there will be increased traffic at the grocery stores due to the bank. But now, with ATMs, debit cards and cash back the basic services are easily covered. I'm thinking that we need to figure out how best to enter the market and determine if this makes sense.

There are three ways to enter the market: start from scratch, buy our way in, and a joint venture. What are the costs in each of theses options? What are the potential revenue streams and how do they differ, and what is the risk associated with each?

– Do a quick cost benefit analysis for each.

Starting from scratch will be time consuming and somewhat expensive. We'd have to hire new people with experience in banking to run the organization. There might be some barriers due to federal and state banking regulations, which might take some additional time. And if it fails or doesn't live up to expectations, it could damage the overall Texas Star brand. On the other hand, we already have locations and our rent would be minimal. Revenues will come from bank transactions and possibly increased grocery sales. However, I'm not convinced that this is the best way.

Buying our way in would mean buying an existing bank and taking over their business. We would already have the people in place, a number of existing locations, and some brand recognition. It might be expensive. We would have to do due diligence on the entire bank an the banking industry. We might be able to sell some of the branches to other banks to help reduce any debt we would incur. This would be really jumping in with both feet.

The third way would be a joint venture with an existing bank. I think this is the simplest solu tion and holds the least risk to profits and our brand. We would just lease space to the bank for a monthly fee. We would have to weigh the rental income against the remodeling costs.

– So what are you saying?

I would tell Texas Market that if they feel that having a bank branch in their grocery stores would result in increased traffic and maybe higher sales, they should form a joint venture with an existing bank and keep risk to a minimum and lease out the space. Starting from scratch or buying an existing player is expensive and risky. We currently know nothing about the industry and a failure could hurt the Texas Star brand.

- Type of Case: Entering a new market(s)
- Comments: Besides getting into trouble for using business jargon that he did not know, the interviewee did pretty well. He laid out his strategy up front and stuck to it, but also added ways that the client could differentiate itself from the competition. He seemed to roll into the banking part of the case with a little more confidence.

+ Brazilian Soda Manufacturer

Case 23: You are working for a Brazilian soda manufacturer that has experienced declining profits over the last two years. Why do you think this is occurring? What are the company's options for improving profitability? What are the possible effects of a change in the soda's price? And, oh, yes, estimate for me the size of the soda market in Brazil.

Our client is a soda manufacturer in Brazil. For the last two years they have been experiencing a decline in profits. We want to know why, and what can be done about it. We also need to investigate the effects of a price change and, finally, you would like me to estimate the size of the Brazilian soda market. Besides increasing profits, are there any other objectives I should be concerned with?

– No, I think you have enough on your plate.

I have a few questions. Who are the major players in the Brazilian soda market? How much market share does each player have? And, what are the current price differences in our products?

– Of course, Coke and Pepsi are there. Together they make up 80 percent of the market. We have 10 percent and two generic brands that make up the remainder. Currently, the retail pricing is as follows: A 12 ounce Coke and Pepsi sells for 80 cents U.S., our 12 ounce can sells for 50 cents, and the generics sell for 35 cents.

Do we sell for less because our name isn't as big or the quality of our product isn't as good?

– We like to think name recognition.

What's our product mix? How many flavors of soda do we sell?

– Two, a cola and guarana — it's like a fruit soda.

And our competition?

– Coke and Pepsi have a full array of products. The rest just make cola.

How is the soda market doing overall?

– It was up 10 percent.

Did we lose market share? Or is it just our profits that are declining?

– Good question. Our market share has remained the same.

Okay. Right now I'd like to take a stab at the size of the market. I'm not sure what the population of Brazil is.

– Take a guess.

Two hundred million.

– Very close. It's around 180 million, but why don't you use 200.

I'll assume that the population of Brazil is 200 million. I'm going to break it down by groups. But first I'll also assume that there are even numbers of people in each age group, so there is the same number of 10-year olds as there are 40-year olds. And I'll assume that the life expectancy is 80 years.

– The life expectancy is a little high, but go ahead.

Well I'm going to assume 50 weeks in a year.

– That explains it. Okay.

I want to break it down this way.

Age Group	Number of people	Soda drinkers	Sodas/week	Sodas/year
0-10	25 m	5 m	10	2.5 b
11-20	25 m	20 m	10	10 b
21-40	50 m	40 m	10	20 b
41-60	50 m	25 m	3	3.75 b
60 -80	50 m	10 m	2	1 b
Totals	200m	100m		37.25 b

Therefore, we can assume that the market is about 40 billion sodas a year. We have 10 percent or 4 billion cans of soda a year. How much do we make on each soda?

– It averages out to 25 cents U.S.

So we make $1 billion.

– Yes.

Four billion cans of soda a year. Have we been able to meet demand? Are there any capacity constraints?

– No. We can handle it. However, if it goes much higher, we'll have to add a second shift.

There can be several reasons why we are experiencing declining profits. It could be a drop in revenues, it could be our sales are flat, or our expenses are rising. I'd like to go through each of these.

– I can save you some time. We've looked at our manufacturing costs and have determined that they are not out of line. There have been increases, but they're small. In addition, we have done everything we could to reduce them.

You said our market share is the same, and that the industry is growing, so I'll assume that our sales aren't flat.

– That's a good assumption.

Well, if our manufacturing costs are in line and our sales are growing, then it might be a drop in revenues. You said we are making 25 cents per can of soda. Were we making more than that in prior years?

– Yes. Good. Each of the last two years, the distributor has raised his fee a penny a can a year. This year alone, it cost us an additional $10 million on top of the $9 plus million from last year. We chose not to pass the cost on to the retailer or the consumer.

Well maybe it's time. Your original question asked about the effects of pricing. There seems to be a big gap between the majors like Coke and Pepsi, which sell their product for 80 cents, our products which sell for 50 cents and the generics which sell theirs for 35 cents. Do we know what affect on volume an increase or decrease in prices will play?

– Use the original pricing of 25 cents a can. If we increase our prices by 5 cents, and assume that these changes will filter down to the consumer, we can expect a 5 percent loss in volume. If we leave our prices alone we can expect a 5 percent increase in volume. And if we lower our prices by 5 cents we can expect a 10 percent increase in volume.

If the percentage decrease in the quantity demanded is less than the percentage increase in the price, we have a net increase in revenues, so the price increase makes sense. Similarly, if the percentage increase in demand is greater than the percentage decrease in the price, we again have a net increase in revenues and so the price decrease makes sense.

– Why don't you show me?

You said we sell 4 billion cans of soda a year, so:

Present volume	Δ in volume	New volume	New price	Revenues
4 billion	- 5 percent	3.8 billion	.30	1.14 billion
4 billion	+ 5 percent	4.2 billion	.25	1.05 billion
4 billion	+10 percent	4.4 billion	.20	880 million

It looks as though choice one is the best. We'd be producing 400 million less cans, but making $90 million more than if we kept our prices the same and had a 5 percent boost in volume. In addition, we won't have to add that second shift. The worst thing we can do is to lower our prices.

Do we have any additional revenue streams? Do we produce anything besides soda?

– No. Don't go there. Just focus on soda manufacturing.

Then I'd summarize by saying that we determined the size of the Brazilian soda market to be 40 billion cans of soda a year, of which we produce 10 percent or 4 billion cans. We've determined that our profits are declining mainly because the distributors have increased their distribution fees by two pennies over the course of two years. This increase has cost us almost 20 million dollars. Now we can look for new distributors, but my assumption is that we don't have a lot of choice. So, we increase our prices by 5 cents, this means we will produce 400 million less cans of soda and make 90 million dollars more. In addition, we will save on production costs, i.e. labor and raw materials, shipping costs, and the distributor fees.

– Very good.

- **Type of Case: Market-sizing, pricing strategy, improving the bottom line**
- **Comments: The student did well. She asked a lot of good questions. Her market-sizing was clear and logical. She showed off her math and organizational skills by making the tables for both the market-sizing and the pricing issue. The student picked up on the fact that the interviewer was talking only of manufacturing costs and not all costs, therefore she was able to smoke out the additional distribution cost. Her summary was concise and articulate.**

+ Getting into Diapers

Case 24: DuPont has just invented a lightweight, super-absorbent, biodegradable material that would be perfect for disposable diapers. What should they do with it?

DuPont has developed a new material that would be great for disposable diapers and they want to know how best to take advantage of this product.

– Yes.

One objective is to figure out what to do with this material. Any other objectives?

– Yes, make a handsome profit. But first, I'd like you to figure out the size of the disposable diaper market.

