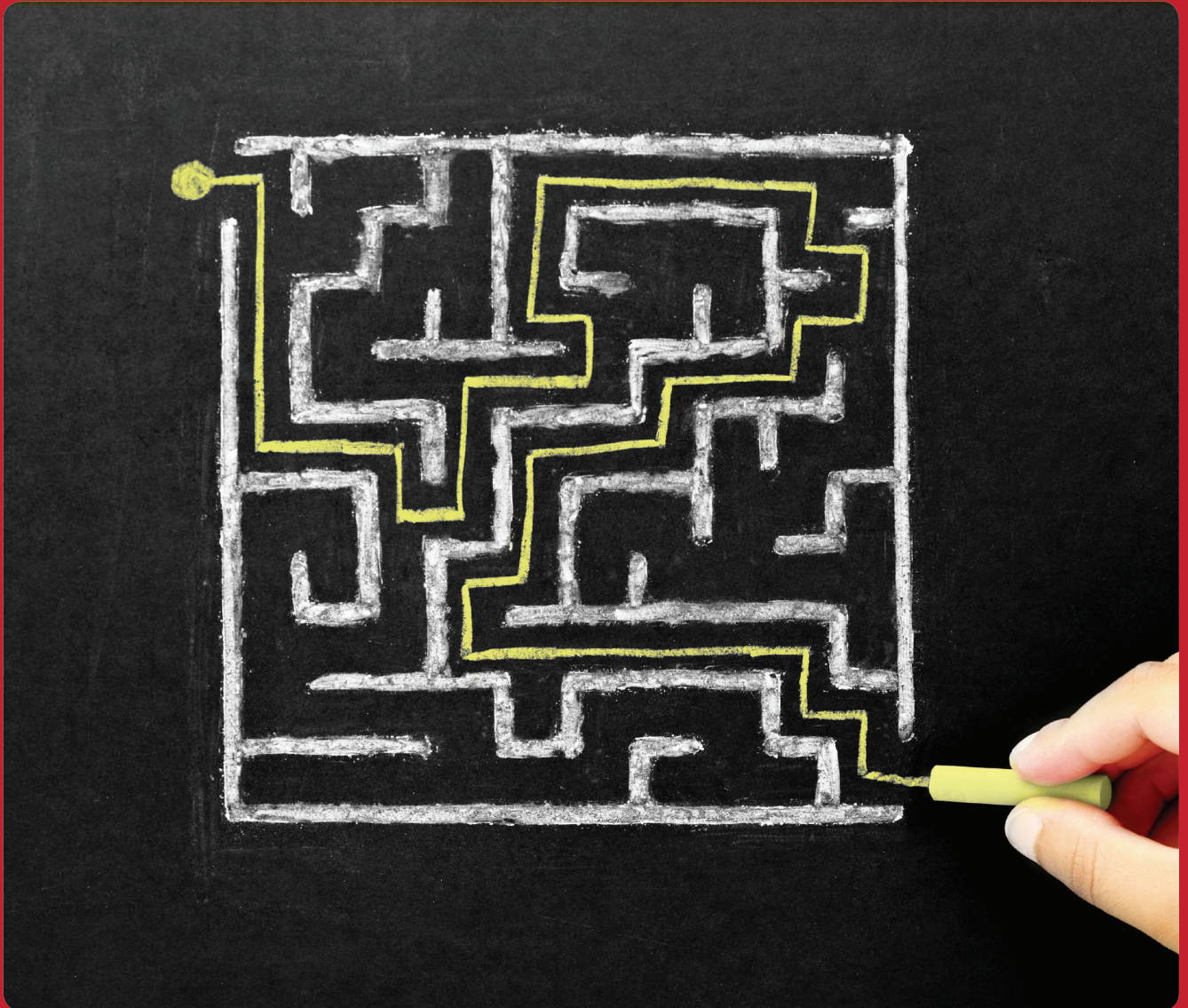




# ACE YOUR CASE® II: MASTERING THE CASE INTERVIEW

3<sup>rd</sup> EDITION



15 PRACTICAL CASE QUESTIONS ★ HOW TO NAIL YOUR INTERVIEW ★ DETAILED EXPLANATIONS OF DIFFERENT CONSULTING CASE TYPES

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# INSIDER GUIDE

*Ace Your Case<sup>®</sup> II:  
Mastering the Case Interview*

**3<sup>rd</sup> EDITION**

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**ACE YOUR CASE® II: MASTERING THE CASE INTERVIEW**

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# Case-by-Case Rules at a Glance

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# AT A GLANCE

› **HERE'S A SUMMARY** of the different types of cases you'll find in this report, along with some rules that should help you ace your answer.

### Market-Sizing Questions

- Use round numbers.
- Show your work.
- Use paper and calculator.

### Business Strategy Questions

- Think frameworks.
- Ask questions.
- Work from big to small.

### Business Operations Questions

- Isolate the main issue.
- Apply a framework.
- Think action!





# The Interview Unplugged

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# OVERVIEW

› **WHEN IT COMES** to preparing for your case interviews, there's one word and one word only: practice. By now, you're spending all your spare time thinking about how to optimize mobile search, where the next big developing market will be, and how much yellow mustard is consumed in Cleveland. Your family thinks you're an oddball, but you're on the right track. You're probably even starting to enjoy thinking about these issues.

Watch out: You might be turning into a consultant. If you've already spent a lot of time polishing your case-cracking skills and you still want more practice, you're already showing symptoms.

We've been impressed by the number of consultants who confess that they actually liked the case question portion of the interview process. After all, if you're well prepared and you like testing your hand at tough business problems, the case question will prove an excellent opportunity to differentiate yourself from all the other consultant wannabes in line behind you. Besides, if you really do like the case questions, there's a good chance that you'll really love consulting work.

*Ace Your Case® II* is designed to be a companion volume to the first *Ace Your Case®* book. It offers more detailed explanations about different case types and more sample questions. We've also incorporated information from you, our customers, about what you're hearing in the cubicle. Many of our sample case questions are based on real, live case questions that people received in their interviews last year.

For those who haven't seen our other case-interviewing guides, *Ace Your Case®* discusses the consulting interview in general and offers a primer containing a number of common frameworks and B-school-type tools (watch out for the 4Cs and the 4Ps, not to mention the infamous Five Forces) that should help you attack your case questions. *Ace Your Case® III: Market-Sizing Questions*, *Ace Your Case® IV: Business Strategy Questions*, and *Ace Your Case® V:*

*Business Operations Questions*, each contain 15 specific case questions in every category this book covers, along with detailed recommended answers, for further practice.

A word about how to use this guide: We strongly recommend that you try to solve the questions first, without looking at the answers. After you've given them your best shot, go ahead and check out our recommended answers. If you find that our "good answer" differs from yours, see whether there's something you can learn from our suggestions. But don't panic—there are usually numerous ways to answer any case question. It's far more important to note the approach, as well as the interviewer's likely responses, which obviously won't be included in your own answers. As you sharpen those skills, keep thinking to yourself, "I love these case questions!" Pretty soon, you'll find yourself talking like a consultant!

# THE CASE INTERVIEW

## BACKGROUND

Many management consulting firms, especially strategy firms such as Bain & Company, The Boston Consulting Group (BCG), and McKinsey & Company, love to give prospective employees problems to solve during the course of the interview. These problem-solving exercises, known generally as case questions, are designed to help the interviewer screen candidates and determine which people really have what it takes to be a real, live, card-carrying management consultant.

Case questions come in many forms and levels of complexity. To help you get a handle on them, we've grouped them into three categories:

- Market-sizing questions
- Business strategy questions
- Business operations questions

Each of these prototypes has distinguishing features, which we discuss below. In addition, our insiders recommend rules of the road to help you get around the obstacle course. Don't worry—you'll never be asked to spit out a category name and serial number for the questions you receive in the interview. Nevertheless, if you can identify the type of question, you'll be better equipped to attack the problem.

## WHAT YOUR INTERVIEWER IS SEEKING

It may seem as if your interviewer is using the case technique for one purpose alone: to humiliate prospective consultants. Although a few interviewers do seem to take perverse pleasure in watching candidates writhe, this isn't the true goal of the technique.

According to insiders, case questions really do help interviewers evaluate a candidate's aptitude for consulting. What does that mean, exactly? Whether you're an undergrad, an MBA, or a PhD, consulting interviewers will likely depend on the case questions to check you out on the following dimensions:

- Analytical ability
- Structured thinking
- Intelligence
- Ability to work under pressure without breaking into hives
- Common sense
- Ability to think on your feet
- Interest in problem solving
- Business intuition
- Facility with numbers
- Presentation skills
- Communication skills
- Ability to sort through information and focus on the key points
- Ability to make recommendations
- Creativity
- Enthusiasm

Before you bid all your points to get an interview with name-your-consulting-firm, think about how consulting fits you. Ask yourself:

- Why do I want to be a consultant?
- Why do I want to work for this firm?

If you can answer these questions well, you're ready to think about cases. We'll get you started by discussing the case interview as it relates to several categories of candidates: undergraduates, MBAs, advanced-degree candidates, and experienced hires.

## UNDERGRADUATES

Consulting interviewers tell us that the case questions and the expected answers for undergraduates tend to be simpler and more understandable than those for MBA students. Market-sizing questions are very popular (you'll almost certainly get at least one of these), as are general business strategy problems. In the business strategy area, the companies and the topics may also seem a little friendlier; you're more likely to get a case about a beer company than about a company trying to license the latest packet-filtering technology for data encryption. Operations questions, with the exception of the ever-popular declining-profits question, are less common.

Compared with other job candidates, undergrads receive more prompting from interviewers. In evaluating your answer to a question, only the most sadistic interviewer would expect you to regurgitate all the standard business-school terminology and techniques—after all, how else could the company justify paying MBAs the big bucks? So don't get your knickers in a knot if you can't name even one of the Five Forces.

But beware: Rank amateurs aren't welcome. You must have a general understanding of basic business relationships. For example, you'll need to know that profit is revenue minus cost.

Here are a few case questions our undergraduate customers have fielded:

- How many kitchens are installed in the U.S. each year?
- Your client is thinking about expanding her sourcing operations into China. What issues should she consider?
- Your client is a manufacturer of high-end, branded watches. Prices are falling dramatically in the category. What should your client do?

### MBA

Long the heavy hitters of the consulting workforce, MBAs undergo the most sophisticated and demanding case interviews. All types of questions, from the simple market-sizers to the gnarliest of business strategy problems, are fair game. No industry or functional area is off limits.

Questions will test the candidate's familiarity with standard MBA frameworks and concepts. Also, the case may take a few tricky twists or turns. For example, a seemingly straightforward international strategy question might be complicated by an unexpected restriction related to the European regulatory environment.

Most MBAs are polished performers who understand the basics of many case problems. Therefore, interviewers look for depth in the candidates' answers—an ability to peel the onion, as it were.

Our MBA customers offer these examples of typical case questions:

- How many pieces of mail do U.S. homes receive annually?
- Your client has 200 physical therapy locations and wishes to expand into chiropractics. Should he do it?
- Should your client, a major commercial real estate development company, branch out into residential real estate?

### OTHER ADVANCED-DEGREE CANDIDATES

Although consulting firms attract mostly MBA applicants, a number of leading organizations are looking beyond traditional feeder programs to identify top talent. Some firms, such as BCG and McKinsey, have created customized recruiting and training programs aimed at JDs, MDs, and PhDs from the top schools. Others consider advanced-degree candidates on a case-by-case basis, often pitting them against undergraduates or MBAs.

Even if you're on a separate recruiting track, the interviews will be similar. So expect a heavy dose of case interview questions, along with the general get-to-know-you queries. But in addition to testing you on substance, the recruiter will want to see if you can break out of the PhD box and answer real-world questions without giving too much detail.





According to our customers, case questions for advanced-degree candidates usually don't require you to carry your own MBA toolbox. While some may relate to previous research—your resume is usually a font of material—others may resemble undergraduate case studies that test for intuition, common sense, analytical skills, and problem-solving abilities. A good, solid, analytical answer may suffice even if it doesn't incorporate all the latest business buzzwords.

Check out these case questions fielded by our advanced-degree customers:

- How many turkeys are consumed on Thanksgiving?
- Your client has come across a major innovation but lacks the capabilities to sell it profitably. Should it buy the capabilities, build them internally, or license the innovation?
- (For someone in life sciences:) How would government health care impact large pharmaceutical companies?

#### **TIP**

Keep the firm's reputation and areas of strength in mind as you launch into your case answer.

## EXPERIENCED HIRES

If you've worked for a name-brand consulting firm or have at least ten years of consulting experience, chances are you won't face a battery of case questions. But if you're changing careers or seeking a midlevel consulting position for the first time, you'll likely go through an

interview process similar to what MBAs encounter.

