Wharton Consulting Casebook

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I. Introduction

Being able to confidently and consistently crack cases is an absolute requirement to getting a job in consulting. You may be at the most prestigious business school, have a stellar résumé, and be the lead in Follies – but that will only *get* you the interview. Once you get to the interview, the ability to handle a case in a thorough and logical manner is what gets you the job.

Fortunately, case interviewing is a skill that is fairly easy to learn with sufficient practice. Even those without a prior background in business can, and do, succeed. It really just comes down to four key factors: (1) approaching the interview in a confident, friendly and conversational manner; (2) being organized and methodical in your approach to solving the problem; (3) having a solid command of a framework for probing the issues of the case; and (4) practicing until all of the above comes naturally, even under pressure.

When you first start doing cases, they may seem daunting and slightly overwhelming. However, the old adage "Practice makes Perfect" are words to live by when developing the necessary skills to "ace" the case interview. Consistent practice, and realistic interviewing situations, will prepare you for that stressful moment when the interviewer says, "So I have this project I'm working on…"

This guide was written to give newcomers to the interview process a primer on what to expect in interviews, ways to approach cases, and how to study for them. The cases included in the Section VI were actual cases given to Wharton students during the 2006-2007 recruiting season. While you are not likely to get one of these cases when you interview, practicing them will give you a very good idea of what to expect when you get into that interview room.

Good luck and have fun!

- *Wharton Consulting Club*

II. What Interviewers Want

The business of consulting is all about charging clients large sums of money to tell them what you think. For them to value your services they need to have confidence in what you are telling them and they need to like working with you. Consulting firms therefore are looking for a few key traits in their candidates.

They need to know that you are smart – but this is pretty much a given for you to get to this point. So beyond this, they want to know that you have the mental "horsepower" to be able to solve client problems quickly with incomplete information. The case is therefore designed to give you a broad, open-ended problem with very little information, forcing you to probe for more information and make rational assumptions where information is lacking. They will ask you both to contemplate expansive concepts through brainstorming, as well as dive into detailed analysis under pressure. Every case is different and case formats differ between firms, but in general they are all trying to see how well you think under pressure.

Having mental horsepower still isn't enough. For this to be of value to the client, you must be able to communicate your ideas clearly and convincingly. So the interviewer will also be taking careful note of how you approach organizing your questions, presenting and validating your ideas, and formulating a conclusion. You must be confident in your questioning and presentation, and you must proceed through the case following an orderly plan and arriving at a concise conclusion. Imagine that you have been turned loose at a client on your first day and the CEO just stopped by to ask about what you have concluded so far – the interviewer wants to be confident that you could handle such a (realistically possible) situation.

It is often difficult to get relevant information out of a client. Your interviewer likewise will not spoon feed you any of the information that you need to solve the case. **Because of this, it is imperative that you are always driving the case**. The interviewer will give you an initial problem to solve, but from then on it is your show. She may ask you specific questions or request a certain analysis from time to time, but do not get distracted from your mission: You are to solve the initial question asked and you only have 20 minutes to do so. You must start the case by asking questions to dig for data. If the interviewer asks you to perform a specific analysis, do so, but always return back to the driver's seat; otherwise you will find yourself at the end of the 20 minutes without a conclusion.

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

question posed and providing logical support for you answer based upon the facts discovered during the case.

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

Note that you don't necessarily need to have the "right answer." Often you will be asked to come up with your own assumptions for different facts in the case, and therefore the final answer may vary from candidate to candidate. What is important is that you have made a concise conclusion that is consistent with the facts given and assumptions that you have made. Interviewers like to say that you are exploring a business problem together. If you have a good rapport with the interviewer you may take the case in any number of directions. This is fine – just be sure to come to a conclusion.

Don't be tempted to hedge in your conclusion. Cases generally ask you either for a recommendation ("Should company X invest in expanding production?") or for the answer to some problem ("What is the market for Silly Putty?"). Do not say something like "Expanding production is good because it will lead to increased market share and will help defend against the strengthening competition. On the other hand, it may increase fixed costs to the point that the firm becomes unprofitable." Take a stand, back up your reasoning with logic and facts, and know when to shut up and finish the case.

So you muddled your way through 15 minutes of questioning, managed to formulate a concise and (hopefully) correct conclusion, and fought the urge to keep talking about the case. You're almost done. Not all interviewers will do so, but you should try to get them to give you feedback about the case that you can use for your next case. If you had a good discussion about a real-life case and came to a definite conclusion, it is often easy to ask "so what actually happened?" Interviewers often use their own cases and are happy to talk about what they did. This is an excellent way to gauge how well you did and to find out what areas of questioning you might have missed.