Okay. I'm going to make some assumptions. I'll assume that the population of the U.S. is 280 million, and that the life expectancy of an average American is 80 years. I'm also going to assume that there are even numbers of people in each age group. So, that means that there are the exact same number of 3-year olds as 73-year olds. So you divide 280 million by 80 and you get 3.5 million people per age group. Children wear diapers from age zero to three, so that's 10.5 million children. Let's round it down to 10 million children. I'm going to assume that 80% of the children wear disposable diapers, so that's eight million kids times five diapers a day equaling 40 million diapers a day. Multiply that by 365 days and you get 14.6 billion diapers times, I don't know, say, $1 a diaper. So the market is $14.6 billion a year.

– So, now we know the market size. What's next?

We look at the market and see who the major players are, what kind of market share each has, and what the pricing differentials are. I know P&G has a large part of that market and I know that there are a number of generic brands as well. The competition is tough, but I can't think of any barriers that would really stop us.

– So, you think we should get into the diaper business?

Yes, but we need to figure what part of the business. When I asked you if there were any other objectives or goals, you said profit. What you didn't say was to become a major player in the consumer diapers market. That means that there are several ways we can enter. I'd like to list them, then look at the advantages and disadvantages of each.

We can start up our own diaper company, form a joint venture, buy a smaller player and substitute our product for theirs, or manufacturer the diapers and license them to a number of companies.

First, let's look at starting our own company. We have name recognition, but not in that industry. We would have to set up a manufacturing plant, hire a management team, marketing team, and sales force, and establish distribution channels. Time consuming and expensive, but doable.

Second, we can form a joint venture with an established diaper company. The advantages there are that the company would already have everything in place as far as name recognition, management team, sales force, and distribution channels. But we might find this limiting. Depending on the deal, we might only be able to manufacture for them.

Third, we can buy a diaper company and substitute our product for theirs. This has merit for all the same reasons the joint venture has. We need to ask ourselves if we really want to manufacture and market diapers or just manufacture them.

The fourth option was to license our product to a variety of companies. If our technology is superior to the existing product, then let's get multiple companies on board and let their marketing experts fight it out.

– Good. So which one would you choose?

With just the information I have so far, I'd venture to say the last option — manufacture and license the rights, become a supplier and do what DuPont does best — manufacture.

We could even go to the different diaper companies and get pre-orders to ensure that the market is there and our pricing is in line.

- Type of case: Market sizing and entering a new market

- Comments: At first, some might think this to be a developing a new product question, and they could probably make a decent case out of it. But the question really asks, "What should they do with it?" That implies that the product has already been developed and the company is searching for the best way to exploit this new technology; thus, this is an entering a new market case.

What impressed the interviewer here was the fact that he picked up on what the interviewer didn't say and built on that. That's an extraordinary example of great listening — the best skill a consultant can have.

+ Savannah Jane's Laundromat

Case 25: You just bought Savannah Jane's Laundromat in Savannah, Georgia. It's twenty years old and had a small loss last year. What are you going to do?

Why did I buy it?

– Your consulting interviews didn't work out so you thought you'd take a shot at turning this business around, make some money and prove to the interviewers that they were wrong about you.

Has it been profitable in the past?

– Yes, but it has been on the decline over the last five years.

Why is that?

– Why do you think?

I'll assume that the former owner let things go. Maybe the washers and dryers are old and break down a lot. The place is probably dingy and not an attractive place to visit.

– That's pretty much it.

What kind of area am I in?

– You're in a strip mall. There's a liquor store, a discount clothing store, a sports bar, a real estate office and a bank.

Is the rest of the strip mall run down as well?

– No. I should also mention that you are not far from the Savannah College of Art and Design.

I am going to make the assumption that I did my due diligence and that the population and demographics are such that there is enough traffic to support a business.

– Yes, that's a fair assumption.

The first thing I'm going to do is inspect the equipment and determine the age and condition of each machine. I'll visit the bank and get a loan to fix up the place. I'll replace the equipment that needs it. I'll clean the place from top to bottom, repaint, and put in a new carpet. I'll stick in comfortable chairs and a wall television, and then get cable and a DVD player. We need to make it so that people will want to come and stay.

– Why stay?

You lose time and customers if people have to wait for a machine to free up. People who leave and come back often make others wait for their machine.

– Not me. When I was in college and grad school I never waited. If they weren't back in time, I'd just throw their clothes on the floor.

Maybe you should have been an investment banker.

– (Laughs) I wasn't mean enough. Go on.

I would put in additional revenue generators, such as vending machines, not only for soap and laundry stuff, but snacks and drinks. I'd offer a fluff and fold option where people could just drop off their clothes and then pick them up at the end of the day — pay by the pound.

– So you'd have employees?

Part-time employees, so I wouldn't have to pay them benefits.

– Maybe you should be the investment banker.

(Laughs) Ouch. I need to think about who my customers are. For the most part, I think that they are mothers with young children, students, and non-student singles.

– That's fair.

During the day, we probably get mothers and their children. For the children I'd put in books and Lego® sets. Maybe have a smaller TV with a VCR and some kid tapes. I'd encourage groups of mothers to meet there on certain days, maybe have a group that comes and watches certain soap operas every Tuesday and Friday. I'd put in a coffee bar, sell magazines and have internet access, that sort of thing.

I would let the students from the Savannah College of Art and Design display their art work and try to sell it. I'd do a trade out with some of the musicians at the college so that they could play their guitar or piano during certain hours and get to wash their clothes for free. Which reminds me, I'd offer a loyalty program and scan cards so that people wouldn't have to carry change all the time.

I'd work with the sports bar. Patrons could drop their laundry off, watch a sporting event, and then pick it up on their way home.

– So you'd be open late?

With this customer base you'd have to be. I'd investigate on becoming a drop off point for a local dry cleaner as an additional revenue stream. Once I have everything in place, I'd begin my marketing campaign and have a grand opening. I'd invite the press, maybe put up one of those signs — under new management.

– Okay, good. Why don't you summarize for me.

I'd remodel, add revenue streams, watch costs, market creatively, and focus on customer service.

– Would you consider doing something like this if you don't get a consulting job?

Yes, I would. I think it would be fun. I'd learn a lot and make some good money along the way — but I still want to be a consultant.

- **Type of Case: Strategy / marketing / turnaround / acquisition**
- **Comments: The student did a good job. He showed that he could roll with the punches and maintain a sense of humor. He had some creative ideas and a plan. His summary might have been a little short for some folks, but he hit on all the major points without dwelling on them and being redundant.**

+ Yellow Stuff Chemical Company

Case 26: Our client is a manufacturer that makes industrial cleaning solvents and pesticides. Recently, sales have been declining, mostly due to new EPA guidelines. The company has been "dumping" its old products overseas into countries that have less stringent environmental laws as well as re-engineering its products to fit the new EPA guidelines. Further evaluation of sales, both past and future, indicates that the chemical industry has, and will, continue to grow slowly over the next 5 to 7 years, with 3% annual growth.

Management has decided to diversify. While Yellow Stuff wants to keep its chemical business intact, it also wants to enter an industry that has long-term, high-growth potential. Yellow Stuff has hired us to help determine what industry or industries it should enter.

While I don't want you to come up with a list of industries, I do want you to tell me what sort of things you should be researching to determine what industry our client should diversify into.

So as I understand it, our client is a chemical manufacturer who wants to diversify outside the chemical industry into a high-growth industry.

– That's right.

And you want me to come up with a strategy on how to find the best possible match.

– Yes.

Besides diversification and profit, are there any other objectives that I should know about?

– No.

What does the company define as high-growth?

– 10% a year.

Well the first thing I'd do is obtain a list of all the industries and eliminate the ones that are growing less than 15%, or that have a potential in the next year of growing less than 15%. How much risk is Yellow Stuff willing to take?

– Medium.

Then, I'd also eliminate any high-risk or volatile industries. Next, I'd study the list to see if there are any synergies that we can share.

– Such as?

One example might be to look to see if there is a sister industry, where our customer list is the same. If we sell cleaning solvents to Pepsi and then we get into manufacturing aluminum, maybe we can sell Pepsi soda cans. We also have a history of marketing and selling

business-to-business, so we might want to stay away from consumer products. We could look at other commonalities, such as distribution channels and sales force.

Once we narrow the list, we need to analyze the market to find out who the major players are and what, if any, the barriers to entering the market are.

– Okay, what else?

There are three ways to enter a new market: start from scratch, acquire an existing player, or do a joint venture. Depending on the industry and the barriers . . .

– What sort of barriers are you talking about?

Could be government regulations. If you try to start a business and your products have to get approved by the FDA or the EPA, then that could take years. In a case like that, you might want to acquire an existing player. A barrier might be a stranglehold on the market: if, for example, two companies hold an extraordinarily large market share and have a habit of destroying new entries. If raw materials or supplies would be hard to come by, that would be another barrier.

– Okay.

Did I mention substitutions as a barrier?

– What's next?

I'd look very carefully at the future of the industry. It may be growing currently over 10 percent, but is that going to last and for how long? Is the market growing or shrinking? Are the number of players growing or shrinking? Have there been many mergers or acquisitions lately? And I'd take some time to think about exit strategies as well.