Our experienced-hire customers cite the following sample questions:

- A young entrepreneur has developed a product that promises to transform home entertainment. Through which channels should she market her innovation?
- Your client is Yosemite Park. How can it boost its declining revenue?
- Specific questions related to one's area of expertise.

## COMPANY-SPECIFIC VARIATIONS

As you enter the ring with consultants from a range of firms, you'll probably notice differences in the questions you receive, as well as in the style and approach of the case interview. These usually reflect the interviewers' unique personalities and experiences. However, several firms have developed their own approach to the case interview. For example, IBM Global Services and Monitor Group give candidates a written case to prepare in advance. Monitor has also used a group interview technique that requires competing candidates to work with one another to solve a problem, while McKinsey has experimented with a process for undergraduates that includes both a written case test and a group interview.

If you're interviewing with Towers Perrin, don't be surprised to find a people issue somewhere in the case. If you're speaking with someone at Deloitte Consulting, keep operations in mind as you craft an answer. And if you're fielding questions from Bain, highlight the importance of measurable results and data-driven analysis.



# Case-by-Case Rules

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# THE WETFEET WAY OF CRACKING A CASE QUESTION

**W**hat is the interviewer asking?

**E**verything there?

**T**hink before you speak

**F**rameworks!

**E**xplain your thinking

**E**valuate your case so far

**T**ake action

› **TO ACE YOUR** case no matter what the interviewer throws at you, observe the following tips. To remember how each of them begins, think of the seven letters in *WetFeet*.

## WHAT IS THE INTERVIEWER ASKING?

Listen carefully, and take notes if necessary. Make sure you know what the interviewer is seeking. It's particularly important to keep this objective in mind as you work your way through the dense forest of detail that may be coming your way. Stick to the question, too. If the interviewer asks for two recommendations, don't offer six—you may come across as someone who can't follow directions.

## EVERYTHING THERE?

Ask about any holes you see in the problem presented. The interviewer may be testing whether you realize there are missing pieces to the puzzle. When you hear a hint, a suggestion, or additional information, use it—it's probably meant to steer you in the right direction.

## THINK BEFORE YOU SPEAK

Any pause will feel like an eternity to you, so your impulse will be to blurt out the first thing that comes to mind. Fight that urge—take a moment to think about how to present your ideas. It won't seem long to your interviewer, and it will give you the time you need to make a stronger impression.

## FRAMEWORKS!

Identify one or more frameworks to help you structure an answer. Be sure to inform your interviewer how you plan to proceed. What really matters is not the particular frameworks you choose, but your ability to come up with a clear, logical response.

## EXPLAIN YOUR THINKING METHODICALLY

Start with the most important issues first, and tell the interviewer why you think they're so important. Working from large to small ensures that you deliver your most important insights before time runs out.

## EVALUATE YOUR CASE SO FAR

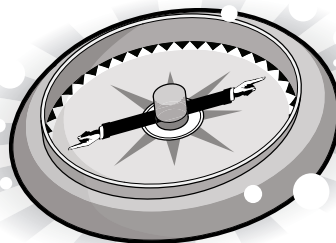
As you go, think about your answer. Is it something a business might logically do? Is there another practical approach, even if it's unconventional? Don't just ask yourself—ask the interviewer if you're on the right track.

### › TIP

If a question seems unclear, it's probably supposed to be. Ask the interviewer for clarification.

## TAKE ACTION

Wrap up your case by briefly summarizing how you've attacked the problem and noting where you'd go if you had more time. The goal of consulting is almost never just analysis. Usually, an advisory firm is looking for good, solid, data-driven recommendations that the client can use.



# MARKET-SIZING CASES

## OVERVIEW

Recruiters love to ask market-sizing questions. Not only are they easy to create, discuss, and evaluate, they're also highly representative of an important type of consulting work.

In their simplest form, market-sizing cases require the candidate to determine the size of a particular market. In the real world, this information can be especially helpful when gauging the attractiveness of a new market. A market-sizing question might be pitched in a direct manner—for example, “How big is the U.S. market for surfboards?” Or it may be disguised as a more complex query that requires the respondent to peel away the extraneous detail to identify the market-sizing issue at the core—for instance, “Do you think Fidelity should come out with a mutual fund targeted at high-net-worth individuals?” In a more highly developed variation, the interviewer might ask a strategy or operations case question that requires the respondent to do some market sizing in order to come up with an appropriate recommendation.

## THE SCORECARD

Market-sizing questions let the interviewer test your facility with numbers, analytical skills, and common sense. For example, if you're asked to size the surfboard market, you'll need to make basic assumptions: How many people surf? How many boards does a typical surfer dude or gal own? How often will he or she get a new one? Are there other big purchasers besides individual surfers? Is there a market for used boards?

You'll also need to do some calculations—for example, the number of surfers times the number of new boards per year, plus the total quantity purchased by other types of customers.

As you work through these issues, the interviewer will get a glimpse of your common sense. For instance,

did you assume that everybody in the U.S. is a potential surfer, or did you try to estimate the population in prime surfing areas like California and Hawaii?

## WHEN YOU'LL GET THESE

Market-sizing questions can appear anywhere. They're almost certain to crop up in undergraduate and advanced-degree interviews. Indeed, both undergraduates and PhDs report receiving exactly the same market-sizing questions in their respective interviews.

MBA students are also likely to field market-sizing questions. However, a common and more complex MBA variation involves assessing the opportunity for a new product. For example, you might be asked whether your pharmaceutical company client should develop and market a drug for male-pattern baldness. Part of the analysis would require you to estimate the market potential—that is, market size—for the drug.

### TIP

Almost all candidates—undergrads, MBAs, and PhDs—can expect to receive some form of market-sizing question. The market-sizing questions pitched to MBAs tend to be the most complex.

## MASTERING YOUR MARKET-SIZING QUESTIONS

Market-sizing questions can intimidate. But once you understand the rules and practice your technique, they'll seem like slow pitches right over the center of the plate. So, just how many golf balls are used in the U.S. in a year? You don't know, and the truth is, neither does your interviewer. In fact, your interviewer doesn't even care what the real number is. What matters is your ability to use logic, common sense, and creativity to provide a plausible answer. And the interviewer wants to make sure you don't turn tail when you've got a few numbers to run—which brings us to the three rules for market-sizing questions.

### Rule 1: Use Round Numbers

Even if you weren't a multivariate calculus stud, you can impress your interviewer with your number-crunching abilities if you stick to round numbers. They're much easier to add, subtract, multiply, and divide—and since we've already decided that the exact answer doesn't matter anyway, go ahead and pick something you can toss around with ease. The population of New York City? Ten million, give or take. The length of a standard piece of paper? Round 11 inches up to a foot.

#### > TIP

The number you provide as an answer isn't all that important. What counts is the thought process you used to reach that number.

### Rule 2: Show Your Work

Case questions are the ultimate "show your work" exercises. In fact, your exact answer matters less than the path you took to get there. Remember, the market-sizing question is merely a means for testing your analysis, creativity, and comfort with numbers.

### Rule 3: Use Paper and Calculator

Most interviewers won't care if you use pencil and paper to keep your thoughts organized and logical. If pulling out the calculator to multiply a few numbers keeps you from freaking out, then by all means do it. You'll make a better impression if you stay calm, cool, and collected.

#### > TIP

Strategy boutiques will use strategy cases as a mainstay in their recruiting efforts; firms with an operations focus will rely more heavily on operations questions.

## BUSINESS STRATEGY CASES

### OVERVIEW

The granddaddies (and demons) of the case question world, strategy questions deal with the future direction of a company—for example, whether it should enter a new line of business. Consultants love to use them because they touch on so many issues. A good strategy question can have a market-sizing piece, a logic puzzle, multiple operations issues, and a major dose of creativity and action thrown in for good measure. Queries of this nature run the gamut from a complex, multi-industry, multinational, multi-issue behemoth to a localized question with a pinpoint focus.

### THE SCORECARD

Strategy questions let recruiters assess everything from your ability to handle numbers to your capacity to wade through and synthesize a mass of detailed information. They're especially effective for testing presentation skills.

### WHEN YOU'LL GET THESE

Strategy case questions are fair game for any type of candidate. For undergraduates, they'll often be straightforward. For MBA candidates, they frequently have several layers of issues, and perhaps an international or other twist to boot.

### SIMPLIFYING THE STRATEGY STUMPERS

Because business strategy questions frequently involve diverse elements, they tend to inspire fear in the weak of heart. But while they're often more difficult than other case questions, they can also be more fun. They afford you the chance to play CEO, or at least adviser to the company leader.

As you tackle your strategy case questions, keep the following rules in mind.

### Rule 1: Think Frameworks

While analyzing a really juicy strategy question, you might be able to draw information and jargon out of almost every course in your school's core business curriculum. Don't succumb to temptation! Your interviewer will be much more impressed if you tell a clear, simple story about how you're attacking the question and where you're going with your analysis.

The best way to do this is to apply a framework to the problem. As with market-sizing questions, this means setting out a plan of attack up front and following it through to conclusion. One other big benefit: Having a clear framework will help you organize your analysis.

#### TIP

Don't get overwhelmed by all the possible ways to answer a strategy question. Keep your thinking—and your response—simple, clear, and logical.

### Rule 2: Ask Questions

Successful consulting is as much about asking the right questions as it is about providing a good answer. Likewise, your solution to a strategy case will be much better if you've focused your energy on the right issue. To help you get there, don't hesitate to ask your interviewer questions. In the best case, he or she may help you avoid a derailment; at the very least, the interviewer will understand your thought process as you plow through the analysis.

### Rule 3: Work from Big to Small

Even if the strategy case you're examining was the subject of a study that lasted several months, you'll probably have no more than 15 minutes to provide your answer. Therefore, you must address the most significant issues first. Your ability to do this will come in handy in the real world, where clients who pay by the hour expect their consultants to cut to the chase.

## BUSINESS OPERATIONS CASES

### OVERVIEW

A fair number of case questions cover operations issues, which are gaining prominence in the consulting industry. Operations refers to everything that's involved in running a business and getting products out the door. In a manufacturing plant, it entails the purchase and transport of raw materials, the manufacturing processes, scheduling, product distribution, and the servicing of equipment in the field. Operations even encompasses sales and marketing, including the systems used to track retail transactions.

Typical operations questions ask the candidate to explain why a company's sales or profits have declined.

### THE SCORECARD

Operations questions test the candidate's understanding of fundamental issues related to running a business—for example, the relationship between revenue and costs, and the impact of fixed and variable costs on profitability. They require the interviewee to demonstrate a good grasp of process, as well as an ability to sort through a pile of information and identify the most important factors.

### WHEN YOU'LL GET THESE

Operations questions are fair game for all candidates. However, these tend to be more rigorous for MBAs. For example, an MBA case might require the candidate to explore the implications of a specific type of financing, or the consequences of allocating fixed costs in a certain way. Alternatively, an MBA might get a question about factors that would allow a manufacturing operation to increase throughput. An undergraduate, on the other hand, might get lobbed a question about the implications of launching a national chain of restaurants.

### OPTIMIZING YOUR BUSINESS OPERATIONS ANSWERS

Operations case questions are more complex than market-sizing ones. Besides presuming basic business knowledge and a good deal of common sense, they require the candidate to think like a detective.

For example, the interviewer might ask why an airline has been losing money while its market share has increased. There could be many reasons for this. Revenue may be down because of ticket-price wars, lower ridership, or growing accounts payable. Costs may be up because of rising fuel prices, higher landing fees, or steeper maintenance expenses. Or perhaps the airline is operating less efficiently—for instance, it may be paying staffers overtime or leasing additional aircraft to accommodate more passengers.

It takes clear thinking to answer this type of question. Here are some rules to put you on the right track.

#### > TIP

Declining-profits questions are among the most popular, and almost all candidates can expect at least one of these. MBAs will get more detailed versions.

#### Rule 1: Isolate the Main Issue

Operations questions usually have lots of potential answers. The first step in identifying a good answer and demonstrating your analytical firepower is to separate the wheat from the chaff. Once you've zeroed in on the main issue, you can apply your energy to working out a good conclusion to the problem.

#### Rule 2: Apply a Framework

Frameworks were made for cracking operations questions. They'll help you sift through lots of data and organize your answer.

A useful framework can be something as simple as saying, "If the airline is losing money, it has something to do with either costs or revenue." You then proceed to talk about each of these areas.

#### Rule 3: Think Action!

Unlike market-sizing questions, operations cases never end with a nice, neat analysis. The hypothetical client is usually facing a critical issue: Revenue is falling, costs are rising, or production is crashing. Action is imperative.

Accordingly, your analysis must drive toward a solution. Even if you need more data before you can make a final recommendation, acknowledge that you're evaluating various courses of action. Better yet, lay out a plan for next steps.