Finally, remember that the interview isn't over until you are out the door. Collapsing in despair after the case is over does not convey the sense of confidence and poise that you are going for. No matter how poorly you thought it went, stay upbeat and act as though you had a challenging but enjoyable experience and thank your interviewer for his time.

III. Types of Cases

As you interview with different firms, you will likely encounter a number of different variations of the case interview. It's a good idea to know beforehand what types of cases you might encounter. Below are a number of different case styles that companies used in the 2004-2005 recruiting season.

Standard Case – Most case interviews will be of the style contained in this book and in the David Ohrvall casebook. These cases generally ask you to consider a broad business problem and come up with a recommendation for responding to it. In some cases, the interviewer may provide a substantial amount of data either verbally or in the form of charts or graphs. Other times, the interviewer will provide no facts whatsoever and ask you to make reasonable assumptions for all case facts. These cases will always require you to drive to a conclusion.

Market Sizing Case – Market Sizing cases are not common in MBA interviews, though you may encounter one. In these cases, you are simply asked to estimate some unknowable amount. This could be estimating the market for Silly Putty in the US. It could be estimating the number of ping-pong balls that would fit in a football stadium. Solving these cases is all about coming up with reasonable assumptions, approaching the problem clearly and logically, and crunching the math correctly.

Command and Control Case – McKinsey has begun using cases in which the interviewer takes substantial control over the interview, essentially incorporating Market Sizing type questions into a broader Standard Case. These cases can be difficult because you must maintain control over the case in order to reach a reasonable conclusion, yet the interviewer will periodically derail your questioning to have you solve a particular problem. The key here is to keep moving quickly, addressing the problems they pose and then moving on in your questioning.

Crunch and Interpret – Some cases will be simply about the numbers. You may be given a graph, a chart, or even a set of equations and be asked to analyze the data to answer a particular question. ZS used this format for their first-round interviews with a series of slides, starting with a graph, then a table of data, and finally an equation. Candidates were asked to analyze the data presented in each slide and then reach a final conclusion that synthesized all of the data provided. In these cases, you don't need to worry about driving the case because the interviewer will be doing that. Instead, focus on getting the math right and trying to pull insight from the data provided. Be ready to provide a concise conclusion that pulls together everything that you have discovered.

Read and Discuss – Monitor used a case format for their first rounds that involved reading a three-page case in a short period of time and then discussing the case with the interviewer. The interviewer asked questions about the case that required both synthesizing information from the overall reading, as well as pulling specific numbers and performing analysis. These cases are difficult because you will have very little time to read the case, but must still be able to pull the case facts from memory and analyze them. Take a deep breath and read the case quickly but carefully, underlining or noting key facts in the case so that you can more easily find them when you need them.

You still need to drive these cases, but doing so is more difficult since the interviewer will be asking a number of specific questions. Try to put the case into an overall question that needs to be answered (e.g. "Is this a business we should enter?") and then approach the analysis of the interviewer's question in this light.

Present to the Board – A variation of the Read and Discuss case was used by ZS and Monitor in second round interviews. Candidates were given a larger amount of case and other supporting materials to read and had 40 minutes to read them and then prepare a presentation to the board of a fictional company. At the end of the 40 minutes, the candidate was asked to come into a room where 4-5 interviewers were playing the role of the board. The candidate then had to present their findings and answer (sometimes aggressive) questions from the board. To ace this case, you must be able to maintain composure and present well. Because you will not have a chance to ask questions while you are formulating your recommendation, the dynamics of the case analysis are a bit different. Make assumptions, draw clear conclusions, and stick to you guns in the presentation.

IT Case – Diamond and the Booz Allen Hamilton IT practice perform IT-specific interviews which will combine a Standard Case with a deep dive into associated IT technology. In first-round Diamond interviews, candidates were asked to solve a business problem relating to poor automation of sales force activities. Once the candidate diagnosed the problem, they were then asked to describe an IT solution that would solve the problem. You will not get these interviews if you have no IT background, but if you do, definitely expect to be tested on your knowledge.

HR Case – KPL conducted its case interviews in a manner fitting with their focus on the organization aspects of strategic implementation. Candidates were asked to start solving a Standard Case. After about five minutes of a typical case when the overall problem had been diagnosed and some solutions posed, the interviewer then stopped the case and switched gears, asking how the solutions would be implemented from an HR perspective. The recommended solution would have created significant impact on morale and answering the case well required a display of empathy in the solution.