– Summarize for me.

I'd identify all the relevant industries, analyze their markets, and determine the best way to enter that market. I'd also conduct an analysis to see if the company might not be better off just investing the money into the stock market. It may make a better return and its investment would be a lot more liquid.

- **Type of case: Entering a new market**

- **Comments: Ninety percent of this question is irrelevant fluff. It's not about the chemical industry, it's about entering a new market. The candidate took the time to ask for the company's definition of high growth. From there, it was straight logic. Now some of you might argue that this was really a growth strategies question, but the question tells us that the client really wants to diversify, which narrows the growth strategies to one: diversification. The question then becomes one of identifying the new industry.**

+ WIVY FM Radio

Case 27: Our client is the owner of a small East Coast FM radio station, WIVY. CBS-owned Infinity Broadcasting, the number three radio station owner with 160 stations and six of the country's top 10 stations, has been after him to sell. Infinity Broadcasting offered him a good price, but he has turned it down. He's making a tiny profit, but needs to do better if he is to survive. He's had to lower the cost of his on-air ads to compete with other stations. He's afraid to cut into his music with more ads because he's afraid of hurting his ratings, thus forcing his ad rates even lower. What should he do?

Approach 1: We have a radio station that's not doing well. It's had to lower the price of its on-air ads to compete with other stations. And the station is afraid to increase the number of ads because it's afraid of losing listeners, correct?

– Yes.

So is his objective survival?

– That's one objective. But I think he wants to thrive, not just survive.

So he needs to turn the station around by increasing ad sales, reducing costs, and making a bigger profit?

– Are you asking me or telling me?

Let me ask you this: What format does his station play?

– Classic rock and roll. Nothing too heavy.

How many other stations in that market have a similar format?

– Three.

Has he investigated other formats?

– All the popular formats have three or four stations vying for listeners. The only format that is open is country and western, and he's not interested in that.

Why is his station doing so poorly?

– You tell me.

I'll assume that it's because he can't afford to hire a big name DJ or to have on-air contests.

– True.

How are his competitors doing?

– Fine. Their market share is higher. Our station is basically at the bottom of the ratings barrel.

Do large corporations own his competitors?

– Yes.

What about his revenue streams? I'm assuming ad sales is his major source.

– For the sake of this question, assume that it's his only source.

He is probably having a hard time competing with the other stations because they have a bigger sales force and can offer a discounted package of national ads that covers all their stations.

– Safe assumption.

And you said that he was at his maximum as far as number of on-air ads.

– I don't remember saying that, but yes, he's filled all his ad spots. The problem is that he had to lower the price to get those ads.

Let's look at his costs . . .

– His costs have already been looked at. Everything has been cut to the bone.

Okay, so if costs have been reduced as much as possible and ad sales are maxed, then we need to think of a way to get our ratings up so we can increase the price of our ads.

– What do you propose?

He can try to raise some money so he can steal the top DJ, and then promote the hell out of it. Or, he can offer the top DJ an equity piece of the station in return for coming over and bringing her audience. Either way, he is going to lose some ownership.

But, if he tries that and fails, and eventually sells the station, then he has to split the money from CBS with the DJ.

– Yes. That's right. So what should we tell him to do?

It's clear that he can't go on the way he has been. He's got to do something. Something dramatic. I would advise him to go after the number one DJ in the city, offer her a piece of the station at a price, then use that money to hire a PR firm to promote the new DJ. I would try to find an outside sales group to sell his ads on a commission basis. That way, you're reducing his labor and benefit costs.

– You wouldn't tell him to sell the station?

If he wanted to sell it, he would have sold it.

– Okay, thanks.

- **Type of Case: Increasing the bottom line**
- **Comments: This candidate went the traditional route of exploring ways to reduce costs and increase sales and/or audience. It was a straightforward approach. For a more creative approach, read on . . . .**

Approach 2: Okay, our client is an owner of a small FM radio station. His profits are tiny. He's reluctant to sell more ads because he's afraid his listener ratings will go down, forcing him to lower his rates even further. CBS wants to buy him out and they are offering him a fair price. He's come to us for advice.

– That's right.

Why won't he sell?

– Radio is all he knows.

What format does his station play?

– Rock and roll. Nothing too heavy. Classics from the 80s and 90s.

Has he recently changed formats?

– No.

Are there other stations that play a similar format?

– Yes, three others.

I would investigate other formats.

– All the popular formats have three or four stations vying for listeners. The only format that is open is country and western, and he's not interested in that.

Do large corporations own his competitors?

– Yes.

Sometimes we talk about barriers to entering a new market, but there are times when there are barriers to staying in a market.

– What do you mean?

His competitors are all well-financed. They probably have a team of eager salespeople that can sell ads nationally as well as locally. Much of their back-of-the-house operations are consolidated, and thus their overhead is much lower. They have more money to throw at promotions and giveaways and can therefore attract more listeners.

– That's all true, so what can we do about it?

If his objective is to stay in radio . . .

– CBS doesn't want him around. They don't want him running the station under their ownership. In fact, you can assume that none of the new owners would want him or any of his people around. Nothing against him, they just like to bring in their own people.

I can think of two options. The first is to partner with the number one DJ in town. Offer the DJ a piece of equity in the station. He can bring over his listeners and it would create a lot of press. Maybe go out and raise some additional capital from private investors based on the strength of this new DJ and pump some excitement into the station.

– Okay, that's one solution. What else?

The second idea needs to be researched a little more, but here goes. I'm going to make the assumption that many stations across the country struggle with late-night airtime, from 12 am to 5 am Listeners are far fewer, but they still have to pay an on-air personality. Fair assumption?

– Fair assumption.

Cut a deal with CBS. You sell them the station. In return, we get our great price, plus the late-night air rights to *The Howard Stern Show* archives and the late-night air rights to the *Late Night with David Letterman* archives. We syndicate a late-night program that draws from those two sources, and the CBS radio network becomes our biggest customer.

– Two good options, which one do you pick?

We don't pick. We just lay out the options for the client and allow him to decide.

– All right.

Comments: As you can see, not every case has to follow one of the scenarios. Knowing what questions to ask and being creative helps tremendously. If I were the interviewer, I would have favored this second approach simply for its creativity.

+ College Mail

Case 28: Our client is a company named Imagitas. They have a contract with the U.S. Postal Service to print the change of address forms that you find in your local post office. Ten years ago, the change of address form was a simple green card. Now, the mover receives a booklet with helpful hints on how to move and coupons to stores and services that the mover will need when moving. This booklet is called "The Mover's Guide." Imagitas also sends a "Welcome Kit" to the mover's new address with coupons and information that she might find helpful in her new neighborhood. Imagitas saves the U.S. Postal Service over $12 million dollars a year while making over $50 million in ad revenues.

One of the most active, yet hardest to reach markets, is the college student. Imagitas seeks ways to segment and reach the college market. Lay out a strategic plan for Imagitas to follow, keeping in mind their objectives are to:

- **Reach students sooner**
- **Provide appropriate and attractive coupons**
- **Drive student/movers to the web site**
- **Retain mover information online**
- **Make a profit**

So, basically, our client is a company that handles the change of address forms for the U.S. Postal Service. They want us to help them segment the college market, while meeting the objectives of reaching students sooner, providing appropriate coupons, getting students to use the web site and retain information on line while making a profit.

– Basically.

Can people currently do a change of address online?

– That will happen soon. So you can make that assumption.

The coupons that Imagitas sends out to movers, are they from local merchants or national chains?

– National chains, although we hope to distribute local merchants soon.

I can think of five segments to this market. Heading to school for the first time, heading back to school, moving back home with their parents for the summer, moving to a new city for a summer internship and moving to a new city for their first job. The three that I'd like to focus on first are heading to school for the first time, heading back to school — each year, and moving to a new city for their first job.

– Go on.

Heading to school for the first time is a great opportunity for a very strong Mover's Guide package if sent early enough before the parents go shopping. Coupons for Linens & Things and The Gap might be good additions to the Mover's Guide.

When the student arrives on campus, the Welcome Kit can be unique with a strong mix of national and local coupons, if segmented by school or city. Coupons should be for "room stash," batteries, pizza, dry cleaners, that sort of thing.

With the group that is heading back to school, I'd focus mostly on the "Welcome Kit." If Imagitas can segment by school or city, then they can get a large number of local merchants as well as national chains.

Finally, there is the group that is moving to a new city for the first job. Again, this gives us a great opportunity to weigh heavy on the "Welcome Kit." This group will need everything and now has a paycheck to pay for it. National retailers like Create & Barrel and Linens & Things should jump on it.

– What you're saying is good, but how can Imagitas reach students and get them to use the web site?