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AT A GLANCE

**CHAPTER 2**  
THE INTERVIEW  
UNPLUGGED

**CHAPTER 3**  
CASE-BY-CASE RULES

**CHAPTER 4**  
THE PRACTICE RANGE

**CHAPTER 5**  
NAILING THE CASE



# The Practice Range

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# MARKET-SIZING CASE QUESTIONS

› **HERE'S AN OPPORTUNITY** to practice answering case questions on your own. Follow “The WetFeet Way” as you work through these.

## Remember the Rules for Market-Sizing Questions:

1. Use round numbers.
2. Show your work.
3. Use paper and calculator.

### CASE 1

**How many pieces of luggage fly through the San Francisco airport in a 24-hour period?**

#### KEY QUESTIONS TO ASK

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#### BASIC NUMBERS

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#### TRACK THE NUMBERS DOWN

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**CASE 2**

**How many new golf balls are sold each year? Consider only golf balls sold to individuals (for example, exclude golf balls sold at ranges).**

**KEY QUESTIONS TO ASK**

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**BASIC NUMBERS**

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**TRACK THE NUMBERS DOWN**

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**It's a hot summer weekend day. How many movie tickets are purchased at the local theater?**

KEY QUESTIONS TO ASK

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BASIC NUMBERS

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TRACK THE NUMBERS DOWN

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**CASE 4**

**How many pounds of potatoes does McDonald's buy each week to support its U.S. operations?**

**KEY QUESTIONS TO ASK**

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**BASIC NUMBERS**

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**TRACK THE NUMBERS DOWN**

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CASE 5

At the bar, ten MBA students are discussing their job offers. Each wants to know how his or her offer compares with the group average, yet no one wishes to disclose that personal information. How can they calculate their average salary without revealing what they want to keep secret?

KEY QUESTIONS TO ASK

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BASIC NUMBERS

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TRACK THE NUMBERS DOWN

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# BUSINESS STRATEGY CASE QUESTIONS

## Remember the Rules for Business Strategy Questions:

1. Think frameworks.
2. Ask questions.
3. Work from large to small.

### CASE 6

**Your client is an operator of 20 restaurants in a midsize city. Currently, it serves only lunch and dinner. It's thinking of expanding its offerings to include breakfast as well. What would you advise your client to do?**

#### KEY QUESTIONS TO ASK

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#### BASIC NUMBERS

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#### TRACK THE NUMBERS DOWN

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CASE 7

You've just been hired by Pluto, a candy company with a long tradition of making chocolate treats. The six-month-old division in which you work has been tasked with developing a nonchocolate candy to diversify the company's offerings. What would you want to know in order to supply your team with the right information to determine what product the division should make? How would you get that information?

KEY QUESTIONS TO ASK

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BASIC NUMBERS

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TRACK THE NUMBERS DOWN

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## CASE 8

**Your client is a major pharmaceutical company whose R&D department has developed a promising new drug compound. Should it license the brand or manage the entry in-house?**

## KEY QUESTIONS TO ASK

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## BASIC NUMBERS

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## TRACK THE NUMBERS DOWN

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**Your client is VP of marketing for a major cosmetics company. He's considering whether to introduce a line of men's cologne for Wal-Mart. What are the major issues he should be thinking about?**

KEY QUESTIONS TO ASK

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BASIC NUMBERS

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TRACK THE NUMBERS DOWN

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**CASE 10**

**Your client is an appliance manufacturer that has enjoyed great success in Mexico. Although the company believes it's too late to do business in India, it likes opportunities in other developing markets. It's now thinking about launching consumer operations in Africa. You've been hired to help it evaluate the market.**

**KEY QUESTIONS TO ASK**

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**BASIC NUMBERS**

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**TRACK THE NUMBERS DOWN**

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# BUSINESS OPERATIONS CASE QUESTIONS

## Remember the Rules for Business Operations Questions:

1. Isolate the main issue.
2. Apply a framework.
3. Think action!

### CASE 11

The president of a large pencil company has hired your consulting firm to assess why profits have fallen from the respectable levels of four years ago to a net loss this year. You've been assigned the role of main business analyst on the engagement. You have enough information to know that the client has some kind of operations issue at play that has increased expenses and eroded profitability—but no one knows what the issue is. How would you go about analyzing the situation and assessing the source(s) of this company's operations problem?

### KEY QUESTIONS TO ASK

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### BASIC NUMBERS

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### TRACK THE NUMBERS DOWN

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## CASE 12

The managing partner of one of the larger regional offices of a management consulting company has noticed an overall reduction in consulting spending industrywide within the past year. He's concerned about how this might affect his office. What would you like to know, and how would you advise him to react?

## KEY QUESTIONS TO ASK

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## BASIC NUMBERS

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## TRACK THE NUMBERS DOWN

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CASE 13

The CEO of Bon Jeans, a famous jeans producer, has come to you for help with his retail division. His company sold jeans primarily through department stores until two years ago. Once that channel became saturated, the company decided to launch retail stores to capture additional sales. The stores got off to a flying start but have since slowed down—to the point that the company’s retail division has become unprofitable. What’s causing the problem?

KEY QUESTIONS TO ASK

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TRACK THE NUMBERS DOWN

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## A client is thinking about offshoring most of its back-office functions. What would you recommend?

### KEY QUESTIONS TO ASK

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### BASIC NUMBERS

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### TRACK THE NUMBERS DOWN

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**A client, an investment bank, is concerned about staff retention. Although it hires top graduates from top business schools in anticipation that they'll be long-term employees, almost 70 percent are gone after three years. What might be happening, and what should the client do?**

KEY QUESTIONS TO ASK

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BASIC NUMBERS

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TRACK THE NUMBERS DOWN

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**CHAPTER 1**  
AT A GLANCE

**CHAPTER 2**  
THE INTERVIEW  
UNPLUGGED

**CHAPTER 3**  
CASE-BY-CASE RULES

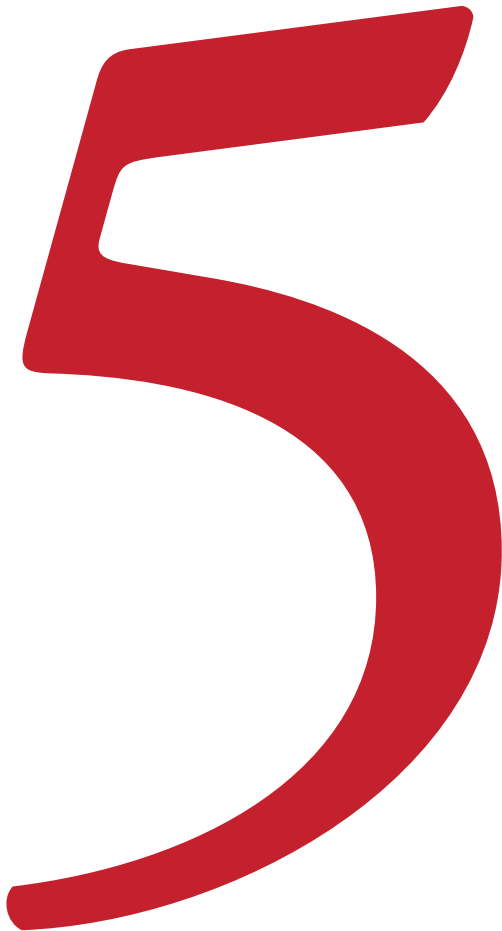
**CHAPTER 4**  
THE PRACTICE RANGE

**CHAPTER 5**  
NAILING THE CASE



# Nailing the Case

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## COMPARING YOUR ANSWERS

› **NOW WE’LL WALK** you through sample answers to each of the questions posed in “The Practice Range.” Although we believe our recommended answers are good, we know there are many others that are equally satisfactory, if not better. Remember, the destination is often less important to your interviewer than the road you take to get there. With that in mind, smooth sailing!

A quick note on the layout: Each question is followed by one or more bad answers (*really* bad in some cases) and a good response. The dialogue between the hypothetical recruiter and candidate appear in normal type; the WetFeet analysis and commentary appear in italics.

## MARKET-SIZING CASE QUESTIONS

### CASE 1

**How many pieces of luggage fly through the San Francisco airport in a 24-hour period?**

›› *This is a straightforward question suitable for either an undergraduate or an advanced-degree candidate.*

### Bad Answers

**Candidate:** Gosh, I’ve never been to the San Francisco airport before. Could you ask me a different question instead?

›› *Don’t ever say you can’t answer the question. The interviewer is interested in how you’d structure the problem, not the specific conclusion you reach—the name of the airport in the question isn’t important. It might even be helpful to think about a familiar airport first to get to an approach.*

**Candidate:** I read in *The Wall Street Journal* yesterday that the San Francisco airport is the fourth-busiest

airport in the country with 50,000 passengers a day. Everybody is allowed two bags, so that means there are 100,000 bags a day.

›› *This answer is too quick and involves little thought. You won’t win points for recalling some little-known fact from the newspaper; the interviewer is more interested in understanding how you think through problems. The candidate here has ignored key factors—for example, international vs domestic flights, and business vs leisure travelers.*

### Good Answer

**Candidate:** That’s an interesting, multifaceted question. If you think about it, various types of luggage could be going through the airport: freight, personal luggage, unaccompanied baggage, and so forth. Also, different types of people need different amounts of luggage. In addition, we need to consider the day of the week and time of year.

›› *What’s the question? Is everything there? Always take a few moments to think before starting to answer any case question. Plan out an approach before you start speaking. In this case, the candidate has made a good start. He’s identified some of the main drivers that will affect the outcome of the market-sizing effort, showing the interviewer he’s on the ball.*

**Candidate:** The best way to approach this is to define luggage. Can we assume we’re just talking about personal luggage—the carry-on and checked bags of airline passengers traveling to or from San Francisco?

### › TIP

**When answering a complex question, start by defining parameters to narrow the scope of the problem.**

» *Defining and agreeing to parameters not only helps the candidate structure the problem, it also ensures that the candidate and interviewer are on the same page.*

**Interviewer:** That sounds like a reasonable assumption to make. Let's assume we're talking about passengers' luggage and not cargo.

**Candidate:** Great, just one more clarifying point before I move on. For the moment, can I assume we're talking about an average 24-hour period, and not the day before a big holiday? This will obviously have a big impact on the number of people traveling.

» *Always clarify your assumptions out loud. Otherwise, the interviewer will either guess what you're thinking or conclude that you overlooked an important point—in this case, holiday traffic.*

**Interviewer:** Yes, that sounds fine. Let's assume we're talking about an average Tuesday for the moment. So, what do you think?

**Candidate:** Okay, so to answer this question I really need two pieces of data. First, I need to know how many pieces of luggage the average passenger carries. Second, I need to know how many passengers are traveling through the airport in a 24-hour period.

» *Outline your frameworks up front to let the interviewer know where you're heading.*

**Candidate:** Let's start by thinking about how many pieces of luggage the average passenger carries. It's difficult to estimate this, as there are so many types of passengers out there, each with different luggage needs. For example, there's the businessperson who just takes a carry-on for a two-day trip; and there's the vacationing family with mostly checked luggage. I think that we should split the passengers into two broad groups: business travelers and leisure travelers.

» *Realizing that not all passengers travel the same, the candidate does a good job of explaining why he needs to segment customers.*

**Candidate:** Let's assume that business travelers bring two pieces on average: a laptop case and another item, most likely also a carry-on bag. In reality, the average is probably somewhere between one and two, as some business trips take only a day—but let's keep the math simple for now and assume two bags per business traveler. Next, let's consider the leisure travelers' luggage. When I travel for leisure, I usually plan to stay away for at least two nights—if I'm going on vacation, it's usually for a longer period that requires more luggage. Leisure travelers typically carry more luggage than business travelers, so let's assume a total of three bags per leisure traveler. Finally, let's assume that 30 percent of passengers are business travelers and 70 percent are leisure travelers. So the average number of bags per passenger is (30 percent of all passengers x 2 bags per passenger) + (70 percent of all passengers x 3 bags per passenger) = 0.6 bags + 2.1 bags = 2.7 bags. Let's round that down to 2.5 bags per passenger.

» *The candidate demonstrates he's not afraid of numbers, yet keeps them simple to avoid getting tripped up when doing math in his head. He also makes it clear how he arrived at each number.*

**Candidate:** So we now have an estimate for the amount of luggage each passenger is carrying. Next, we need to know how many passengers are traveling.

» *The candidate is summarizing where he is in the process. This is always a good idea if the process is lengthy or involved. Remember, outlining up front and maintaining a clear structure throughout the case are critical to moving to the next round and winning the job.*

**Candidate:** The number of passengers traveling is equal to the number of passengers on a plane, multiplied by the number of planes taking off or landing at the airport each day. I've never been to the San Francisco airport before, so I'm not sure how big it is. Is it reasonable to assume that there are two runways?