Stress Case – While not different in format from a Standard Case, these cases are distinguished in that the interviewer attempts to throw you off your game by creating an environment of high stress. Often, the problem will be fairly straightforward but the interviewer will give little or no information and then be stone-faced or even combative in response to the candidate's questions. In one interview last year, a candidate was given a graph and no information and asked to interpret the situation. The interviewer would not provide any more information, so the candidate postulated different scenarios that might account for the graph. The interviewer's response to each incorrect hypothesis was a curt "No, that's wrong." The key to mastering a Stress Case is realizing that you are in one and keeping your composure.

IV. Using a Framework

Having a framework memorized and at your fingertips is essential to doing well in cases. The framework allows you to quickly pull up areas for questioning and exploration without having to think. You should use a framework that you can remember and that makes sense to you. It is essentially a starting point for your planning that you can use to help you through the initial moments of panic as you start the case.

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

And what about the 4 C's, 5 P's, Growth-Share Matrix, or Porter's Five Forces? Don't get confused between business analysis frameworks and a framework for approaching case interviews. Trying to analyze a case based on the 4 C's is a recipe for failure. These types of frameworks are useful for analyzing aspects of a case and will definitely add to your credibility if you can appropriately pull them out. For instance, if your plan is to investigate profit drivers first, then customer segments, supplier relations, and finally competition, using Porter's Five Forces as a way to synthesize your findings into an analysis of the attractiveness of the industry would be completely appropriate. But using Porter's alone would completely miss the profit drivers and thus might miss the key to cracking the case.

So how do you use the framework? After the interviewer has given you the introduction to the case, you will want to ask for a minute to plan your approach. In this time, you must quickly develop a set of three to five major areas of the business to investigate, such as drivers of profitability and/or cost, sources of competition, changes in customer needs, etc. You are trying to figure out some problem or opportunity for the company in question, and these investigative areas are your first best guess as to where these problems lie. You will not know at this point exactly where to look, but if the interviewer says that profit margins have been declining, it's a good bet that either revenues have been hurt or costs have increased. These would be two very good areas to begin questioning about.

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

The WCC framework breaks down into 8 major topics. These are the topics that you must memorize and be able to recall easily under pressure. Each of these topics then has a number of sub-topics that you can use to direct you exploration. It is less critical to memorize these topics than to be able to come up with drivers for each of the issues that are relevant to your case.

With a little practice, you should be able to quickly write down 3 to 5 major topics and then 2 to 4 subtopics for each case you encounter. This forms your plan for attacking the case.

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

So let's see an example of using the framework for a case. Imaging the interviewer has just asked you the following: "ACME Gloves is the leading manufacturer of latex surgical gloves. Recently, they have seen significant price erosion and are losing share in their market. The CEO believes that there are still significant growth opportunities for his product and has asked you to develop a strategy to exploit them."

Now you will need to develop a plan for attacking the case. Here is where we pull out the framework and look for major topics that may be relevant to the case. Take a moment before you read on to come up with you own list of relevant topics.

Here are possible areas to explore:

1. Competition
2. Customers
3. Supply Chain
4. Revenue

You might come up with a different list, but here is the reasoning for the above list: Clearly we are looking for ways to grow the business, probably by repositioning the company in a new market as a response to a competitive threat. So understanding the competition and possible customer segments will be critical to understanding where we might reposition the company. If we are investigating entering a different market, we clearly must understand how our distribution network (as part of our Supply Chain) may provide a competitive advantage (or lack thereof). Finally, we will need to know how much of a growth opportunity any new market positioning may provide.

You might also include an investigation of cost position relative to competitors, or question the impact of regulation given that this is a medical product. These were left out initially, however, because they seem like secondary issues (at least at first blush) and can always be investigated further if it becomes clear that they are important.

Now within each of these major topics, what drivers would want to investigate?

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

V. How to Crack the Case

Now let's pull everything together into an approach to solving cases. Most cases should follow four stages: listening to the question, planning your approach, probing for information, and reaching a conclusion.

Listening to the Question – Many cases will involve a data dump at the beginning of the case where the interviewer shares a large amount of information following the statement of the case problem. You must take notes effectively at this stage because you are not going to want to ask her to repeat this information if you need it later. Take notes neatly and in an organized manner. Writing your notes in the style of slides with a title and bullets will help you keep organized and shows that you are already thinking like a consultant.

When practicing cases, figure out what information you need to write down, and what you can simply commit to memory. You don't want to be asking the interviewer to pause while you write down every word. More likely, you will need only to write down numbers and note key facts, but leave contextual information to memory. You may, however, want to write down the core question that you are trying to solve as a reminder to be sure that conclude the case properly.