College students can be reached through a variety of channels, such as strategic partnerships with universities, advertising through trade-outs, and word of mouth. Preferably, we would like to capture student data before they get on-campus. The best possible solution would be to work with university admission and housing offices to place the USPS web address in their acceptance and housing letters.

– Why would schools do this?

This would save the schools a lot of work and money in the long run. First, we should build an alliance with university mail centers. Every summer university mail centers across the country receive tons of mail for recent graduates, students away for the summer, and students who have transferred or dropped out. It's an expensive and time-consuming effort to return or, worst yet, forward their mail.

In the spring, University Mail Services (UMS) usually places a postcard in the mailbox of all on-campus students urging them to notify both the USPS and the University mail services of their new address. I know that Harvard UMS keeps a database for students who have notified them, although I'd imagine the percentage of students that comply is probably pretty low. I know I get those notices every year and never remember to fill it out.

In return, University mail centers should be willing to place a "Mover's Guide" into every on-campus mailbox to try to eliminate or curtail this burden. First, it would save them the expense of printing the postcards. Second, the online switching through the USPS site would greatly curtail their excess mail.

Through the university mail services, Admissions, and Housing offices we could capture a significant percentage of the college population and retain them as they move through their different life stages. In addition, by-school segmentation makes us more attractive to local vendors.

– How else can students get the word?

Word of mouth. One cannot over emphasize "word of mouth." Word gets around fast, and now, with such a large percentage of this group using email, it has amplified the message an multiplied the listeners. If it is "quick and cool" it can be done.

– Can you summarize for me?

USPS and Imagitas should capture college students early, ideally before they go to college. They can do this by working in conjunction with colleges and universities by helping them reduce their excess mail load. USPS can collect the student's information in a database and have the individual update it over the Internet a month before each move. USPS can even send out an automatic email a month before the student moves, prompting them to make the change on line.

Once they sign up, the student can reinitiate their move over the Internet using a PIN number, not only in college, but for the rest of their lives. USPS will promptly mail them a confirmation notice and Imagitas would mail out the mover's guide to their current address. The mover's guide will continue to have coupons for products and services to help them move. Finally, a "Welcome Kit" will be sent to the new address.

There is one more thing I'd like to add that we didn't talk about and that's the web site. Besides changing my address, it would be very helpful if I could order my phone and cable service at the same time. So, maybe the web site should have links to the appropriate companies in my new area. That way, by the time I move, in I'll be all set. Also, maybe there could be online coupons as well. I mention this because, when you're moving your room's a mess and things tend to get lost. The last thing I unhook is my computer, so I'll have access to the web page.

– Excellent. I'll have to remember that for my next meeting with Imagitas.

- Type of Case: Strategy / marketing
- Comments: Although this is a strategy case it didn't fit neatly into one of the six strategy scenarios in the Ivy Case Method. The student was asked about how to reach a segment of which she is a part – thus she put herself in the mix and tried to figure out how to reach students like her. Her answer went into more detail than most case questions require, however, when you have a question that asks how do you reach a specific market, a little more detail is required.

Road to Ruin

Case 29 : A chemical company recently developed a road-surfacing compound designed to extend the life of major highways. Currently, the federal and state governments must completely dig up and replace their highways every five years. If highways are treated with this chemical, their effective life span increases to 20 years. Currently, the government spends $1,000 per mile to replace its roads. The total cost of the chemical (production and application) amounts to $50 per mile. The management of the Chemical company would like to know the following:

- **Estimate the number of miles of state and federal highways in the U.S.**
- **How should management price the product?**
- **What other issues should the company be aware of?**

Let me make sure I understand. A chemical company has developed a compound that extends the life of highways from 5 to 20 years. Currently, it costs the government $1,000 a mile to rip up a road and replace it. We can apply the compound for $50 a mile, and this $50 covers all development and application costs. Now the client wants us to estimate the number of government highway miles, price the product on a per mile basis, and determine what other issues we should be taking into consideration.

– Yes.

Besides those three items, are there any other objectives or goals I should be aware of?

– No.

How big is this chemical company?

– It's a venture-backed start-up. This is their first and only product.

Are there any other competitors or substitutions? And do we have a patent?

– No and yes, respectively.

We know the advantages of this product, but are there any disadvantages to this product like environmental concerns?

– Excellent question, but the answer is no.

Okay, let's start with the first request. To estimate the number of government highway miles, I'm going to make some assumptions. First, I'm going to assume that the distance between the east and west coasts is 3,000 miles and that the distance between the northern and southern borders of the U.S. is 2,000 miles. I'm also going to assume that if you straighten out all the highways, you'll have ten roads running east to west and another ten running north to south. So ten times 3,000 is 30,000 and ten times 2,000 equals 20,000 miles. Add them together and you get approximately 50,000 miles of government highways.

– Okay, I'll buy that. What's next?

We need to determine a price. There are several pricing methods that we can look at as a base and then make a determination. There is competitive pricing, but, since we have no competitor, this is impossible. We can look at substitutions, which is what the government is currently doing — ripping up the roads at a cost of $1,000 a mile every five years. Since this process lasts for 20 years we should use 20 years as a common denominator. I'll get back to that in a minute. We can use cost-based pricing and stick a margin on top. Our cost is $50 per mile. If we double that to a 100 percent mark up, we'd come up with a price of $100 a mile. Finally, we can look at price-based costing. This is what the government would be willing to pay.

I mentioned the 20-year common denominator. So if you take 50,000 miles and multiply it by 4, you get 200,000 miles. Under the current plan it costs the government 200,000 times $1,000 a mile, which equals — $200 million dollars. Our break-even point is 50,000 times $50, which equals $2.5 million. So, our price range is $2.5 million to $200,000 million.

– That's quite a range.

I think it is time to look at some of the other factors. If the government does this it will have the construction lobby on its back, not to mention the labor unions. People will be laid off and the government will be facing unemployment issues and payments. Even though I'm assuming that this is a department of transportation decision, you can bet that Congress will weigh in on the subject. So the secret is to price it so that the savings are substantial and Congress can't stop it without looking fiscally irresponsible. What if we charged them $100 million — we would be in good shape and that's half of what they pay now. They can divert the $100 million in savings to other infrastructure projects so no one gets laid off.

– So what does that breakdown to per mile?

Fifty thousand miles divided into $100 million equals — $20,000 a mile — no that's wrong, it's $2,000 a mile.

– Are you sure?

Yes, $2,000 a mile. In addition, as far as cash layout goes, the government currently pays $50 million a year. Our total is $100 million. We can spread that over the length of the project, which I assumed would be two or three years.

– Okay. Thanks for coming by.

- **Type of Case: Estimate the market size, new product, and pricing**
- **Additional Comments: This is an interesting case because it touches on so many different aspects and scenarios. The student first asked about the product, then she estimated the market size. She was smart enough not to answer the pricing question until she took the outside factors into account.**

+ High-Speed Train

Case 30: Our client wants to open high-speed train service from Toronto to Montreal. Is this a good idea?

Our client has hired us to determine if opening a high-speed train service between Toronto and Montreal is feasible.

– That's right.

I'll assume his objective is profits.

– Profits and ego. He wants to be the next Richard Branson.

Does the client own any other trainlines, airlines, ships, hotels or travel agencies?

– He owns a couple of hotels.

Is there train service currently between those two cities?

– Yes, but it takes 3 hours compared to the 1 hour and 15 minutes that this new train will take.

I'll also assume that there is a highway as well as air service.

– That's a fair assumption.

How long does it take to drive?

– Between 3 and 4 hours depending on traffic.

And to fly?

– One hour.

What is the cost of flying?

– Roundtrip is $500.

What would be the cost of taking the train?

– We don't know yet. That's one reason why you're here.

Well first I'd like to look at the competition, that being the airlines. We know that it costs a person $500 to fly round trip. Would it be fair to assume that most passengers are business travelers?

– Yes. I can tell you that everyday approximately 5,000 people travel back and forth between Toronto and Montreal. On weekends, it drops to 1,000 passengers a day.

Is that 5,000 passengers each way?

– Yes.

Just by plane?

– No. A large percentage is by plane.

How frequent are the flights and how many passengers do they hold?

– There are 40 one-way flights a day. They run every half an hour during the peak hours — early morning and early evening. During the slow periods, flights run once an hour. The planes hold 100 passengers.

That's 4,000 passengers. You said they're mostly business travelers. I'll assume that one of the the three most important things to the business traveler is speed, which also takes into account the number of delays, frequency and price. Other concerns might be cleanliness and service.

– That's exactly right.

Let me recap the plane situation. There are 40 roundtrip flights a day. They run every half an hour during peak times and every hour during off peak. They carry 4,000 business travelers every weekday. The cost is $500 for a round-trip ticket. How long does it take to get from the airport to the city?

– Half an hour, depending on traffic.