» *On occasion, it's okay to evaluate assumptions with your interviewer. But don't be surprised if the question is thrown right back at you.*

**Interviewer:** Yes, I believe the San Francisco airport has two runways.

**Candidate:** Great. Well, let's assume that a plane takes off or lands every five minutes during the hours in which the runway is operational. That's  $60 \div 5 = 12$  planes per hour per runway, which is 24 planes per hour. Let's round that down to 20 per hour to take into account peak times vs slower times, as well as delays for bad weather and so forth. Let's also assume that the runways are open from 5:00 a.m. to 1:00 a.m.—20 hours a day. So the total number of planes we have arriving and departing is 20 hours  $\times$  20 planes per hour = 400 planes per day. So now that we know the number of planes, we still need one final piece of information: How many passengers are on each plane? Another tricky question because planes come in a number of sizes, including the big 747 plane and the smaller 737 plane. To avoid getting too complicated, I'll assume that a plane holds 200 people on average.

» *It's critical to arrive at a definitive answer. The numbers you use needn't be exact, as long as they're in the ballpark.*

**Interviewer:** Before we continue, I'd like to spend a moment talking about the assumption you made for the total number of passengers on each plane. How comfortable are you with this assumption?

» *In this instance, the interviewer is questioning the candidate's assumption. Don't worry if you find yourself in a similar situation. Rather, take the opportunity to demonstrate how well you respond to challenges.*

### TIP

Don't worry about getting the exact figures right. All you need are reasonable numbers that will let you work through the problem.

**Candidate:** Well, let me think about it for a moment.

» *When an interviewer questions something, take a moment to think about it. Don't jump in with a yes or no answer.*

**Candidate:** A shuttle-size plane has 25 rows of six seats, which equals 150 passengers. I also know that the big 747s hold well over 400 passengers, so without knowing more about the proportion of large planes to small planes, I think it's fair to assume that a plane can carry 200 people on average. However, not every plane is full. In fact, most planes I've flown on have had vacant seats. I would guess that on average, planes fly 95 percent full, so that would mean 95 percent  $\times$  200 = 190 passengers on each plane. That sounds like a more reasonable number.

» *The candidate does a nice job of grounding the initial assumption made with additional facts. He also recognizes and incorporates additional ideas, revising his assumptions accordingly. He demonstrates a willingness to revisit and refine assumptions.*

**Candidate:** Now we can calculate the total number of bags. We assumed there would be 400 planes a day and 190 passengers per plane, for a total of 76,000 passengers traveling through the San Francisco airport. We also assumed the average bags per passenger to be 2.5. So the total number of pieces comes out to  $76,000 \times 2.5 = 190,000$  pieces.



» *Take action and calculate the number. Ground it against any facts you have. If it doesn't sound reasonable, be sure to say so—then revisit your assumptions to determine why.*

**Interviewer:** That sounds like a reasonable estimate. I don't know what the actual number is. Now, if we wanted to refine our calculation, how might we do that?

**Candidate:** There are a number of ways, some of which we've touched on briefly. We could refine our passenger types. In this calculation, we looked at business vs leisure travelers. We could examine the length of their trips more closely to further segment these groups. Another option would be to consider the type and size of planes and potentially their destinations (long-haul vs short-haul).

» *Mentioning just a few ways to refine your calculations is all it takes. Time is limited, and no interviewer would expect you to come up with every possible answer.*

**Interviewer:** Great job!

» *The candidate did a nice job answering the case. He clearly articulated his approach, kept the numbers simple, and grounded his assumptions when possible. He also made sure to share his thinking with the interviewer at all times.*

## CASE 2

**How many new golf balls are sold each year? Consider only golf balls sold to individuals (for example, exclude golf balls sold at ranges).**

### Bad Answer

**Candidate:** I don't play golf. That sport is for old, rich people with nothing better to do.

» *As in the prior market-sizing case, it's never a good idea to punt on a case interview question. In addition, never make pejorative statements. For all you know, the interviewer in this instance could be an avid golfer.*

### Good Answer

**Candidate:** Well, I don't play a lot of golf myself, so you may need to help me with some of my assumptions. But I think that together, we can figure out how to answer the question.

» *The candidate did two things well here. First, he readily enlisted help from the interviewer when he needed it. Second, he showed he's comfortable with tackling a problem even in an area with which he's unfamiliar.*

### TIP

Don't be concerned if the interviewer asks you about a topic or industry you don't know well. Just be sure to ask questions about areas you need clarified.

**Candidate:** First of all, let's put some boundaries on the question. You asked how many new golf balls are sold each year. What sort of geography are we talking about? A city? The U.S.? The world?

**Interviewer:** Good question, I forgot to mention that. Let's just talk about golf balls in the U.S.

» *Score one for the candidate, who took the time to find out what the question was and if everything was there.*

**Candidate:** Okay. There are going to be two components to this exercise. First, we have to figure out how many golfers there are, and then we have to determine how many golf balls the average golfer purchases over the course of the year.

**Interviewer:** Sounds like a decent proposal to me. Let's get going.

» *Clearly stating your framework for approaching the problem lets the interviewer prevent you from going down a wrong path. Here, the candidate is structuring the case appropriately, and the interviewer has recognized that.*

**Candidate:** So, how many golfers are there in the U.S.? The easy way to get to an answer would be to multiply the percentage of the population that plays golf by 300 million, the approximate number of people in the country. However, I don't have a good sense of what the percentage is, so let's try to break down the problem a little further.

» *Although the interviewer is probably wondering where this analysis is going, he's giving the candidate a chance to explain.*

**Candidate:** From what I can tell, you can play golf most of your life—let's say ages 10 to 70. Just to make the numbers easy, let's say the segment of the population between the ages of 10 and 70 is 80 percent, or about 250 million people. If I were doing this for real, I'd be able to get this data from the Census Bureau.

» *The candidate has bit a hole in one. He's begun to segment the population into a reasonable—or addressable—market. More important, he's made some simplifying assumptions and identified where he'd find the data. The fact that people older than 70 also play golf is immaterial.*

**Candidate:** So the total number of people who *could* play golf is 250 million. The tricky part is determining how many of the 250 million actually do play. My guess is that it's fairly low, about 5 percent.

**Interviewer:** And why do you say that?

**Candidate:** Well, from the little I know about golf, there are several things that keep it from being a widely popular sport. First, it's expensive: This will keep a segment of the population away from the game altogether. Second, it takes a long time to play: My friends who golf seem to be gone most of the day when they play. So people who have other responsibilities—small children, for example—may not be able to dedicate a whole day to playing golf. Third, golf courses require large tracts of land, so it must be difficult for city people to play regularly. Last, golf is a difficult and frustrating game, from what I understand, so I imagine there are a number of people who choose not to play even though they can. These factors limit the number of potential players.

**Interviewer:** I agree with you on the first and last points: Golf is expensive and maddening, and this makes a large segment of the population stay away from the game altogether. However, the second two topics that you bring up would seem to address the frequency of playing, not the total number of players.

» *The interviewer is challenging the candidate on his assumptions. The key thing to do in this case is understand the challenge and respond in a composed and articulate manner. The last thing you want to do is become flustered and panic.*

**Candidate:** I see where you're going here. I was confusing the number of people who play with how often they play. So let's stick with the two factors that limit the addressable market: the cost and difficulty of the game. These are pretty significant, so can we stick with the 5 percent estimate?

» *Well done. The candidate evaluated his answer, recognized his error, and moved on.*

**Interviewer:** Sure, let's go with that number.

**Candidate:** Okay. So 5 percent of 250 million is 12.5 million golfers. Now we need to determine how many golf balls they buy annually. Again, let's segment the population to get a better understanding of what the differences are between these 12.5 million people. There's likely a spectrum of players here: Some play all the time, others almost never. To simplify, let's say there are three segments: frequent players, occasional players, and rare players. Let's say frequent players make up 15 percent of the golfing population, occasional players 60 percent, and rare players 25 percent. When we do the math, we find there are roughly 2 million frequent players, 7.5 million occasional players, and 3 million rare players.

**> TIP**

Be ready for the interviewer to challenge a few of your assumptions, and don't panic when it happens. Revise your assumptions if necessary.

» *The candidate has done a great job of further segmenting the market. By the way, you don't have to do all this math in your head—feel free to reach for a calculator or pen and paper.*

**Candidate:** Now I have to determine how often these segments play to calculate how many balls are needed per round. For the sake of accuracy, I'd rather make this calculation than just assume an overall number of new balls per golfer annually.

» *It's important to keep the interviewer in the loop on your logic path, and the candidate explains his thinking well in this example.*

**Candidate:** Let's say the frequent player golfs three times a month, or 36 times a year. So 36 rounds per player  $\times$  2 million players is 72 million rounds of golf per year. For simplification, let's call that 70 million rounds. Let's assume the occasional player golfs once a

month, or 12 times a year. So 12 rounds per player  $\times$  7.5 million players is 90 million rounds. And let's say the rare player golfs four times a year; 3 million rare players  $\times$  4 times a year comes out to 12 million rounds. So the grand total for all three sets of players is 172 million rounds per year.

» *Hopefully, the candidate is writing all these numbers down. He'll need them to take action and come up with a final answer.*

**Interviewer:** Nice work; I see where you're going. Let me give you some helpful data. Assume that the frequent player needs three balls per round, the occasional player six balls, and the rare player ten balls.

**Candidate:** I imagine the number goes up because the less often you play, the less skilled you are and the more balls you lose.

**Interviewer:** Correct.

**Candidate:** All right. So the total number of balls that frequent players use is 70 million rounds  $\times$  3 balls per round, or 210 million balls; for occasional players, it's 90 million rounds  $\times$  6 balls per round, or 540 million balls; and for rare players, it's 12 million rounds  $\times$  10 balls per round, or 120 million balls. So 210 million + 540 million + 120 million = 870 million balls.

**Interviewer:** So is that your answer?

» *Hint: The answer is going to be no.*

**Candidate:** Well, you asked about new balls. This is the total number of balls that are used. As a kid, I'd find old golf balls and sell them to my parents, so I imagine there's a big market for used balls as well.

**Interviewer:** Correct. If you were to give a rough estimate, what do you think the breakdown is between

new and used balls? And what does this mean for the number of new balls that are purchased?

**Candidate:** This is going to be a wild guess, but let's say that the split is 20 percent old balls, 80 percent new balls. Therefore, 80 percent of 870 million, or roughly 700 million balls, are new.

**Interviewer:** And how would you get a better sense of this number?

**Candidate:** One thing to do would be to interview a bunch of golfers. Another option would be to go to a pro shop that sells used balls and ask them what their split is among old and new balls.

**Interviewer:** Thanks. Does this case make you any more interested in golf?

» *See you at the second round!*

### CASE 3

**It's a hot summer weekend day. How many movie tickets are purchased at the local theater?**

» *This is a straightforward question with a couple of small twists. Can you follow them?*

### Bad Answer

**Candidate:** Well, if there are four theaters and each theater holds 200 people, there are 800 people at each movie. If movies are shown five times a day, there are 4,000 people purchasing movie tickets. That was easy—give me another one!

» *The candidate displays an ability to do quick math, but makes too many unexplained assumptions for his answer to be acceptable.*

### Good Answer

**Candidate:** First, I want to put some boundaries on the question. You mentioned that it's a hot summer day: Are you looking for tickets sold only during the daytime? Or do you want the number of tickets for a 24-hour period?

» *Good start. What's the question, and is everything there?*

**Interviewer:** I'm looking for tickets sold over a 24-hour period.

**Candidate:** Got it. Let me give you a road map of how I'm going to solve this case. First, I must evaluate how many screens this movie theater has. Then I have to determine how many seats there are in each theater. Then I need to figure out how utilized the theaters are—this will vary by time of day and type of movie. Finally, I have to decide how many showings there are on each of the screens. Once I have this information, I'll do the math to come up with an educated estimate of the number of tickets.

» *What a great framework! The interviewer is probably thinking, "How soon can we make an offer?" The candidate summarizes his logic very well and lays out the various pieces he'll need to crack the case. He also demonstrates an understanding of one of the subtleties of the problem: The capacity utilization of the theaters varies during the course of the day. If you summarize like this, make sure you write everything down so you don't forget your excellent logic.*

**Candidate:** The first piece of data I need is the number of screens this theater has. Is this information you can give me, or do you want me to make an assumption?

**Interviewer:** Why don't you make a guess?

**Candidate:** You said it's a local movie theater. So I'm not going to assume it's one of those 24-screen multiplexes. For round numbers, let's go with five screens.

**Interviewer:** Sounds good to me. From now on, you can refer to screens as theaters.

» *Two things to note here. First, the candidate clearly listened attentively to the initial question and picked up on the local-theater reference. Second, he used that information to make an assumption that will help him keep the numbers easy. Multiplying by 5 is a lot easier than multiplying by 7 or 9 or 24.*

**Candidate:** The next thing to figure out is how many seats there are in each theater. There must be one or two large theaters where they're showing new releases, plus smaller theaters where older movies are playing. Am I correct?