Case Planning – Once the interviewer has stated the problem and provided any initial information, you need to take a moment to plan your approach to the case. Rather than simply falling silent while you plan, ask the interviewer for a minute to plan your approach. Be careful here – after practicing many cases, people often fall to asking for this time in shorthand: "Could I take a minute?" Remember that in the interview, impression is everything. Have an articulate and polite line ready for your interviewer, such as "I would like to develop a plan for approaching this problem. May I take a minute to do so?"

In most cases, the interviewer is expecting this and will oblige. Be ready, however, for a Stress Interview where the interviewer may decline (politely or not) to allow you to take a minute to plan. In this case, you must comply and move forward immediately with your probing. While doing this, you should still sketch out a plan in your head to attack the problem and stay in control of the case.

Now that you have a minute to think, pull out your framework and start devising a plan. You will want to identify 3 to 5 major topic areas to investigate and the appropriate sub-topics for each. Write each major and sub topic on your note paper in a neat manner that you can share with the interviewer. I suggest that you use one complete sheet of paper to do this and format it as you would a slide. The layout of the slide is not important as long as it clearly shows your topics of investigation and can be clearly followed by the interviewer. This slide becomes your roadmap for the case and you can refer to it throughout the interview to keep both yourself and the interviewer on track.

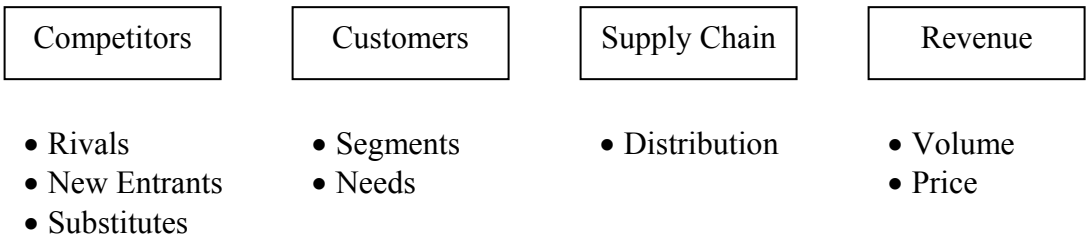


Figure 1: Sample Plan Slide

Probing for Information - Once you have drawn up your plan of attack for the case, it is time to start digging for information about the case. Using your plan, begin by questioning the interviewer about each topic. You are trying to get information that is going to shed light on the problem being asked, so it is important to guide your questions based on your evolving hypothesis about what you believe the ultimate solution to be. If you suspect that a low-cost competitor is stealing share from the company, your first two questions might be "Who are the other competitors in the market?" and "What are the relative cost positions of each market player?"

Be sure to ask concise and definite questions. Asking general questions such as "What is happening in the market?" or "Tell me about company profitability" are likely to get unhelpful responses from the interviewer. You will need to ask specific questions that the interviewer can answer without giving up information too easily. If you are not getting anywhere in your questioning, perhaps you are asking questions that are too vague.

While you are probing for information, you will be gathering more and more data. It is imperative that you take effective notes during this stage. As you did during the initial data dump, it is wise to organize your notes in the form of slides. For each major topic area (such as Competition, Revenue, Cost, etc.) create a topic heading, and then list all information gather on that topic as bullets below. If you are careful to follow this format and write neatly, the interviewer will be pleased to see both the organization of your thoughts and your ability to produce slide output.

As you get deeper into the case, you will reach a point (hopefully) where you believe that you know the answer. Here is important to shift gears from your planned approach to try to validate your hunch and then gather as much supporting data as possible. In our surgical gloves example, we may find that indeed a low-cost competitor has entered the hospital glove market and is destroying our margins, but that the market for gloves in non-hospital settings is still relatively underserved. At this point, we may switch gears to investigating the potential of this new market, our competitive advantages therein, and key assets that will enable us to penetrate this market. We know what we are trying to conclude – that we want to reposition the company to enter this new market – and we are now gathering data to back up that position.

Nailing the Conclusion – At some point, you will have to conclude. If you have run the Probing for Information part of the case well, you will come to a point that you feel you have everything you need in order to conclude the case. Even if still have time left, go ahead and push to a conclusion. You interviewer will appreciate your ability to rapidly progress through the case and wrap up your ideas. He will then likely extend the case by asking additional questions or posing what-if scenarios. This is just bonus time, and you have likely impressed him.