And where would the train station be located?

– Right in the city.

Okay, let's look at the train. Does the track already exist?

– No. You'd have to build it.

How expensive is that? You'd have buy and lay the track. Probably pay big bucks for property rights, that is to allow the track passage through private property.

– The total cost of laying the track is $1 billion with $5 million a year for maintenance costs.

Let's look at some of the other costs. You'd have labor, both on-board and station help. There would be advertising costs, fuel costs, the costs of purchasing train engines and passenger cars, insurance . . .

– To save time, let's just say that the cost per trip is $50,000. And that you're planning 20 trips per day.

That's a million dollars a day. How many passengers can we hold?

– As many as a 1,000 per trip.

Have we done any surveys to see if business travelers would even take the train?

– Yes. Seventy-five percent of the people surveyed said that they would take the train.

At what price?

– A price equal to or less than the airlines are charging.

If 75 percent of the people surveyed said that they'd take the train, then we can probably count on half of that. Let's say that we captured 40 percent of the market, keeping in mind that it will take six months to a year to build up to that. So 40 percent of 4,000 passengers equals — 10 percent is 400, so 40 percent is 1,600 passengers a day.

If we charge $500 for a roundtrip and transport 1,600 passengers a day that would bring in revenues of $800,000. That means we'd be losing $200,000 a day even after six months of marketing expense. So we need at least 2,000 passengers a day just to break even and that doesn't take into account the $1 billion in infrastructure costs.

In short, unless we can significantly increase the number of daily passengers, raise ticket prices, or reduce our costs, I'd have to advise against it.

- **Type of Case: Entering a new market**
- **Comments: The student asked a lot of good questions. He used logic and numbers to prove his point.**

+ Screw Tops for Fine Wine

Case 31: You are the owner of a small to medium-size fine winery. You're considering whether or not to switch from corks to screw tops in your current vintage. This year's wine will not be released to the general public for six years. Industry estimates are that within ten years 80 percent of all wine will have a screw top, not a cork. Should you switch over now?

The issue is whether or not to switch from cork to screw tops for the current vintage, which won't be released for six years. And it looks as if the industry, or at least part of the industry, is switching over. Is the objective to save money?

– No.

What percentage of wines currently has screw tops?

– Are you talking retail?

Yes.

– About thirty percent.

If wines aren't for retail sale, which I take it means package stores and restaurants, then what's the other market?

– Well it's not really another market. The great wine chateaus of France and vineyards of California use screw tops in their library wines, their private collection and their test wines.

Because it's cheaper?

– No, screw tops are more reliable, they don't dry out, they don't affect the taste, they're easy to use, you don't need a cork screw, and you can reseal them. People who truly care about wine, care about the taste and not the ceremony.

What about corks?

– Corks sometimes have mold, which affects the wine's taste. They dry out and crack if not stored properly, sometimes they crumble when you unscrew them. Now I feel as if you are trying to get me to answer the case for you.

Okay, sorry. I know now that it's not about the cost. Even though I'll assume that screw tops are less expensive because the cheaper wines use them. It's about tradition and image. When dining out, it's fun to watch the waiter at a restaurant uncork it. It makes a great sound and it's fun to smell the cork and pretend that you know what you're doing.

– Kind of like what you're doing with this case question — pretending.

(smiles) Would we have to retool our plant to switch from cork to screw tops?

– Good question, but it's not relevant because I told you cost is not an issue.

I was thinking along the lines of timing, not cost. How long will it take us to retool the plant, not how much? We have three options. We can cork the entire vintage, we can screw top the entire vintage, or we can split the vintage between the two. Industry trends look as if they are headed this way, but, as of today, it hasn't caught on. I would want to know what the wine industry is going to do to educate the public that screw tops are better. I'd like to know what our competitors are planning to do. I'd like to do a focus group to get the reaction of wine connoisseurs and general public.

– We have no time for that. The wine has to be bottled soon and we need to place the order now. What's it going to be, yes or no?

If I had to decide today, I'd stay with the corks. The cork system has worked for thousands of years. I think that there is a higher risk bottling our best vintage with screw tops then not having it catch on. I know that you said that the people who care more about the taste than ceremony would choose screw top over cork, taste over image, but I think most people aren't that sophisticated.

– Isn't there the option of holding the wine an extra year or two until screw tops are accepted in fine wine? It's not going to go bad. In fact it might even be more valuable. The least we could have done is split it and sell the corks in six years and hold on to the screw tops longer if need be.

Maybe a split. How expensive is this wine? Until you get James Bond unscrewing a bottle of Margeaux or champagne on the silver screen, I would wager that it is not going to fly with the general public — unless the industry as a whole does it together. Until they all make the switch on a certain date in time.

– Okay, now pretend that you are advising the National Wine Association on how to get the public to switch from corks to screw tops.

It's important that we have a consensus in the industry, not only domestically but, internationally as well. France, Germany, Australia, and Chile should all sign on. Certainly an industry media campaign along the lines of "Got Milk" would be in order. It's not each individual vineyard going it alone. I'd help the smaller vineyards prepare for the switch, maybe even make it a countdown situation — 2005 the year of the screw top. I'd make it a big deal and not try to quietly switch over. Not only would I try to get stories on the news and in the newspaper, I'd try to get screw tops on television shows and in the movies. And yes, I'd try to get James Bond to unscrew a bottle of champagne on screen — I'm sure his screenwriters can come up with a catchy little sexual quip to make it all worth while. After all he did switch from an Astin Martin to a BMW.

– I guess this is where I tell you to stick a cork in it.

Isn't that what James Bond said to Dr. Christmas Jones in "The World is Not Enough."

– No, your answer was not enough. Thanks for coming by.

- Type of Case: Strategy / marketing
- Comments: It wasn't the fact that the student asked a lot of questions, it was the type of questions that he asked. He would have been better off making assumptions about the advantages and disadvantages of screw tops and corks than asking for it since that information is so critical to the question. He did roll with the punches, however, I don't think that the interviewer had much of a sense of humor. The student didn't back down when the interviewer questioned his decision about using corks, but he compromised a little. His first reference to James Bond was powerful, but he took the Bond chatter too far.

+ Starbucks

Case 32: Wall Street wants to see Starbucks sales grow 30 percent annually for the next five years. The "street" has been telling Starbucks to open more coffee shops, but the coffee retailer feels it has exhausted all areas where it could grow. What should Starbucks do?

So Starbucks wants its sales to grow by 30 percent a year for the next five years.

– Yes.

Besides the growth in sales, are there any other objectives I should be aware of?

– No. I should add that I only want you to focus on the U.S. market.

Okay. How much did Starbucks grow last year, and what is the difference between growth of company sales and store sales?

– It had an increase of 26 percent from consolidated net revenues. Comparable store sales increased 10 percent.

So we're interested in growing Starbucks overall, not just increasing store sales?

– That's right.

Is the industry growing at around the same rate?

– Around the same.

What's Starbucks market share?

– Good question, but not relevant.

While I know that Wall Street would like to see us open more stores, that might not be the best solution to 30 percent growth. I'd like to break this problem down into two areas. Store growth and company growth. Because location is the key to success for any restaurant, if we are to open new stores, we need to make sure that the location of the stores is great. But it sounds like Starbucks has been looking for great locations and is running out of sites. It's possible that the market might be close to saturation. If we're going to increase sales in this area, we'd have to concentrate on taking away market share from our competitors and getting more revenues out of our existing stores.

So, let's look at the existing stores. There are a couple of ways to increase sales. We could increase prices, run a marketing campaign to get more people into the stores, and try to get the customers who do come into the stores to spend more money.

You said that store sales only increased by 10 percent. I'll assume that some products far outsell others. That means that there are some dogs. We need to eliminate the products that sell poorly and replace them with new innovative products that will drive customers into the

stores. We should also look at how individual stores are doing and close down the ones that are losing money. For example, we might review the operating hours of each store and have certain stores stay open to serve late-night coffee drinkers, particularly stores in college towns and near movie theaters. We should also look to see if our competitors are doing anything new and ingenious.

– Okay. What else?

I'll assume that there is some elasticity in gourmet coffee prices. However, I'd like to check out the competitor's prices before I make a decision on that. But, regardless, raising prices isn't enough to generate a 30 percent increase in company-wide sales.

– So what would you do?

If we are to increase sales for the company, we need to review some proven growth strategies. We can develop new products and initiate a marketing campaign to tell the public about them. We could increase our distribution channels. We can build sales through acquisition by acquiring a smaller competitor with great locations and products. Or, we can expand outside the gourmet coffee industry.

I'd like to touch briefly on those.

– Sounds like a plan.

First, develop new products. This would include not only new drinks and food items, such as ice cream and prepared gourmet meals, but items like coffee makers and gift baskets.

– Starbucks already does that.