» *The candidate continues to explain the key drivers of cracking the case.*

**Interviewer:** You are. We're dealing with one large theater, two medium theaters, and two small theaters.

**Candidate:** Okay. So let's assess their relative sizes. The large theaters I'm thinking of have about 50 rows with about 25 seats across, for a total of 1,250 seats. Yikes—that number seems too high, so let's scale it back. Let's assume there are 40 rows, each with 20 seats. That comes out to 800 seats. This also strikes me as high, but let's stick with it.

» *One way to score brownie points is to self-evaluate, as the candidate does here. If your calculations don't make sense to you, say so. Sanity checks will be important to your success in consulting. And don't worry if you can't do all the math in your head. Just punch the numbers into your trusty calculator.*

**TIP**

Remember to do periodic sanity checks as you're working through a case. Does a number seem off? If so, back up and rethink it.

**Candidate:** The medium theaters might have 30 rows with 15 seats across, or 450 seats. The small theaters might have 20 rows with 15 seats across, or 300 seats.

**Interviewer:** I agree with your logic. For simplicity, let's say the large theater holds 500 people, the medium theaters each hold 250 people, and the small theaters each hold 100 people.

» *A gift from the interviewer! Bear in mind that the number you ultimately reach is less relevant than the logic you used to get there.*

**Candidate:** Thanks—that makes things easier! Now I need to determine how many people are actually in the theaters for each showing. As I mentioned, this number will vary by time of day and type of movie. For example, the 8:30 p.m. showing in the large theater is going to be packed—particularly on a hot summer day when the latest Tom Cruise movie is out. However, the first showing of the day in one of the small theaters won't be that full.

**Interviewer:** So how do we go about making assumptions?

**Candidate:** Let's split up the viewing times into three buckets—morning, afternoon, and evening—and determine average capacity utilization by time and by theater.

**Interviewer:** If that's what you want to do, fine. But it may get a little complicated now that you have so many variables floating around: number of theaters, type of theater, time of day, capacity utilization. Can you simplify?

» *The interviewer is giving the candidate an out by allowing him to make some simplifying assumptions. If this happens to you, take full advantage. Interviewers will more readily help candidates who have done a good job structuring the case up front.*

**Candidate:** Sure. Let's assume there are only two buckets—peak and off-peak. Peak shows would be the ones that occur, say, after 4:00 p.m.

**Interviewer:** That's a reasonable assumption.

**Candidate:** Is there any data you can give me on utilization for the peak and off-peak times?

» *Even in market-sizing questions, it's fine to ask for data. The interviewer can always say no.*

**Interviewer:** I can give you one piece of data that will hopefully help you make more assumptions. The big theater has an average capacity utilization of 90 percent for peak times and 50 percent for off-peak times.

**Candidate:** Okay, so that means if its capacity is 500, the big theater sells 450 tickets for peak shows and 250 tickets for off-peak shows.

**Interviewer:** Right. And how would you use the data I just gave you to make assumptions about the other types of theaters?

**Candidate:** Well, there are two ways to go here. We could assume the utilization rates don't change by theater because of the overall smaller capacity. Alternatively, we could say the utilization rates must be lower because the movies aren't as new.

**Interviewer:** What's your best guess?

**Candidate:** I think the utilization rates will be slightly lower. We could easily obtain this data if we were willing to sit at the movies all day and go from theater to theater. To make the numbers easy to calculate, let's assume that both the medium and small theaters have the same capacity utilization: 75 percent at peak and 50 percent at off-peak. So the medium theaters sell roughly 190 tickets at peak and 125 tickets at off-peak. And the small theaters sell 75 tickets for peak shows and 50 tickets for off-peak times.

» *You'd better be writing these down, or you're going to drown in the numbers!*

**Candidate:** The last thing to do is determine the number of showings, which will depend on the length of the movies. Let's say that over time, total duration is the same across all theaters. Further, let's say there are five showings per day: 10:00 a.m., 1:00 p.m., 4:00 p.m., 7:00 p.m., and 10:00 p.m. So there are three peak showings and two off-peak showings.

**Interviewer:** Okay. Then we should have all the data we need. So what's your answer?

*Time to take action!*

**Candidate:** I'll take this slow.

» *The candidate proceeds to write all of this out, relying heavily on his calculator.*

**Candidate:** Large theater (peak) = 3 showings × 450 tickets per show = 1,350 tickets.

Large theater (off-peak) = 2 showings × 250 tickets per show = 500 tickets.

Total: 1,850 tickets.



Medium theater (peak) = 3 showings x 190 tickets per show = 570 tickets.

Medium theater (off-peak) = 2 showings x 125 tickets per show = 250 tickets.

Total: 820 tickets x 2 theaters = 1,640 tickets.

Small theater (peak) = 3 showings x 75 tickets per show = 225 tickets.

Small theater (off-peak) = 2 showings x 50 tickets = 100 tickets.

Total: 325 tickets x 2 theaters = 650 tickets.

1,850 + 1,640 + 650 = 4,140 tickets.

**Interviewer:** That's fantastic work.

## CASE 4

**How many pounds of potatoes does McDonald's buy each week to support its U.S. operations?**

» *This question is suitable for both undergraduate and advanced-degree candidates. However, it contains nuances that only a stronger candidate will recognize.*

### Bad Answers

**Candidate:** I don't cook, so I have no idea how McDonald's makes its French fries. I can't possibly answer this question. Can you give me something that isn't about cooking?

» *Candidates don't typically get to choose their questions, so refusing to answer is never a good idea. Interviewers favor applicants who are willing to think outside their comfort zone—rarely in consulting do you ever get a problem you know intimately.*

**Candidate:** The answer is zero. McDonald's doesn't use real potatoes to make its French fries. They're completely artificial.

» *This isn't the time to be a smart aleck. Besides, the candidate is factually incorrect: McDonald's does use real potatoes to make its French fries.*

**Candidate:** McDonald's is disgusting. Did you see *Super Size Me*, or that *Wall Street Journal* article about the person who claims McDonald's food looks the same even after you leave it in the sun for two weeks? Gross! I don't eat any fast food, and I never have. In fact, I'd never set foot in a McDonald's, so I can't possibly answer your question.

» *The candidate sounds like a snob. What's more, pointing out the most negative aspect of a company your interviewer may have worked for is no way to land a job.*

### Good Answer

**Candidate:** Interesting! Are you referring to all products McDonald's makes with potatoes—for example, hash browns as well as French fries?

» *Always ask yourself: What's the question? And is everything there?*

**Interviewer:** Let's focus on French fries for now, since they'll account for the bulk of the potatoes purchased.

**Candidate:** In that case, I'll work out how many fries you can make with a pound of potatoes. Then I'll figure out how many fries McDonald's produces each week. The total number of fries divided by the fries per pound of potatoes will tell me how many pounds of potatoes McDonald's needs to buy in any given week.

» *Always take a moment to think about what frameworks you want to use. In this example, the candidate lays out an approach in a concise and simple manner.*

**Candidate:** One more clarifying question before we get started: Is it all right to calculate the volume of potatoes based solely on the number of French fries sold? For example, McDonald's might be buying additional potatoes to build its inventory.

» *When in doubt, ask! But if you need to make assumptions, communicate them to the interviewer.*

**Interviewer:** Ignore any changes in inventory. I just want to know how many pounds of potatoes McDonald's needs to support its French fry sales each week.

**TIP**

It's always okay to ask questions if something isn't clear. Make sure to articulate any assumptions you're making.

**Candidate:** I'll start by calculating how many fries you can make with a pound of potatoes. Potatoes come in all shapes and sizes. Let's assume that McDonald's uses big potatoes, and that there are five of them in a pound. McDonald's fries are skinny, so you can probably make about 50 fries (seven slices by seven slices) from each potato. When I do the math, 5 potatoes per pound  $\times$  50 fries per potato gives me 250 fries per pound of potatoes.

» *The candidate explains his reasoning before doing the math. Although he isn't afraid of numbers, he keeps them simple to avoid needlessly complicated arithmetic.*

**Candidate:** So far, we've assumed that all the potatoes in the batch are fine. But I imagine that McDonald's comes across a dud potato every so often and throws it away. Maybe one out of every 1,000 potatoes is bad. However, since this is such a small percentage, let's ignore it for the moment.

» *The candidate identifies a nuance that might affect the calculation. This demonstrates depth of thought.*

**Candidate:** Now that we know how many fries you can make with a pound of potatoes, the next step is to determine how many fries McDonald's produces in a given week—by working out how many fries a single store sells and multiplying that by the number of stores. I suppose there's some variation in French fry sales over the year, driven by special promotions and seasonal fluctuations. Is it okay to assume we're talking about an average week with nothing special going on?

» *The candidate frequently summarizes his progress and explains his next steps. This makes sense whenever you're doing a long or multifaceted calculation. It not only ensures that the interviewer is still following along, but also reminds you of the different steps so you don't overlook anything.*

**TIP**

Before moving on, take a moment to summarize your progress and state your next steps.

**Interviewer:** That sounds fine. Let's assume this is an average week.

**Candidate:** I believe that McDonald's sells fries in four containers—small, medium, large, and extra large. Since the medium packet is sold as part of the standard value-meal option, I would guess that that is the most popular size. Then again, obesity is on the rise, so maybe the most popular size is a bit larger. For the sake of simplicity, let's assume the average size sold is the medium box. Let's also assume that a medium box holds 50 French fries. I've never counted the number of French fries in a box, but I figure a potato would probably fill a box, particularly after the skin is peeled off.



Next, I need to figure out how many boxes are sold. To do this, I have to take a moment to think about the stores selling the fries.

» *Let the interviewer know you're making an educated guess. Ground your numbers as best you can.*

**Candidate:** McDonald's stores can be segmented in a number of ways, based on size, location, and so forth. In this case, let's try segmenting them into high-volume stores and low-volume stores. This is probably a function of location—a densely populated area is likely to generate a relatively large number of sales, despite greater competition. Are you comfortable with me using two segments of stores?

**Interviewer:** Yes.

» *The candidate is evaluating the answer. Rarely will an interviewer have a problem with your assumptions unless they're way off base or steering the conversation in a direction the interviewer doesn't wish to go.*

**Candidate:** Let's start with the high-volume stores, which presumably are open 24 hours a day. The flow of fries will vary throughout the day. During mealtime peaks lasting a total of, say, four hours, the stores probably sell ten boxes of fries per minute, or 600 boxes per hour. That may sound high, but I know the lines are long and the service is usually fast. I estimate that during the 20 off-peak hours, the stores sell a box of fries every couple of minutes, or roughly 30 boxes per hour.

So what does that give us for a day of sales? Let's do the math: (30 boxes per hour  $\times$  20 hours off-peak) + (600 boxes per hour  $\times$  4 hours peak) = 600 boxes + 2,400 boxes = 3,000 boxes per day.

This sounds reasonable, as it implies that 3,000 people—125 people per hour, or a little over two per minute—visit a high-volume store each day. Of course, we're assuming that each person is buying only one order of fries!

Next, let's deal with the low-volume stores. They're probably open only 18 hours a day, from 5:00 a.m. to 11:00 p.m. I'm guessing that during peak hours, they do half the sales of the high-volume stores—that is, 300 boxes per hour. During slow times, they sell maybe ten boxes per hour.

So a day of sales in a low-volume store comes out to this: (10 boxes per hour  $\times$  14 hours off-peak) + (300 boxes  $\times$  4 hours peak) = 140 boxes + 1,200 boxes = 1,340 boxes per day. To simplify the calculations, let's round down to 1,000 boxes a day.

But how many boxes of fries does the average McDonald's store sell each day? To find out, we need to know the proportion of high-volume to low-volume stores. Although I can only guess, I'll assume that 20 percent are high-volume and the other 80 percent are low-volume.

So the average daily store volume comes out to this: (20 percent  $\times$  3,000 boxes) + (80 percent  $\times$  1,000 boxes) = 600 boxes + 800 boxes = 1,400 boxes.

Let's now convert that to pounds of potatoes:

1,400 boxes of fries  $\times$  50 fries per box = 70,000 fries a day.

70,000 fries  $\div$  250 fries per pound of potatoes = 280 pounds of potatoes per store daily.

280 pounds per day  $\times$  7 days per week = 1,960 pounds of potatoes per store weekly.

» *This candidate is rolling in calculations!*

**Candidate:** So we've determined how many pounds of potatoes the average store sells daily. However, we still need to know how many stores McDonald's has in the U.S. I'm guessing 10,000 to 15,000; let's go with 10,000 for now and do the math: 10,000 stores  $\times$  1,960 pounds of potatoes = 19.6 million pounds of potatoes per week.

- » When the interviewer asks for an estimate, make sure you end up with one. Remember, take action. Always ask yourself whether the answer sounds reasonable; if it doesn't, revisit your assumptions to arrive at a more realistic conclusion.