At the beginning of the case, take a look at your watch and note the time by which you must end the case. When you get to three minutes before the end, you must stop probing for more information and offer a conclusion. You may not be completely finished investigating the case, and you may not even be confident in your conclusion. Regardless, you must offer some conclusion based upon what you have discovered.

VI. Practice Cases

On the following pages you will find practice cases that have been written by fellow WCC members. These are based on cases that were actually given during the recruiting season last year and will provide an accurate view of the types of questions you should be prepared for. Please seek out peers to interview you and help you prepare for your upcoming interviews!

A. Practice Case #1 – Bubble Gum Manufacturer

Question (posed by interviewer):

You are a consultant working for a bubble gum manufacturer. The CEO of the gum manufacturing company is concerned because his company is experiencing declining margin. My questions to you are: (1) the reasons behind declining profitability (2) your suggestions for improving profitability

Interview Guidance (general information to be given if asked):

Sales have been increasing

If asked about cost composition, ask the interviewee to brainstorm potential cost buckets:

- COGS: gum, sugar, flavor, smell, color
- Labor
- SG&A

Raw material cost has not changed (i.e. the unit cost is the same but total cost could be different depending on product composition. ***This is the key to the case so don't give the information about the unit cost to the interviewee too early in the interview. Remember to push the interviewee so that she comes to the conclusion herself***)

Product portfolio – 2 types of products: flavored and flavorless gum

Both products are sold at the same price point.

Composition products:

- Flavored gum raw material: gum, sugar, flavor, color dye
- Flavorless gum raw material: gum, sugar, color dye

Gum, Sugar, and Color Dye raw materials are same in size for each of the two products.

Logical Conclusion:

Profitability has declined because sales of flavored gum have been increasing, which means that raw material consumption is also increasing because flavored gum requires the additional flavor component. This added with the fact that the price of flavored gum is the same as non flavored gum, means that, essentially, costs are now rising while revenues are not. To improve the profits of the company, interviewee should come up with 4-5 suggestions (raising price of flavored gum, sourcing cheaper flavors from other suppliers, negotiate with existing suppliers to reduce the flavor cost, vertical integration of flavor manufacturing company)

Successful Roadmap:

The key focus of this case is in the product mix. Most interviewees may be really confused when they get the info that sales have been rising and cost is constant. First, don't guide them into the product portion right away b/c this is the topic that they should explore themselves. Logical buckets that interviewees should expore are Sales trend, cost trend, cost composition, product mix. The conclusion should be concise as indicated in the logical conclusion section. For the answers to the second question (how to improve profits), great interviewees would present two type of options (short term (easy to implement, quick wins) would be to negotiate with existing suppliers / look for other suppliers, long term (vertical integration)). When discussing price change, you should ask interviewees risk regarding price increase and how they are planning to cope with it. For example, customers may buy less of flavor gums b/c of price increase. However, you can offer value-added product such as low-cal flavor gum & do promotional/marketing efforts to justify price increase.

B. Practice Case #2 – Widget Manufacturer in Brazil

Question (posed by interviewer):

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

Interview Guidance (general information to be given if asked):

Market Information:

- Market is growing at 5%
- No significant competitors in the region
- Greatest threat comes from U.S., Chinese and Indian imports
- Premium pricing for national customers

Company Information:

- Plants are operating at 100% capacity
- Plants can't shift from producing one product to another
- Currently company sells products directly to customers

Interviewee should ask to understand the products and profitability of each. Remind them that the company sells its products in local and international markets. ***Please use **Exhibit A** when asked this question***

Interviewee should ask about the breakdown of international and national markets. ***Please give **Exhibit B** when asked this question***

- Ask them to calculate profit margins (should use the unit costs in Exhibit A).
- Assume no freight costs, taxes, etc

Logical Conclusion:

Product A is more profitable nationally while Product B is more profitable internationally. (Please see **Exhibit C**). For national markets, the client should consider reducing prices to gain market share from India, China, and the U.S. to maintain their leadership position. They should also consider developing new products in partnership with local clients and establishing new distribution channels to better serve smaller clients. Internationally, the client should seek support from the government to aid in the export of products. For example, create commercial partnerships at the government level. They should also consider acquiring a company in the markets they would like to enter as well as setting up distribution channels to reach these customers.

Successful Roadmap:

The interviewee should understand the market dynamics, which products are more profitable than others and where this happens, and should brainstorm to figure out how to exploit this information.