Oh. Well, what about reviewing the traffic flow of each store. So, if they're slow during the lunch hours, they can sell sandwiches. They could even get into catering. I'd have to review the current product line before I made a final report.

– Okay. What else?

Second, would be to develop a marketing campaign. Not only could we market the brand and new products, but possibly get involved in a social effort like Ben and Jerry's did. That action seemed to help their corporate image and sales figures.

– Starbucks is already a major player in the corporate social responsibility arena. I'm surpised you don't know that.

I didn't. Third, increase distribution channels. We already talked about opening new stores if we can find the right locations. I'll assume that Starbucks has a Web site so they probably sell items over the Internet.

– That's right.

Other distribution channels might be through grocery stores, gourmet shops, large offices, university food services, and hotels. And as long as I'm brainstorming without commitment I'd like to throw out the idea of setting up an Avon or Tupperware-like home party.

– They already do all that except the home parties.

Fourth, we could build sales through acquisition of small regional competitors. Or, we could buy up a chain of sandwich shops or restaurants and grow that way. We can establish and attach a dry cleaning service so that people can drop off their clothes and pick up a coffee. It would give them an additional reason to stop in.

– I have to tell you, you're not dazzling me yet.

It's because I haven't had my coffee yet. Have you?

– (laughs) Keep going.

Finally, Starbucks might want to look outside the industry to grow. Maybe focus money and investments in other high-growth industries.

– You want to summarize for me?

First, I think that 30 percent growth is possible. What Starbucks needs to do is stick with their current game plan of expansion. In addition, they need to review current products and stores, and get rid of the ones that aren't producing. They need to develop new products and expand their distribution channels. One way to expand their channels is to look at making an acquisition within the industry.

Finally, they should investigate opportunities outside their current industry. See if there are any synergies to be had, like shared customers, manufacturing or transportation.

– Interesting. Next time, drink your coffee before your interview.

- **Type of Case: Increase sales and growth**
- **Comments: The student did well. While he didn't come up with anything really new, he did ask good questions. He also directed his answer away from just increasing the number of stores to alternative ways of growing the company.**

The Gas Company

Case 33: A natural gas local distribution company (an LDC, which distributes gas locally as a monopoly) is trying to centralize its back-office functions. In the past, it has acquired other LDCs and placed them under its brand name.

Our job is to help reduce costs for the back-office functions, specifically the call center. The call center is the LDC's point of contact with its one million customers. Customers call with questions about billing, services, and emergencies. There are 150 full-time customer service associates who work in three shifts.

Recently, a new $25 million call center was built in Spearhead, Utah, because the labor costs are lower in Spearhead than in New York. Although the company has reduced operating costs from $8 million to $6.5 million, we want to reduce the costs of providing this function even further.

So, our client is a natural gas local distribution company that wants us to figure out ways to reduce costs in its new phone center. Are there any other objectives that we should be aware of?

– No. And let me save you the trouble of asking, we don't want to open a call center overseas.

Can you give me a cost breakdown?

– Labor is 60%, toll-free phone calls are 20%, and miscellaneous items, licensing fees, training, IT, and utilities make up another 20%.

Can you give a call breakdown? I'll assume the majority of the calls are about billing.

– That's right. Billing calls make up 60% of the traffic, while 39% are calls regarding service questions, and less than 1% are emergency calls.

Okay, the number that worries me is the 60% labor cost. We need to see how we can reduce labor, possibly by automating the phone lines and making information available online. Some of the billing questions can be automated, things like how much do I owe? What address do I send my check to? Did you receive my last payment? They can all be answered by touch-tone.

But there will also be questions that can't be automated, such as not understanding a bill, as well as service calls, connecting and disconnecting the gas.

– Okay, so you want to automate some of the services as well as enhance our Web site?

Yes. I'll assume that a phone call to a human runs the company about $10 a call, while an automated call costs around $1, and a visit to the Web site, maybe, 50 cents.

– You're pretty close.

What is the average length of the call?

– Five minutes total. That includes three to three and a half minutes of talking to the customer and two minutes of after-call work.

Is the after-call work computerized? Can the service rep write it up as he goes along?

– Some of the work could be done that way.

We need to do a workflow study. How does our talk time compare to the other LDCs?

– We're somewhere in the middle.

We should talk to the leaders and see what they are doing to reduce their talk time and after-call work. Do the computers regularly go down?

– Not since we moved into our new facility.

Finally, I'd like to examine the pattern of calling. When are the peak times? Is there any dead time? Can we bounce queued calls to our other phone centers? Can we use more part-time workers?

– Okay, good. We have about a minute left.

Then let me summarize. I'd try to reduce our labor costs by automating some of the calls, making more information available on the Web, staggering work shifts, using part-time workers, and having queued calls bounced to other phone centers. I'd try to reduce talk time and after-call work by having the phone rep input the work while on the line with the customer. And I'd review the information that the phone rep is recording. Is it all necessary, or are we collecting some information out of habit?

- **Type of case: Reducing costs**
- **Comment: Her focus was on reducing costs, which was exactly right. The problem wasn't so much that costs had gotten out of control, but that the company was simply looking for ways to further reduce costs. This candidate wasn't afraid to ask for a cost breakdown and to explore the savings that the Internet can create.**

+ Pay Phones

Case 34: Our client is a major player in the pay phone industry. Despite a 20% increase in market share, the manufacturer has experienced a decline in profits. The CEO wants to know why and what can be done about it.

Let me make sure I understand. Our client manufactures pay phones. Its market share has risen 20%, yet its profits are declining. The CEO wants to know why and what can be done about it.

– That's right.

Besides identifying and correcting the problem, are there any other objectives I should be aware of?

– No. If you can do those two things I'll be happy.

What sort of market share does the company have and how has that increased?

– Currently it has 55%, up from 35% two years ago.

So they've increased their market share 20% in two years?

– That's right.

That's incredible. Wait. I'll assume that the overall market size of pay phones has dropped because of the increase in cell phones. Is that a fair assumption?

– Yes. Pay phone orders have dropped by 15% during that same two-year time period.

Have any pay phone manufacturers dropped out of the race?

– Yes, two.

And is that the main reason why we've gained so much market share?

– Yes. One of the reasons.

What are some others?

– You tell me.

Increased marketing, maybe special contracts, such as military contracts. We've probably lowered our price, which has been cutting into our profit margin.

– Good. What's next?

How are our costs?

– Don't make me answer this case for you.

I'll assume that costs have increased. Particularly labor, marketing, parts, and especially transportation costs with the rise in fuel costs.

– That's right.

I'll also assume that the manufacturing process is pretty automated.

– That's right. You're not going to squeeze out much cost savings there.

Well I believe that the pay phone market is going to get worse before it gets better, if it ever does get better. But the public will always need pay phones. Maybe we need to change what they need the phone for. Currently, people use pay phones when their cell phone batteries are too low, when they don't have a cell phone when their cell phone coverage doesn't reach a particular area of the country, or when they don't want the call to be traced back to them. . .

– Hopefully you've been watching too many cop shows.

Yeah. (laughs) Let's say I'm in New Orleans for the first time and my New England cell phone plan doesn't cover the Big Easy. Yet, I'm looking for a place to eat, sip a Hurricane and listen to some Dixieland Jazz. What if I could go to a pay phone and this pay phone has an LED display and touch screen. Now I'm looking for a restaurant so I drop a quarter and hit a button that says restaurants. Now the pay phone comes up with a list of restaurants and rates them. For that same quarter, it connects me with the restaurant and asks if I want directions. I hit yes and a set of directions prints out. All this for my one quarter. Now restaurants or any company can place an ad which pops up as I hit restaurants as well as ads printed on the back of the directions tape, like grocery stores do with their receipt tape.

– So you're saying turn a pay phone into an Internet connection.

Yes. It seems like the technology is already there, it's just a problem of conversion and phone design.

– We have about two minutes left.

Okay, let me review. The industry is shrinking and costs are rising. That, along with the fact that we've lowered our prices has led us to greater market share, but lower profit margins. Now we can bail from the market and try to diversify into another technology, or we can try to change the industry standard and bring it up to speed with the future of telecommunications.

– So what would you recommend?

I'd focus on costs, you can always reduce costs somewhere. I'd look to diversify into a growth industry to lessen the company's overall risk, and then I'd reinvent the pay phone as we described. And, oh, the other thing I'd do is to ship the old inventory, the current pay phones, to developing countries.

– Thanks.

- **Type of case: Increasing the bottom line, growing the company**
- **Comments: The candidate was quick to figure out why the company's market share was increasing, yet the profits were falling. He also proved that he was quick to think on his feet — thinking outside the box. And the interviewer also gave him points for introducing a three-prong strategy: reduce costs; new product development and company diversification.**

+ eTailers

Case 35: Our client is an e-tailer, focusing on toys. Independent research shows that 5% of shoppers at brick and mortar retail stores make a purchase and 40% buy items at specialty stores like sporting goods shops.