**Interviewer:** That sounds like a reasonable number to me. Can you think of any factors that might affect it?

**Candidate:** As I mentioned earlier, some of the potatoes might not be usable, meaning McDonald's would have to buy extra potatoes to meet its needs. In addition, some of the fries produced may be unfit for sale or returned by customers. Assuming that McDonald's is good at minimizing waste, I estimate that these factors would add no more than 1 percent to the total.

## TIP

Be prepared to address any follow-up questions the interviewer may have after you've answered the case.

- » Don't panic if you're asked to identify additional factors; the interviewer is simply taking the question to the next level. While it's important to come up with at least one suggestion, you needn't go overboard.

**Interviewer:** Great job. Now we'll switch gears and talk about something a little different.

- » The candidate does a great job with this case. He applies a structure early on and sticks to it. In addition, he makes a point of frequently summarizing his progress with the case and outlining his next steps so he and the interviewer stay in sync. The candidate also does a good job of highlighting his assumptions and grounding them out loud whenever possible, demonstrating that he's comfortable doing this even when the material is unfamiliar to him.

## CASE 5

At the bar, ten MBA students are discussing their job offers. Each wants to know how his or her offer compares with the group average, yet no one wishes to disclose that personal information. How can they calculate their average salary without revealing what they want to keep secret?

- » Ah, a brainteaser!

### Bad Answers

**Candidate:** Didn't you get the memo? Brainteasers went out with the Y2K bug.

- » Why is the interviewer asking this question? Maybe he thinks it's clever. Perhaps he found it online. Quite possibly, he genuinely believes the question will show him how well you can handle complex and unusual problems. It doesn't matter. Your job is to answer the question, not insult the interviewer.

**Candidate:** Huh? What? I'm sorry, I have no idea.

- » This is about the worst thing you can do. If you go through the process of answering the case, you'll at least get partial credit; with luck, you may even stumble upon a solution. If you panic, you'll just get dinged.

### Good Answer

**Candidate:** Are you asking me to devise a system or to calculate the average?

**Interviewer:** Devise a system. How would you go about resolving a problem like this, where you need information that people don't want to disclose?

- » The interviewer wants to see if the candidate can ferret out information. After all, market research and competitive research engagements could very well require getting data from people who don't want to share it.

**Candidate:** Do you want me to come up with a way to persuade everyone to participate, or are you looking for something more objective?

**Interviewer:** There's a way to do this with math. I want to see if you can figure out the trick.

» *The candidate keeps probing to see if everything is there. He learns that the interviewer is seeking a brainteaser-type solution.*

*What do you do in this situation? Think for a moment: The average is the sum of the salary offers divided by the number of participants. You know the number of participants. Is there a way to get them to disguise their numbers for the sum? Why not start out with that observation and use the equation for the average as a framework?*

**Candidate:** We know that the average is the total of the salary offers divided by the number of participants. And we know the number of participants—that's ten. So I'd like to think about the numerator in this equation. I'm wondering if there's a way to introduce a systematic bias. Am I on the right track?

» *The candidate explains where he's going, and he asks for a little evaluation by mentioning systematic biases.*

**Interviewer:** Yes, that would be one way to solve the problem.

» *Once again, the candidate takes a moment to think. Yes, it's a good idea to think out loud, but only if you know you won't sound like a babbling fool. Babble along in silence! And that's what our candidate does, thinking about ways to work a systematic bias into the average that would allow him to back out of the problem to a solution.*

**Candidate:** Okay, how about this? I'll start by giving my offer with an added, secret factor to throw everyone off. Let's assume that my offer was \$125,000; I'll add an arbitrary 80,000 to the number. No one knows my arbitrary factor, so I'll announce the starting value as 205,000.

» *Oh, clever candidate, placing an anchor for a high offer in the interviewer's head!*

**Interviewer:** Go on.

**Candidate:** The next person will add her salary offer to that and whisper the new total to the third person. Then we'll keep going around the room until we have numbers from all ten. The tenth person then whispers the total to me. Then what I do is subtract the 80,000 from the total and divide that total by ten. That way, only I know the bias; I don't know anyone's offer, and no one knows mine. We can all maintain our privacy and still come up with a number we can use to evaluate our offers.

» *The candidate has designed an elegant solution he can try out with his own friends. More important, he's answered a brainteaser successfully—and so can you.*

# BUSINESS STRATEGY CASE QUESTIONS

## CASE 6

**Your client is an operator of 20 restaurants in a midsize city. Currently, it serves only lunch and dinner. It's thinking of expanding its offerings to include breakfast as well. What would you advise your client to do?**

» *This is a typical strategy question that focuses on industry attractiveness and market-entry strategy. Appropriate for both undergrad and advanced-degree candidates, it deals with restaurants, which everyone understands.*

### Bad Answer

**Candidate:** Breakfasts are cheaper than lunch and dinner, so they're not as profitable. Also, who actually sits down for breakfast anymore? I usually just grab a bagel.

» *Where's the structure? Where's the analysis? Where's the framework? Where's the door?*

### Good Answer

**Candidate:** Hmm, interesting issue. Let me take a couple of seconds to write down my thoughts.

» *What's the question here? It's okay to take some time to yourself to gather your thoughts. Be aware, though, that the interviewer may be watching what you write down to make sure you're actually thinking about structure and content, and not just scribbling some random notes in an attempt to buy yourself time. Also, don't take too long—the interviewer will get impatient after a minute or two.*

**Candidate:** I look at this as a market-entry question. First, I have to find out whether the breakfast market is attractive; if it is, I must assess my client's ability to execute profitably. At the risk of being overly

structured, I'm going to ask you about the 4Cs and then add a fifth one—capabilities—at the very end. My initial hypothesis is that the breakfast market isn't attractive for my client because of the competitive environment, but I want to challenge this hypothesis as we go through the case.

» *It's difficult to be overly structured in a case interview. The candidate has done a good job of articulating his framework—how he's going to address the problem. Also, he's generated a hypothesis he wants to test; consultants appreciate hypothesis-driven candidates.*

### TIP

*It's fine to start a case with a working hypothesis. Just be sure to explain your hypothesis and why you're pursuing it.*

**Candidate:** Let me first ask you about the consumer. What sort of consumer does the restaurant target, and what are the key dynamics of that consumer?

**Interviewer:** To answer your first question, the client targets the time-starved, middle-income family who desires a healthy alternative to fast food. I'm not sure I understand what you mean by the second question.

» *Most likely, the interviewer knows exactly what you're looking for, but just wants you to elaborate so you can demonstrate that you know what you're talking about when you refer to consumer dynamics.*

**Candidate:** What I'm looking for is basic consumer information: How often do customers visit the restaurants? How much time do they spend there? How does this compare with the industry average? Are there any differences between consumers among the 20 restaurants?

» *Anytime you can ask about information to segment consumers, do so. Consultants love to talk about consumer segmentation.*

**Interviewer:** Got it. Let me answer the last question first. There are key differences between consumers by restaurant. Even though the client seeks to draw families, the locations of the restaurants have attracted a varied customer base. For example, six of the restaurants attract a business crowd, six of the restaurants attract a college student crowd, and the remaining eight restaurants attract the core consumer, the middle-income family. What insights do you glean from this?

**Candidate:** I would imagine that breakfast at a restaurant would be of differing value to these various segments. For example, for the time-starved family, going to a restaurant for breakfast would probably not be very attractive because it would likely be faster to make something at home than to put the kids in the car and travel to a restaurant. In addition, making breakfast is not as involved as either lunch or dinner, so the time-saving proposition would be less compelling. So from a consumer perspective, it wouldn't make a lot of sense to offer breakfast at the six locations that attract families.

» *This is a simple but very logical explanation. Note how the candidate drove to a conclusion quickly.*

**Candidate:** For the business crowd, however, I imagine it's a different story. Breakfast meetings remain important, so on the surface, the opportunity looks appealing. But to make an informed decision, I need to know about the competition and the channel in which the restaurant competes.

» *The candidate has done a fine job of transitioning to a discussion around two of the other Cs: competition and channel.*

**Interviewer:** Let me tell you about the channel. The restaurant is a quick-service format that's positioned between fast-food options and casual restaurants such as TGI Friday's. Think of something like Panera Bread: Customers order and pay up front, then bring their food to the table after receiving it from the counter.

**Candidate:** Hmmm, this doesn't seem like a great place for a breakfast meeting, where I imagine the focus is less on the food and more on having a relaxed place to be served and talk business.

**Interviewer:** That's true, but not all businesspeople have breakfast meetings. Could our client carve out a niche for the businessperson who wants a quick, healthy alternative to a doughnut shop or bagel store?

**Candidate:** Is that what the competition is currently limited to, doughnut shops and bagel stores? What about a place to get a fruit salad or an egg sandwich?

**Interviewer:** Surprisingly, yes. There aren't a lot of healthy options available nearby. And from the client's own research, we know there's an unmet need among businesspeople for an alternative breakfast option.

**Candidate:** Well, it sounds like this could be an attractive option for the client. I want to talk about whether we can fill this gap profitably. But before we get to that, let's discuss the last consumer segment: college students.

» *The candidate does an excellent job of controlling the discussion.*

**Candidate:** Finally, we have the restaurants that attract the student crowd.

**Interviewer:** And do you believe this segment would value a healthy breakfast option?

**Candidate:** What other alternatives do the students have?

**Interviewer:** Most of the students currently have a meal plan.

**Candidate:** And are they satisfied with their meal plans?

**Interviewer:** We know the answer. But before I give it to you, how would you go about obtaining the data?

» *Consultants can typically buy—or commission—research these days. But often, brute force reconnaissance is the way to go, and junior consultants often perform this type of work. The interviewer is asking you how you might carry out your brute force.*

**Candidate:** One option is to survey college students. Another is to look at the percentage of students with meal plans during the past several years.

**Interviewer:** Yes, both are viable options. In fact, the student newspaper recently published a survey that said most students are happy with the food service at the university.

**Candidate:** Well, this doesn't bode well for the client. If most students are pleased with their meal plan, they're not likely to go to a restaurant for breakfast. They don't have a lot of extra cash, and I imagine they have better things to do with their money.

» *Let's assume that the candidate means items such as books and presents for their significant others.*

**Interviewer:** So summarize where we are.

**Candidate:** Well, we've determined that the only viable option for the client is to serve breakfast at the six restaurants that attract the business consumer. What

we haven't determined is whether the client can do it profitably.

**Interviewer:** And how would you go about finding out?

**Candidate:** We'd need to conduct a basic profitability analysis by calculating revenue and cost. First, let's look at revenue.

**Interviewer:** How, specifically, would you collect this data?

**Candidate:** One way is to examine competitive information. There are probably restaurants outside our metropolitan area that are providing the same type of breakfast offering we're considering. I'd travel to those locations and do some reconnaissance around what consumers are ordering and how much they're paying for it.

**Interviewer:** Agreed. Can you make a guess at what the typical order size is?

» *The interviewer is testing the candidate's ability to make a reasonable assumption. Since consultants rarely have all the data, making assumptions is an important skill to learn.*

**Candidate:** Well, given what we've said about the client's overall offering—that it's a healthy alternative to fast food—I'm guessing that the overall price is going to be a little higher but still reasonable. Let's say the average order consists of an egg sandwich, a fruit cup, and a small drink. If the egg sandwich and the fruit cup cost \$3 each and the drink costs \$1.50, the average order size is \$7.50.

**Interviewer:** And do you think people will spend \$7.50 on breakfast?

**Candidate:** That does sound high.

**Interviewer:** So how would you modify your answer?

**Candidate:** I probably overestimated the amount of food consumed. More likely, the customer will have an egg sandwich or a fruit cup, but not both. So the average would be \$4.50.

**Interviewer:** Let's assume you're right. Let's also assume that the cost to the restaurant of serving this breakfast—ignoring for the moment the fact that the cost of the fruit is higher than the cost of the egg sandwich—is \$3.50. Is this enough information for you to make a decision?

» *As a matter of course, if the interviewer asks you “is this enough,” the answer will be no. In this case, the interviewer is doing some of the cost analysis but leaving out a key component.*

**Candidate:** Food isn't the only cost to be considered. We also must factor in labor costs.

**Interviewer:** Right. But we can't allocate a specific labor cost to the egg sandwich or the drink. So how do you incorporate labor costs into your equation?

**Candidate:** One way is to do a cost/benefit analysis for an entire breakfast period. So, for example, let's assume the following: The restaurant is open for breakfast from 6:00 a.m. to 10:00 a.m. It needs five people to prepare, serve, clean, and manage the registers. This equates to 20 hours total. Let's say that the client pays the employees \$8 per hour, or \$160 per breakfast shift. Earlier, we concluded that each transaction yields \$1 in profit—that is, the \$4.50 revenue minus the \$3.50 in costs. So the break-even point is 160 transactions.