Exhibit A:

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

Exhibit B:

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

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

Exhibit C:
(for use after case or to help interviewee if they get stuck on calculations)

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

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

Product A is more profitable nationally
Product B is more profitable internationally
Product C has the same margins for both markets

C. Practice Case #3 – Market Growth Strategy in Retail Banking

Question (posed by interviewer):

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

Interview Guidance (general information to be given if asked):

Competition/Competitive Landscape:

- Market Share by bank and product
  - Client is one of the top three market share leader. Show **Exhibit 1 & 2**. Observation: Client maintained market share in deposits but lost market share in credit cards. Client lost share in auto loans but is doing very well in home loans.
- Product and pricing competitiveness
  - All products are priced competitively at market level
- Brand name and reputation or customer awareness
  - Client has good brand name reputation and recognition
- Branch and ATM prevalence or distribution of branch network
  - Client has wide distribution of branch and ATM network

Macroeconomic Trends:

- Employment rate or population growth
  - Number of people coming into employment age is at an all time high in the coming 5 years
  - Foreign investments are projected for healthy growth with increase investments in Business Process Outsourcing
- Interest rate trend
  - Interest rate has declined dramatically in the last 5 years from over 10% to the current level of 4%
- Disposable income or GDP trend
  - 40% of the population lives at or below poverty line. Another 40% makes less than $500 per month. Top 15% makes less than $2,000 per month. Remaining top 5% is the richest population in the country whose lifestyle resembles those of upper-middle class in developed countries.
  - Disposable income and GDP is projected to continue growing at about 11% per annum
- Home/car ownership and real estate development growth
  - Home/car ownership and real estate development is expected to increase in the coming 5 years
- Rural to urban migration
  - Migration rate is stable

Products:

- Types of products

- Products include savings, checking, time deposit, credit cards and loans
- Profitability or revenue by product, including consideration of price and volume
  - Most profitable products are credit cards and loans
- Product penetration in population
  - 30% of population has deposit accounts. 6% of population has credit cards. 1.5% of population has bank loans.

Client Capabilities:

- Sales and marketing
  - Sales efforts are traditional and conservative. Client does not conduct direct marketing activities to sell credit cards. Sales force is stretched and training is lacking.
- Information technology
  - Information on customers is often out-dated
- Research and development/innovation
  - R&D is competitive and client is a market leader in product innovation for a few products

Customers:

- Customer mix by number of bank products purchased/Customer mix by value of customer – measured in terms of average daily balance of deposit account
  - Refer to **Exhibit 3**. Observation: Majority of customers only purchase one bank product. Large majority of customers also have <100K in average daily balance in their deposit accounts
- Retention or attrition rate
  - Attrition rate is in line with market average

Possible growth drivers: 1. Steal share from competition; 2. Increase retention of current customers; 3. Cross sell current products to current customers; 4. Up sell current products to current customers; 5. Develop new generation of customers

Logical Conclusion:

1. Growth efforts should be concentrated in cross selling more profitable products to current customers since average number of products held by customers is low. 2. Client should adopt more aggressive sales and marketing techniques to gain more market share in credit cards. 3. Client should partner with or market to employers to capture a new generation of bank customers fueled by employment growth, and partner with real estate developers, as well as car dealers, to finance future home and car purchase.

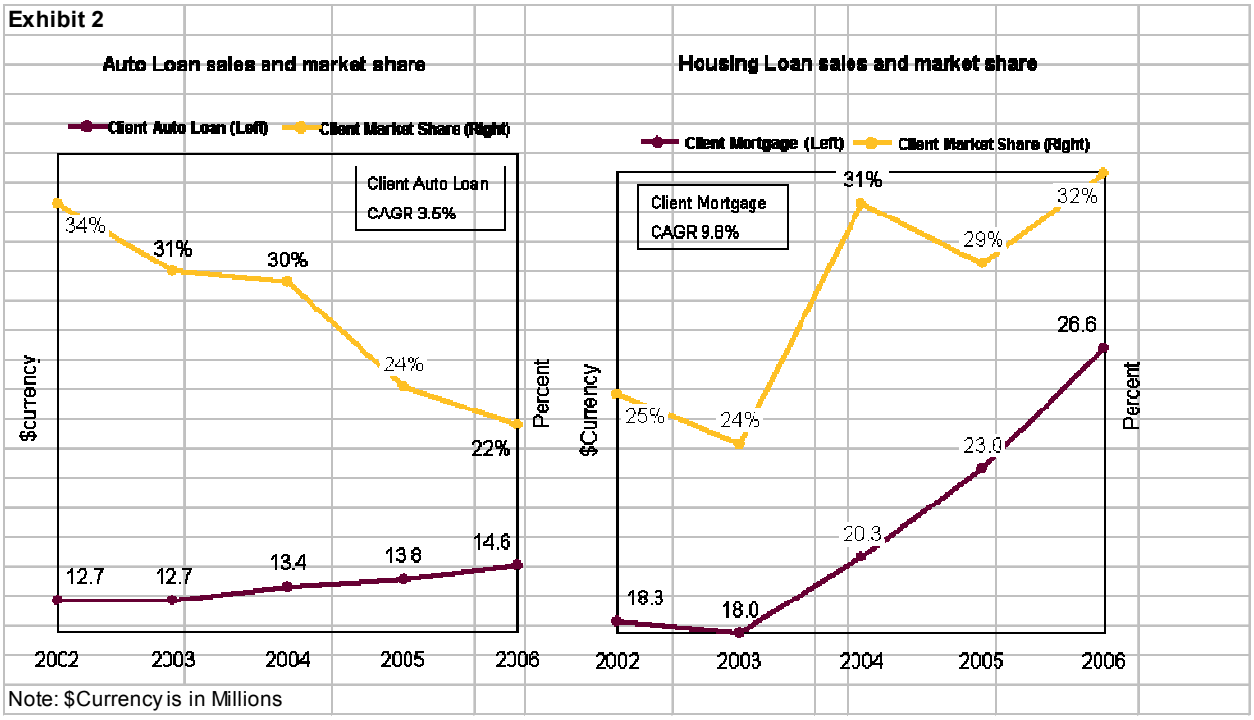
Successful Roadmap:

Candidate should spend most of his time brainstorming all the factors that should be considered to understand the situation. He will locate problems and potential solutions by probing interviewer for information. After all, or most of the information is given, candidate should make his best guess on what the potential recommendations should be for the client. Any logical recommendations supported by information given or any assumption he may make will be accepted. A good candidate should be able to summarize his understanding and make a logical hypothesis on potential recommendations.

Exhibit 1

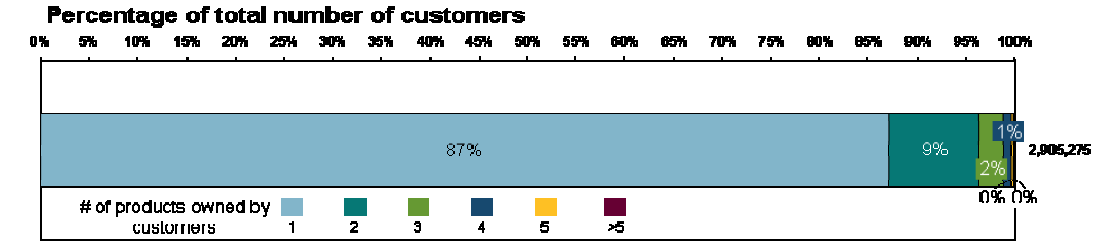
	Deposits			Credit Cards	
Products	Market Share	02-'06 CAGR		Market Share	02-'06 CAGR
Client	15%	10.6%		10%	2.4%
Competitor A	15%	8.0%		17%	9.8%
Competitor B	15%	16.0%		28%	10.2%
Other	55%	9.1%		46%	6.8%
Total Market	100%	10.4%		100%	7.5%

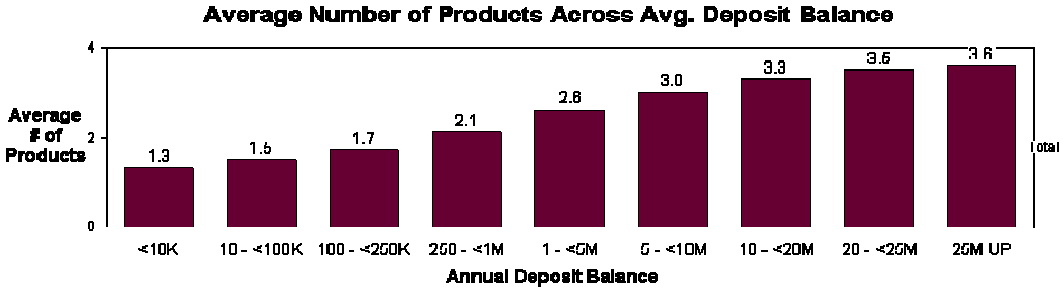
Exhibit 2



Note: $Currency is in Millions

Exhibit 3


Percentage of total number of customers
0% 5% 10% 15% 20% 25% 30% 35% 40% 45% 50% 55% 60% 65% 70% 75% 80% 85% 90% 95% 100%
87%
9%
2%
1%
2,905,275
# of products owned by customers
1
2
3
4
5
>5


Average Number of Products Across Avg. Deposit Balance
Average # of Products
4
2
0
1.3
1.5
1.7
2.1
2.8
3.0
3.3
3.6
3.6
Total
<10K
10 - <100K
100 - <250K
250 - <1M
1 - <5M
5 - <10M
10 - <20M
20 - <25M
25M UP
Annual Deposit Balance

D. Practice Case #4 – Retirement Homes

Question (posed by interviewer):

Our client is a company that owns and operates retirement homes in US. They just opened a new retirement home in Chicago about a year ago and they have concerns about its profitability. So, we were hired to fix the problem.