The research shows that only 1.7% of their online visits results in a purchase. It also shows that 70 percent of their online shoppers who fill their carts bail out at the end without making a purchase. The president wants to know what's wrong and how we can fix it.

Our client is concerned because 70 percent of its customers, who fill up their shopping carts, bail out on their purchases right at the end. And only 1.7% of their customers makes a purchase, a percentage much lower than the traditional brick and mortar shppers.

– That's correct.

Besides identifying why people bail and coming up with a solution, are there any other objectives we need to be concerned about?

– No.

I'd like to ask some questions first about our client and then about the industry. Are we considered a specialty store?

– Yes.

Is the transaction rate at Web-based specialty retailers higher then general e-tailers?

– Yes. But I don't have the exact figures.

Is this a Web-wide problem? Do most e-tailers have a low percentage of actual purchases? What did you say it was, 1.7 percent?

– Yes. It is a Web-wide problem to a certain extent. Some sites have higher transaction rates than others. However, we seem to be in the higher range of the bail rates, the 65% that bail after filling their carts has us really concerned.

First, I'd conduct an analysis of our competition. I would also benchmark other sites that have a higher transaction rate to see if their sites are friendlier, easier to navigate and more simple in structure. I'd review and compare our customer service program and maybe institute an 800 customer service number in case a customer gets lost or confused. We may even want to look into a customer service audio connection through the computer.

– All right. What's next.

Is our pricing the same as our competitors?

– Yes. Assume exactly the same.

Have we had any problems with inventor, being out of stock?

– No.

How about sending the product out in a timely manner?

– No. Our distribution system is excellent.

I'd like to figure out why people bail. We know that it is not because of our reputation, that we're well respected in the industry. We haven't had any distribution problems or bad press.

– That's right.

I've bailed once or twice myself. There could be several reasons. First, I'd like to list several reasons, address each one, then lay out a plan for solving the problem.

– Go ahead.

First is the security issue. If the Web site asks for what shoppers think is invasive personal information. If the customers don't feel comfortable submitting their credit card information online, if they feel that we don't have the latest cryptic technology, they may bail.

– Not a concern. We only ask for basic information and we have the latest technology.

Another reason I bail is because I have questions about the quality of the product.

– Again, not a concern. We sell brand name toys and have a satisfaction guarantee.

What about our return policy?

– We provide labels and free postage for any returned item.

Sometimes I bail when I find myself asking, "Do I really need this? Can I afford it? Is it worth the price?" I guess you'd put that under customer psychology. That's hard to quantify.

– Let's skip that for now.

There may be folks who get sidetracked in the middle of a transaction. Maybe their boss walked in or their kids knocked over the fish bowl. They forget about it or decide that they don't need it. We've lost the moment so to speak. Combine this with some ISPs, like AOL, that time-out after ten minutes of inactivity.

– Again, that's hard to combat.

It may be hard to combat, but we have to realize that it happens and it makes up a certain percentage of the bails. Just like window and price comparison shoppers.

– So noted.

It could also be tied to some technical issues. If a customer comes over a phone line and the Web site is heavy with graphics, it may take a long time going from one page to another. They can become impatient and bail.

– That's not our fault if the consumer has outdated equipment.

Sure it is. Anything that keeps them from making a purchase is our fault. Maybe we should offer them an option of taking a heavy graphic site or a text-based site.

– Very good. What else?

Next is Web design. I know that there were times when I wanted to take something out of my cart and couldn't figure out how to do it, so I either started all over again or bailed.

– All right, Web design, that's one. What else?

This one is related. It has to do with customer service. If I can't figure out online how to return a product, then I just want someone to help me. I don't want to figure it out by reading a help button.

– You're lazy.

No, but when I want to buy something, it should be a pleasant experience and I shouldn't have to work for it.

– What else?

Sticker shock. There have been times when I've come to the end of a buying trip and the numbers total up and it's more than I've expected. And then they throw on a shipping charge on top of that. I think people bail because of sticker shock. The Internet has a rep of having the lowest prices. When the prices aren't that low, people become disillusioned.

– What can we do about that?

Sticker shock can be addressed by instituting a running total for the customer to see at all times, along with shipping options and charges. This way there are no surprises.

– Do you think people will buy less if they see the running totals?

There will be the possibility that the average purchase amount may fall, but in the end more people will buy, offsetting any loss.

– Anything else?

Yes. We have to realize that some of the people who bail are children taking a fantasy trip through the toy store. They fill up their carts and bail at the end. Now, I don't think that this is actually a bad thing, but we need to realize that X percentage of the bails are kids for whom we should develop a wish basket or toy chest.

– A wish basket?

A place where they can deposit their toys, label it with their email address and then have the parents check it out for holidays and birthdays. Kind of like registering for a wedding.

– We have a minute left.

Then I'd like to summarize. First, I'd conduct an analysis of Web sites that have a lower bail rate and higher transaction rate than we do. I'd also analyze our competitors. I'll assume that we are doing this anyway. I would also try to track down the people who bailed, send them a quick online survey to determine why they bailed and offer them an incentive to make a purchase, like five dollars off their next purchase. Second, I'd reexamine the reasons why people bail and address the ones we could, and resign myself to the fact that there are some things we can't fix. I'd institute a place for kids to register their toys so that parents, relatives and friends can buy something they like.

- Type of case: Increasing sales
- Comments: This isn't your typical increasing sales case. It's more of the "analyze and fix it" variety. The student was good at identifying the real concern (the 70% bail rate). He asked some good initial questions and he used his own experience to try to identify the root of the problem. Then he came up with a simple and logical strategy and added some suggestions as well.

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Case Questions Without Answers

Below are case questions that were given by top-tier consulting firms. For an up-to-date list, go to CaseQuestions.com and click on Recent Cases.

1. Our client is a retail pharmacy with 1500 locations in the N.E. Our engagement focused on the front end of the store operations, but during our interviewing of customers we noticed that a lot of customers were very unhappy with the pharmacy itself. We presented this information to the client, but the client retorted by saying that their revenues actually grew from $20 million $22 million. What is going on here? (BCG)
2. Our client is a REIT (Real Estate Investment Trust) where 90 percent of the net income needs to be paid to the investors. The REIT has 150 luxury hotel properties. However they do not control the branding or operations of the hotels. Those functions are outsourced. For the past couple of years the REIT income has been zero. What should they do? (BCG)
3. Our client is a tag label manufacturer; they make the tags or labels that are attached inside your clothes. Some of their clients are Nike, Reebok, Brooks Brothers, Talbots, etc. They are the biggest tag firm in the U.S. Last year they did $50 million with a 15 percent growth rate. I want you to estimate the size of the European tag market and tell me if and how they should enter this market. (McKinsey)
4. Our client is a mid-sized manufacturer of industrial batteries for the aerospace and defense industry. For example, the company's batteries can be found in various military missiles as well as in the Hubble Space Telescope. Over the last few years, the defense and aerospace industries have been flat or declining, so the client is looking for high-growth industries that might be able to make use of its battery technology. After a review of possible industries, the client wants us to look at whether they can enter the market to provide batteries for implantable cardiac defibrillators. Estimate the size of the U.S. market for implantable cardiac defibrillator batteries, and then tell me how you might go about helping the client decide whether or not this is a good market to enter. (BCG)
5. Estimate the number of travel guides sold each year. (Katzenbach)
6. An insurance company in England has been loosing money over the last five years, insuring boats that operate on the rivers. What price changes should they make to the insurance policies? (McKinsey)
7. A PC manufacturer wants to add a new line of pocket PCs. Should they do it? What do you tell the CEO? (McKinsey)

9. A cleaning product supply company's profits and revenues have been falling, but market share has remained the same. What's going on? (Charts and graphs given) (BCG)
10. Our clients are a consortium of 10 commercial real estate companies (2–3 big companies, 4-5 mid-sized companies, and 1–2 small companies) that collectively own 350–400 buildings in downtown areas of cities all over the country. Together, they spend $1 billion/year on all of the non-sexy aspects of owning commercial real estate: cleaning and general maintenance, plumbing and electrical repair, etc. They have come together to explore the possibility of setting up a "buying pool" to realize cost reduction by achieving economies of scale in purchasing products and contracting for services to conduct this general maintenance. This "buying pool" will cost $40 million (one-time fixed cost) to set up and will cost $10 million/year to maintain. Is this a good idea? What kind of information do you need to know to help your clients decide if this is a good idea? (BCG)

If you have been begged, bribed, or blackmailed into helping your friend(s) prepare for case questions, here are some hints.

Your prep

- Read the question and answer all the way through before giving the case.
- Be aware that there are multiple "right" answers.
- It's all right to give them help if they lose their way.
- Don't cop a know-it-all attitude.