» *The candidate shows facility in making assumptions. The assumptions themselves matter less than how*

*you use them. In this example, they lead to a logical, insightful conclusion.*

**Interviewer:** Do you think 160 is reasonable?

**Candidate:** In a four-hour period, it translates to 40 transactions per hour, or slightly less than one per minute. That strikes me as challenging, particularly if the restaurant is going to serve anything hot.

**Interviewer:** I agree. So what can the client do to make this profitable?

**Candidate:** For starters, it can examine staffing levels: Does it need five people? Another option is to focus solely on pre-prepared food such as fruit salad to make it easier to achieve 40 transactions per hour.

» *Well done. The candidate did a good job of bringing structure to the case, following prompts, and generating options. Note that the candidate never got to the capability discussion; the conversation went elsewhere. This is natural—and expected. Just be prepared to go with the flow.*

#### TIP

Spontaneity is natural. The conversation won't necessarily take you where you'd expected to go.

### CASE 7

**You've just been hired by Pluto, a candy company with a long tradition of making chocolate treats. The six-month-old division in which you work has been tasked with developing a nonchocolate candy to diversify the company's offerings. What would you want to know in order to supply your team with the right information to determine what product the division should make? How would you get that information?**



» To obtain most of the information needed to address this classic strategy problem, the candidate will have to do a lot of probing. Half of the exercise involves information discovery and synthesis; the other half calls for analysis and recommendations.

» Don't second-guess the premise of the question, at least not until you've discovered enough information to convince you that the setup is flawed. Instead, begin moving forward with probing questions and a discussion of the situation at hand.

## Bad Answers

**Candidate:** Well, I'd spend time in the candy aisles and figure out what other types of candy are doing well. Hard candies that taste like fruits are a big part of the candy selection in stores these days. So I'd probably start by recommending that we do some testing of fruit flavors and see if we can find a delicious one to package in a fun, flashy way with a cool name.

» The candidate doesn't have enough information to even consider making a recommendation. Her rush to judgment based on opinion rather than customer and marketplace data immediately raises a red flag.

**Candidate:** As I stated in my cover letter, I'm interested in software. Can we give me a technology case instead?

» Your work preferences are irrelevant here. The interviewer seeks insight into your ability to apply general business strategy principles and hold up under pressure. Consultants get weird questions from clients all the time, and the interviewer wants to know if you can manage the unexpected.

### ► TIP

Apply The WetFeet Way to any case you receive. The interviewer wants to see you work through the problem, even if it concerns an industry totally unfamiliar to you.

**Candidate:** Why would the company even think of straying from its tried-and-true candy formula? The first thing I'd do is explore opportunities with existing products.

## Good Answer

**Candidate:** Before making any recommendations, I'll need a lot more information. For example, can you tell me if the market for nonchocolate candies is expanding or contracting? And how are Pluto's competitors doing with the nonchocolate candies they're currently selling?

» Good start. The first step in any strategy project is to get the data. The candidate has launched her investigation with a big-picture inquiry—a request for information on both the overall market demand for nonchocolate candy and the performance of the competitors that are currently selling it.

**Interviewer:** Pluto's competitors are doing quite well with their nonchocolate candies. Five years ago, there were only 10 nonchocolate candies on store shelves; today, there are more than 25. So far, only two newly introduced nonchocolate products have failed.

» There's plenty to chew on here—even more than what the candidate was seeking. In strategy cases, the interviewer will generally guide the candidate when information is intelligently and respectfully requested.

**Candidate:** Consumer demand for nonchocolate candies must be strong, given the growth in the general product category and the fact that only two new products have failed. What can you tell me about those two exceptions? Besides being nonchocolate, did they have anything else in common?

» The candidate recognizes that expanding product demand is a good sign for Pluto.



**> TIP**

Asking the interviewer intelligent and relevant questions can reward you with choice background information helpful in solving the case.

**Interviewer:** Yes, both of them were hard mint candies, whereas all the successful new products are of the soft or chewy fruit-flavored type.

**Candidate:** Interesting. I'll keep that in mind later as I'm narrowing in on the potential product ideas. For now, though, I want to stay focused on the task at hand for me to be most useful in my role on the team, which is investigating the market opportunity and supplying some direction as to what new product we should develop and launch. The first thing I want to do is arm myself with as much quantitative and qualitative data as I can. I would want to collect any market research already available within or outside the company, as well as get my hands on unit-sales and market-demand data for the industry and from competitors' products if it's publicly available. Are there any industry publications or trade associations that put out sales and marketing data like this?

**Interviewer:** Yes, there's a lot of great data available about unit sales by product type. Some of it is within Pluto, but some would require a little research and work to dig up. Where would you look to get it?

» *The interviewer is hanging tough. He wants to hear how the candidate would do market and demand research—a very common task of business analysts and marketing professionals working on consumer products and services.*

**Candidate:** I'd collect and summarize analyst reports, review recent trade industry articles that discuss market demand for these types of products, collect and review any other historical research done within

Pluto, and make use of the Internet and industry associations for more public information. If there were a research budget or an easy means of collecting customer opinions—perhaps through Pluto's website or PR and advertising firms—I'd do short-term or low-cost primary research to understand the customer needs with regard to nonchocolate candy products as well. Depending on the budget and time frames, I could even do some focus group research and test consumer attitudes about various nonchocolate candies on the market. Finally, I recall from my econometrics class that quantitative surveys offer the ability to measure the relative appeal of different characteristics for similar products.

**Interviewer:** These all sound like good sources of information. If the product manager told you that she was focused on fruit flavors for the new product, how would you pick a particular flavor to recommend?

» *Now the interviewer is focusing the candidate's thinking on a specific problem: which flavor to choose. The goal is to see how the candidate thinks about a bounded, specific problem with a finite number of possible outcomes.*

**Candidate:** I'd like to know which nonchocolate candy flavors are already successful in the market. Also, I'd like to collect data from U.S. grocery stores on sales of actual fruit. That would be a good indicator of the potential market for specific fruit flavors. Finally, I'd want to review the results of my primary research—assuming I had time to conduct surveys and work with focus groups—to analyze the demand for certain fruit flavors and extrapolate to determine which ones offer the best marketing opportunity.

» *Well done. The candidate suggested solid data sources, both qualitative and quantitative; two or three will usually suffice. She also demonstrated a key skill: the*

*ability to use data to project market demand—and, by extension, business opportunity—for the new product.*

**Interviewer:** That's a good list of data sources. In a basic sense, how would you choose which flavor to ultimately recommend to your team for the new product?

» *The interviewer wants the candidate to use the so-called SWOT framework—strengths, weaknesses, opportunities, threats—to support a specific recommendation, no matter what it is.*

**Candidate:** I'd recommend the flavor with the highest unmet market demand—that is, the one with the greatest consumer appeal (based on my research) and the fewest competitors already marketing it. A relatively new flavor in a growing market category stands a better chance of success than something markedly similar to an established brand.

**Interviewer:** That sounds like a good approach. What if I told you that berry flavors were extremely appealing to the American public, but not represented in the marketplace for nonchocolate candies yet? Let's assume that your analysis shows the same: The market opportunity is the largest for berry candies. How would you decide whether to introduce a single candy with one type of berry flavor, multiple candy products with different berry flavors, a single product with an invented blend of many berry flavors, or a single product with three berry flavors in one package?

» *The interviewer isn't letting the candidate off the hook. She'll have to provide further evidence of her analytical and market-sizing skills.*

**Candidate:** Let me ask a couple of questions so I can think about this more thoroughly. First, has the company allocated only enough investment resources or production capacity for one product? Second, is one particular berry flavor way out in front, or are

there several berry flavors all with different market opportunity but similar in distinct market appeal?

» *The candidate has taken a wise tack here: She's chosen to evaluate the question and ask a few follow-ups. It's fine to do this, as long as you don't turn the interview into a never-ending loop of questions without ever using the responses to formulate an answer.*

### TIP

It's okay to ask for more data if you need it to move forward in solving the case. Just be sure you're asking relevant questions that apply directly to the situation at hand.

**Interviewer:** Good questions. First, the company will allocate only enough resources to produce one new candy product, so you're limited to a single option. Second, as it turns out, your research shows that strawberries, raspberries, and blueberries are all equally appealing to the American consumer—and then there's a gap between the appeal of those berries and the remainder.

» *The candidate should now know enough to take action.*

**Candidate:** In light of what you've told me, I'd suggest your last option: a product consisting of three distinct berry flavors. It would let us target customers who prefer any one of those flavors. With good marketing and packaging, we'd probably attract more consumers that way than if we offered a one-flavor product.

**Interviewer:** Good idea—I'm sure that Pluto will take your suggestion. If the product were to prove wildly successful, what additional research would you want to conduct to determine whether Pluto should pursue line extensions or product spin-offs?

**Candidate:** I'd research which of our berry flavors is most popular. Additionally, I'd review the store-sales data and focus-group research to determine if unit volumes sold were due to single purchases or repeat purchases by the same people.

If one flavor drove more than a third of repeat sales, we could spin off a new candy product featuring only that flavor. Alternatively, we could introduce an additional product or two with identical branding but slightly different combinations of the three flavors. Either option would let us test the waters and possibly gain market share without starting from scratch with an entirely different product or brand.

**Interviewer:** Interesting ideas. Let's hope your first product does so well that the company's managers encourage you to replicate its success.

## CASE 8

**Your client is a major pharmaceutical company whose R&D department has developed a promising new drug compound. Should it license the brand or manage the entry in-house?**

» *This is a common new-markets/expansion strategy question. However, the licensing element—a “launch vs sell” strategy question rather than a more typical “make vs buy” investment decision—poses an intriguing challenge.*

## Bad Answer

**Candidate:** The company should absolutely launch the drug on its own. Why share the profits with someone else? Licensing simply doesn't pay.

» *Pat answers won't cut it. Shutting down the case so quickly robs the interviewer of the opportunity to see how you think.*

## Good Answer

**Candidate:** I'm not very familiar with the pharmaceutical industry, but I'm sure I can ask some questions along the way to sort through the issues. This case hinges on the costs and benefits of licensing the new drug compound vs the costs and benefits of developing the new drug in-house.

Licensing the drug would provide an immediate revenue stream as well as potential future payments. By contrast, the build-and-launch option would entail higher up-front costs and take longer to generate revenue; however, it could deliver a larger payout in the long run. To weigh the two, I'll have to determine which has the larger net present value (NPV) in terms of current and future profitability.

To help me understand the first scenario a little better, can you explain how a licensing arrangement would work financially? Is there a potential licensee already lined up? If so, what do the economics look like so far?

» *Good start. The candidate has summoned the courage to ask a question about licensing arrangements, a specialized area that's unfamiliar to him. In addition, he's identified NPV as the basis for choosing between licensing and in-house management.*

**Interviewer:** In a licensing scenario, the client would choose a competing pharma company with the best bid—or deal terms—for licensing and marketing the new drug. The client would collect \$125 million in up-front licensing fees, plus a 10 percent royalty on gross revenue for the first five years.

» *The candidate got what he needed.*

**Candidate:** Thank you; that's helpful. I just need to know one more thing about the licensing option: How long would it take for this competitor to market and launch the drug?

» *The data hunt continues.*

**Interviewer:** If the licensee is a leading producer of over-the-counter drugs, it can launch and market the product two years after FDA approval, which typically takes five years.

» *The interviewer has provided good information here. In addition to answering the candidate's question, she provided another key piece of data: the time it takes for any drug producer, licensee or otherwise, to win FDA approval.*

**Candidate:** How big is the potential market? And what discount rate should I apply to calculate NPV?

» *The candidate is still driving through the fact-gathering stage.*

**Interviewer:** You can assume that the annual market for this drug is approximately 10 million units. You can also assume that the market will bear a price of \$2 per unit. As for the discount rate, I'm impressed that you know how to calculate NPV, but let's just assume 0 percent to keep the math simple.

**Candidate:** If the client retained that drug for an in-house production and marketing plan, how long would it take to bring the product to market, and how much would it cost the company to do so? And for how long would the drug generate revenue?

**Interviewer:** If the client does the work itself, it anticipates costs of \$30 million to get the drug ready for trials and then to market. It could expect the same five years to get the drug through FDA trials, but because it's not as adept at marketing and launching products as its rivals, it thinks four more years would be needed to get the product in market. At that point, the company can reasonably expect ten solid years of sales before generic drugs take hold. Assume that once the

drug is in market, production and marketing costs will total \$5 million annually.

» *Now the candidate has all the information he needs to furnish an answer. To impress the interviewer, he should think out loud; few applicants work with numbers as well as he does.*

**Candidate:** From the information you've provided, and based on the lack of a discount rate assumption for the NPV calculation, I estimate that the licensing option is worth \$100 million + 10 percent of \$20 million × 5 years, or an additional \$10 million. This equates to a total of \$110 million in net value to the client, with no costs.