Interview Guidance (general information to be given if asked):

Location:

- The new home is located in downtown Chicago and all the previous ones were located in outside of Miami

****Interviewee should ask for the information that is presented in the table step by step and interviewer does not show the table****

Revenue elements	OLD (typical) retirement home	NEW
Units	800	400
Revenue/unit	$ 500	$ 1000
Total available revenue	$ 400 000	$ 400 000
Vacancy	20%	10%
Actual revenue	$ 320 000	$ 360 000

****after giving interviewee the data above, ask what they think****

Revenues don't pose a problem, (demand is high and price is relatively high). Explore costs

Client owns land in all of the retirement homes. What do you think costs of operating retirement homes should be?

****Interviewee should ask for the information that is presented in the table (on the next page) step by step and interviewer does not show the table.****

Information to be given if asked (cont'd):

Costs	OLD (typical) retirement home	NEW
Amenities Total	**48 000**	**54 000**
- Fixed component	24 000	30 000
- Variable/month per apartment	30	60
- Total Variable	24 000	24 000
Maintenance Total	**100 000**	**80 000**
- Variable/month per apartment	125	200
Utilities Total	**38 400**	**45 000**
- Variable/month per apartment occupied	60	125
- Apartments occupied	640	360
Medical Facility Total	**---**	**60 000**
SG&A Total	**80 000**	**60 000**
Total Costs	**266 400**	**299 000**
Total Margin	**53 600**	**61 000**
Gross margin, %	**16,8%**	**16,9%**

Logical Conclusion:

The cost of operating the new retirement home is higher, however it alone tells nothing about the problem our client is facing. Let me go ahead and calculate the margin that is generated in different homes. The new retirement home not only has higher costs, but it also has higher revenues. Consequently, margins generated by each home are pretty consistent and, if anything, the new retirement home generates higher margin in both absolute and relative terms. Having analyzed the performance of the new retirement home and compared it to the performance of a typical retirement home that our client operates, we reached the conclusion that our client has no profitability problem. The new home generates 61 000 margin versus 53 600 in old home or about 17% in both cases. On the other hand, there are some significant differences in cost structure for the new and old retirement homes, so we can study it in more depth and potentially reduce costs in both of them to generate higher margin.

E. Practice Case #5 – R&D Portfolio

Question (posed by interviewer):

You are part of our team working for a Pharmaceutical manufacturer. We've been asked to look at their current R&D portfolio and assess whether they're maximizing their potential with their current projects. My questions to you are: (1) How can you help them decide what information you would need and (2) What components do you think would round out a portfolio for this company?

Interviewer Guidance and Information to be given if asked:

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

****Remember to make them brainstorm. You want them to come up with categories for this company to consider when developing their R&D portfolio. For any questions, make sure you keep them on track with this goal. They should be naming different areas to look at (i.e. investing in current projects versus Investing in creating new business)****

Logical Conclusion:

The company should be considering looking at multiple areas of its business such as whether the R&D is for new business or current business, new technologies versus current technologies, spread of projects across your business units, big projects versus small projects, high dollar investment versus low dollar investment, short duration projects versus long duration projects, etc. (There may be a few others but these are the pertinent ones.)

Additional Requests, Attachments, Etc:

Interviewer - When the interviewee has provided their conclusion for the areas they think the company should be looking at for a successful mix, please ask them to pick two and create a 2x2 diagram for you. Please ask: "If you were to look at these two areas, how would you suggest breaking up the expenditure." ****Please see example attachment for the appropriate 2x2 graph and sample calculations****

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

Successful Roadmap:

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

Sample 2x2:

Category: Duration of Projects <- this can be any category

Category: $$ Investment	Long 40%	Short 60%
High 40%	$$ Investment: 40%; Duration: 40%; **Total % of All Projects: 16%**	$$ Investment: 40%; Duration: 60%; **Total % of All Projects: 24%**
Low 60%	$$ Investment: 60%; Duration: 40%; **Total % of All Projects: 24%**	$$ Investment: 60%; Duration: 60%; **Total of All Projects: 36%**

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