Things to watch for at the beginning

- Are they writing down the case information?
- Is there a long silence between the end of the question and the beginning of their answer?
- Are they summarizing the question?
- Are they asking about the client's objective(s)?
- Are they asking clarifying questions about the company, the industry, the competition, and the product?
- Are they laying out a logical structure for their answer?

Things to watch and listen for during the course of the question

- Are they enthusiastic and do they project a positive attitude?
- Listen for the logic of their answer. Is it making good business sense?
- Is their answer well-organized?
- Are they stating their assumptions clearly?
- Are they being creative?
- Are they engaging, bringing you into the question and turning the case into a conversation?
- Are they asking probing questions?
- Are they quantifying their answer?
- Are they asking for help or guidance?

Review list

- Was their answer well-organized? Did they manage their time well?
- Did they get bogged down in details?
- Did they seem to go off on a tangent?
- Did they ask probing questions?
- Did they use business terms and buzzwords correctly?
- Did they have trouble with math, multiplying, and percentage calculation?
- Did they try to get you to answer the question for them?
- Were they coachable? Did they pick up on your hints?
- Did they speak without thinking?
- Did they have a positive attitude?
- Did they summarize their answer?

Final analysis

- Did they take your criticism well?
- Did they defend themselves without sounding defensive?

Aftermath

- Go out on the town.

Most of this is psychological. The biggest assets a candidate can bring are a measure of confidence, a perspective of self-worth and a good night's sleep. The interview structure is daunting, the people generally intimidating, the atmosphere tense — but you can sleigh all these dragons immediately when you choose to arm yourself with a positive self-image. In the end, it's not whether you are right or wrong, it is how you present yourself, your information, your thinking — this is the measure of marketability for the firm and it is what they seek to determine through an imperfect process.

Finally, it's only you against the beast (the case question, not the interviewer). We can't be there with you, but we've given you the tools to feel confident and to have a good time. If you're excited about the challenge and the interview, then you're headed into the right profession. If you dread what's coming, you may want to re-evaluate your career choice. When discussing career choices, Winston Churchill advised his children, "Do what you like, but like what you do." It's all about having fun.

It's easy to forget that the firms know you can do the work — they wouldn't be interviewing you if they didn't think you were smart enough to succeed. Now it's just time to prove them right.

Case closed!

Back-of-the-envelope question : A type of case question, most often a market-sizing question, that asks you to make an educated estimate of something. The back-of-the-envelope question received its name because the questions used to start with, "You're on an airplane, with no books, phone, or any resources. On the back of an envelope figure . . . ." An example: "How many pairs of boxers are sold in the U.S. each year?"

Barrier to entry: Factor (such as capital requirements, access to distribution channels, proprietary product technology, or government policy) that would inhibit a company when entering a new market.

Benchmark: Continuously analyzing the industry leaders and determining what they do better. A comparison against the best to provide targets for achievement.

Bottom line: Gross sales minus taxes, interest, depreciation, and other expenses. Also called net profit, net earnings, or net income.

Brainteaser: A type of case question in which the interviewee is asked to solve a riddle or logic problem.

Cannibalize: To take (sales) away from an existing product by selling a similar but new product usually from the same manufacturer; also: to affect (an existing product) adversely by cannibalizing sales.

Capital: Cash or goods used to generate income.

Case question: A fun, intriguing, and active interviewing tool used in consulting interviews to evaluate the multi-dimensional aspects of a candidate.

COGS: See costs of goods sold.

Core competencies: The areas in which a company excels.

Cost of goods sold (COGS): On an income statement, the cost of purchasing raw materials and manufacturing finished products.

Cost-based pricing: A pricing strategy in which a product or service is priced according to the cost of producing, manufacturing, or otherwise creating the product or service. R&D and COGS are the major determinants in this pricing strategy.

Cost-benefit analysis: A technique designed to determine the feasibility of a project or plan by quantifying its costs and benefits.

Depreciation: A decrease in estimated value.

Distribution channel: Means by which a producer of goods or services reaches his or her final users.

Economy of scale: Reduction in cost per unit resulting from increased production, realized through operational efficiencies.

Fixed cost: A cost that does not vary depending on production or sales levels, such as rent, property tax, insurance, or interest expense.

Framework: A structure that helps you organize your thoughts and analyze a case in a logical manner.

Gross sales: Total value of sales, before deducting for customer discounts, allowances, or returns.

Growth phase: A phase of development in which a company experiences rapid earnings growth as it produces new products and expands market share.

Initial Public Offering (IPO): The first sale of stock by a company to the public.

Interest expense: The money spent on the fee charged by a lender to a borrower for the use of borrowed money.

IPO: see Initial Public Offering.

Joint venture: An agreement between firms to work together on a project for mutual benefit.

Market share: The percentage of the total sales of a given type of product or service that are attributable to a given company.

Market-sizing question: A type of case question that is often called a back-of-the-envelope question. This type of question asks you to estimate the size of a specific market. An example: "How many pairs of boxer shorts are sold in the U.S. each year?"

Maturity phase: A phase of company development in which earnings continue to grow at the rate of the general economy.

MECE: Borrows from the 80/20 tradition in espousing a "mutually exclusive, collectively exhaustive" approach to engagements. In other words, the consultant / interviewer must take care to ensure that, simultaneously, (1) each issue discussed is separate and distinct ("mutually exclusive") and (2) that the totality of issues discussed comprehensively addresses every conceivable aspect of the problem ("collectively exhaustive"). Likely, upon your admission to the firm, MECE will become such an instinctive element of your mentality and such a governing dynamic of your production (memos, reports, presentations, strategy), that you will be well served to evidence a familiarity and appreciation for it at some point in the hiring process. You will also be well served to remember that, when iterating your ideas, an "other issues" category can afford you a simple means to ensure you always remain at least attentive to the principle, if not genuinely MECE in your approach.

Net sales: Gross sales minus returns, discounts, and allowances.

Niche market: A focused, targetable part of a market.

Overhead: The ongoing administrative expenses of a business, such as rent, utilities, and insurance.

Price-based costing: A pricing strategy in which a product or service is priced according to what the market will bear, or what the consumer is willing to pay.

Profit: The positive gain from a business or operation after subtracting for all expenses.

Proprietary: Something that is used, produced, or marketed under exclusive legal right of the inventor or maker; specifically: a drug (as a patent medicine) that is protected by secrecy, patent, or copyright against free competition as to name, product, composition, or process of manufacture.

R&D: see Research & Development.

Research & Development (R&D) : Discovering knowledge about products, processes, and services and then applying that knowledge to create new and improved products, processes, and services that fill market needs.

Revenue: Same as sales. The total dollar amount collected for goods and services provided.

Substitution: A product or service that fills a consumer's need in the same or similar way as another product or service (e.g., Nutrasweet is a substitution for sugar).

Supply and demand: The two key determinants of price. Supply is the total amount of a good or service available for purchase, while demand is the desire and ability by individuals to purchase economic goods or services at the market price.

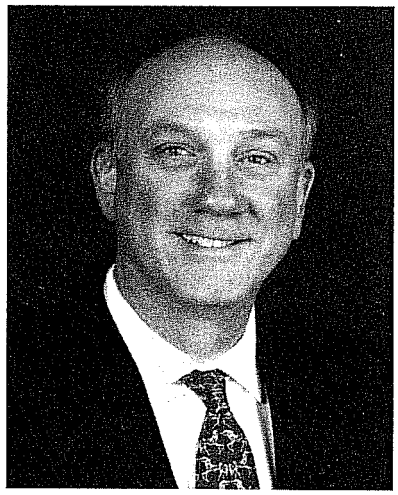
Transition phase: A phase of development in which the company's earnings begin to mature and decelerate to the rate of growth of the economy as a whole.

Unit cost: Cost per item.

Variable cost: A unit cost which depends on total volume.

VC: see venture capital.

Venture capital (VC): Funds made available for start-up firms and small businesses with exceptional growth potential. Managerial and technical expertise are often provided.



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About the Author

Cosentino is the president of CaseQuestions.com. Over the past 15 years he has advised and coached over eight thousand Harvard students and alumni through the university's Career Services centers. He has written three books involving cases and consulting. Cosentino has traveled around the country giving workshops to students at colleges and graduate programs and has held training sessions for career services professionals. He has consulted with and designed cases for private sector firms, government agencies and nonprofits.

Marc has a Master in Public Administration from Harvard University and a BSBA from the University of Denver.

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Cosentino demystifies the consulting case interview. He takes you inside a typical interview by exploring the various types of case questions and he shares with you a system that will help you answer today's most sophisticated case questions.

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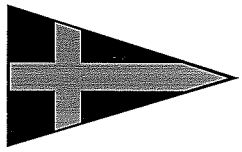

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