**Interviewer:** That's my estimate, too. Go on.

**Candidate:** Based on what you've said, the new drug would be worth ten years of \$20 million a year, so \$200 million in total revenue. On the cost side, however, the company would require \$30 million to get to market plus \$5 million a year for ten years to keep producing it in market to earn its revenue. That's a total of \$80 million in costs. The net profits to the client if it launched the product itself would be \$120 million. But it would have to wait four years after FDA approval to start earning profits, compared with two years if it took the licensing route.

» *Good work—solid math and a chance to finally answer the question.*

**Interviewer:** Okay, that sounds like solid analysis. So what's your recommendation to the client?

» *Time to take action!*

**Candidate:** It appears that keeping the drug in-house would be \$10 million more profitable to the client in the long term.

**Interviewer:** Good—but what nonquantitative elements would you also want to know before making a final recommendation?

**Candidate:** For one thing, is there a significant risk that the drug will fail in the marketplace? If so, the up-front payment from licensing would be much more appealing.

Also, the client should consider the risk of the new product failing while in FDA trials. This, too, could make licensing more appealing, since the risk is on the licensee's shoulders to steward the drug successfully through FDA approval and to market.

Finally, operational and marketing competencies should be considered. If the client is simply an R&D shop with no track record of producing and marketing a new drug successfully, it may have trouble turning a profit the first time around if it goes the in-house route.

» *Great work. The candidate has met the interviewer's challenge.*

## CASE 9

**Your client is VP of marketing for a major cosmetics company. He's considering whether to introduce a line of men's cologne for Wal-Mart. What are the major issues he should be thinking about?**

» *This is an example of a short case. Your interviewer may give you two of these.*

## Bad Answer

**Candidate:** Wal-Mart is horrible. The company locks its workers in at night and refuses to pay them a living wage. I'd never accept a project that had anything to do with Wal-Mart.

» *This candidate needn't worry. He won't be working on a Wal-Mart project—or any other.*

## Good Answer

**Candidate:** I have to come up with a decision about the product launch. A couple of things pop into mind. First of all, I'd want to know the market size of cologne at Wal-Mart, in terms of both revenue and units sold. This would give me a general sense of consumer interest in cologne and the amount of money customers would be willing to pay for a bottle. In addition, I'd want to know the growth rates compared with those of other channels, such as department stores.

» *The candidate is starting out well, verifying what the question is and checking to make sure everything is there.*

**Interviewer:** Yes.

» *Darn, no information yet. But no matter—take a moment to think, then develop a framework.*

**Candidate:** Let me organize my answers around the 4Cs: consumer, channel, cost, and competition.

**Interviewer:** I've heard of the 4Cs before. Let's start with consumer: What are the key consumer dynamics you'd look for?

**Candidate:** For one thing, I'd want to know why men are buying more—or less—cologne. Do certain segments of the population—for example, younger men—drive most of the sales? Maybe it's women buying men's cologne—I'd want to get all the data I could about the specific buyer and the occasion for which she's buying.

**Interviewer:** Why would the specific buyer matter? Wouldn't the market-size data give you everything you need?

**Candidate:** Well, we have to consider marketing message and packaging as well. For example, we

wouldn't package the cologne the same for an older man as we would for a younger woman.

» *Good point. Score one for the candidate.*

**Interviewer:** Let's move on to the channel dynamics.

**Candidate:** Well, we already talked a little about the channel dynamics when I mentioned how I'd want to assess the different growth rates in cologne between department stores and Wal-Mart. In addition to this analysis, I'd want to do a strategic assessment on the health of the channel as a whole.

**Interviewer:** What sort of analyses would you perform to drive to an answer?

**Candidate:** I'd assess whether expansion into cologne—or beauty products in general—is a strategic priority for Wal-Mart. If it is, the client can be sure that Wal-Mart is making a commitment to its product. But if Wal-Mart is going in a different direction, I'd advise the client to think carefully about making an investment in Wal-Mart.

**Interviewer:** And what about the pressure Wal-Mart puts on its suppliers? Would this be an important issue to consider in your channel analysis?

**Candidate:** Absolutely! I was going to address this when I got to the cost section, as the economic considerations are incredibly important. For example, what are the margins that Wal-Mart requires? Does the client have the cost structure to support these margins and still make money? What does the client's balance sheet look like? Does it have the working capital to support the inventory requirements to serve a big retailer such as Wal-Mart?

» *The candidate does a nice job of being fluid between the Cs. Although the Cs are a nice organizing principle,*

*they frequently overlap, as the candidate demonstrates here. Use your framework as a guide, not a checklist.*

**Interviewer:** What other sort of cost issues would you look into?

**Candidate:** Again, I'm going to blend the channel analysis with the cost analysis, but I'd want to look at the relative profitability across channels.

**Interviewer:** And how would you do this?

**Candidate:** One way is to compare an existing product against a hypothetical product for Wal-Mart. I could look at the P&L statement for the existing product and then create a hypothetical P&L for the new product.

**Interviewer:** And where would you expect to see the major differences?

» *The interviewer is taking the candidate away from the Cs for a second.*

**Candidate:** The wholesale price would be different, but lower costs and higher units would hopefully make up the difference.

**Interviewer:** One would hope. Now let's go on to competition. What would you want to know here?

**Candidate:** The first thing I'd do is look at the current competitive set: What players are serving Wal-Mart now, and how are they positioning themselves? I'd look for data indicative of their success, such as new product additions, expanded shelf space, and compelling financial results.

In addition, I'd consider potential competitors. Are there other players who might try to enter the business at Wal-Mart? What are their relative strengths and weaknesses? How could the client position itself against them?



Finally, I'd want to know how the competitors in the client's current distribution channels might react if the client went to Wal-Mart. Would they follow? Would they step up their marketing and sales activities in the current channels to steal market share, on the assumption that the client is preoccupied with Wal-Mart? These and other game theory questions would have to be answered.

**Interviewer:** Thanks for your thoughts.

### CASE 10

**Your client is an appliance manufacturer that has enjoyed great success in Mexico. Although the company believes it's too late to do business in India, it likes opportunities in other developing markets. It's now thinking about launching consumer operations in Africa. You've been hired to help it evaluate the market.**

» *This is a general strategy question with an international flavor. Sooner or later, you'll need a passport for that business flight to London. But first you have to get the job, so read on for tips on how to solve this case.*

#### Bad Answer

**Candidate:** You know, I think international expansion is overrated. This client should stick to the high-end consumer market in the U.S. I really like to cook, and I find that the Viking range has serious shortcomings. If the client addressed those problems, it would have a huge market!

» *If the candidate thinks he's impressing the interviewer with his knowledge of the appliance market, he's in for a rude awakening.*

#### Good Answer

**Candidate:** Wow, that sounds like an interesting assignment: devising a strategy for such a developing area. Africa is a large continent, though. Does the

client want a strategy for the entire continent, or is it interested in specific countries or regions? Does it have any presence in the market now?

» *Our gallant candidate restates the question to verify what it is. He also seeks additional information, essentially asking: Is everything there?*

**Interviewer:** The client has a manufacturing joint venture in South Africa, and it serves northern Africa through its French distribution network. It's trying to decide whether to acquire 100 percent of the joint venture and expand further into the continent.

» *Oh, this changes the question. Good thing the candidate asked! It's time to think for a few moments; what's a good way to conquer this question? There's supply and demand: Can people get the appliances they want now, and can they afford them? Then there are the cultural, administrative, geographic, and economic issues to consider—that so-called CAGE framework. (Hey, did somebody say "framework"?) Make sure to start at the top and work down on strategy issues.*

**Candidate:** I'd like to approach this in two ways. The first is to look at the big-picture issues of working in Africa: the cultural, administrative, geographic, and economic considerations. Then I'd want to look at supply and demand on the continent and how that's expected to change.

**Interviewer:** All right, go on.

**Candidate:** Since I'm not an Africa expert, I'd start by doing research on the various markets there. The firm may well have a great deal of research already, and I'm sure the consular offices and trade organizations have even more. I don't know a lot about the culture, but I do know that the countries are different, so I'd want to sort them—we need to understand the people with whom we might be doing business. I know that

some African economies, like South Africa's, are more developed than others. I also know that many of the countries are plagued with government corruption and political turmoil.

» *The candidate is smart enough to avoid sweeping generalizations. He realizes that Africa is a big place, but he doesn't know much else. Mentioning research is a good way to begin.*

**TIP**

Don't know much about the topic? Then start your analysis by proposing thorough research. Always know what you don't know.

**Candidate:** We should help the client prioritize countries based on which markets are friendliest to investment. Our market research will let us do that.

» *The candidate is still speaking in generalities. He has no blinding insights, but at least he's explaining his thought process and proceeding logically. That alone will take him a long way.*

**Interviewer:** We've been doing extensive research on Africa. In fact, we arranged a study-group tour of four countries last year to help several of our senior consultants get a better understanding of these very issues.

**Candidate:** Wow, that sounds interesting. Is that something your firm does often?

**Interviewer:** Well, we're committed to training our employees, and sometimes the best training is to get out and see things firsthand.

**Candidate:** Oh, I'm really interested in that!

**Interviewer:** That's good to know. Now please, continue your analysis.

» *The candidate took a moment to express enthusiasm for the firm's work. No harm in that.*

**Candidate:** All right. Let's see, I talked about culture and administration. Then there are geographic factors to consider.

**Interviewer:** I'll tell you what—why don't you just move on to the supply and demand analysis?

**Candidate:** Well, since Africa doesn't have a tremendous industrial base, its supply of appliances is quite small. Some are manufactured on the continent, whereas others are imported. I imagine there must be a huge market for secondhand appliances—they may not be energy-efficient, but they get the job done.

» *Kudos to the candidate for changing the subject as directed. He also mentioned second-hand appliances, a market nuance that might not be obvious to everyone.*

**Interviewer:** Yes, good point. Go on.

**TIP**

Be sure to pay close attention and stay with the interviewer in case the conversation changes direction.

**Candidate:** The demand side is driven by the affluence of the people, but it's also driven by the state of the infrastructure. People can't use refrigerators if they don't have electricity. I recently read that cell phones have taken off in Africa because it's cheaper to install cell towers than string telephone wire. In fact, I'm thinking that in the near term, the client could meet the demand best with solar appliances.

Because people don't have many appliance options now, they'd accept smaller solar appliances as long as they were affordable. And the client might eventually apply its solar expertise to the U.S. and Europe, where



people want green technologies but expect them to be functional. Speaking as a serious cook, I sure wouldn't mind owning a solar Viking range!

» *The candidate keenly observes that lessons learned in developing countries may also benefit the client in industrialized markets.*

**Interviewer:** Is that all?

**Candidate:** To answer the question about developing a strategy for Africa, I recommend that we do research to identify and prioritize the markets. I also think the client should investigate technologies for low-cost solar appliances as a way to meet consumer demand there while developing expertise for other markets.

» *At last, the candidate takes action. He wraps up his analysis and makes recommendations. He understands what consulting is all about.*



## BUSINESS OPERATIONS CASE QUESTIONS

### CASE 11

The president of a large pencil company has hired your consulting firm to assess why profits have fallen from the respectable levels of four years ago to a net loss this year. You've been assigned the role of main business analyst on the engagement. You have enough information to know that the client has some kind of operations issue at play that has increased expenses and eroded profitability—but no one knows what the issue is. How would you go about analyzing the situation and assessing the source(s) of this company's operations problem?

» *This is a commonly asked case question about the potential reasons for and responses to a drop in profits. The idea is to get to the bottom of the operations issues at hand.*

#### Bad Answer

**Candidate:** The company should get cheaper wood and pencil lead from other suppliers. Then its costs will come down and it'll start making money again.

» *Guessing at the heart of the problem without gathering background information is always a bad idea—it's like shooting at a target in a dark room. You might hit the target, but in all likelihood you won't. In any event, your thought process is far more important than your final answer.*

#### Good Answer

**Candidate:** If profits are down and the core of the problem is known to lie somewhere in the operations and manufacturing processes of the company, can I assume that revenue is flat or up, and that the heart of the problem is on the cost side? I want to make

sure there aren't any other market forces impacting the situation and driving sales down to a point where economies of scale are less effective.

» *The candidate is prudently validating the nature of the question.*

**Interviewer:** Yes, you've got it right—pricing and revenue have remained constant for the past five years, so they're not the source of the problem. The culprit is costs, which have gone up in the past year. Margins were looking pretty good until recently.

» *We're closer to making sure everything is there. The issue to investigate is production costs.*

**Candidate:** Has the cost of raw goods gone up lately?

**Interviewer:** Actually, it's stayed the same.

**Candidate:** In that case, I'd like to know about other production costs. I assume that the manufacturing process involves both people and machinery. Has anything changed in the past year that would impact these costs—such as the failure of any of the machines?

» *The candidate is starting to evaluate a theory: One of the core operations costs, such as labor or manufacturing, may have increased in the past year.*

**Interviewer:** No machine has failed, and the manufacturing process is the same as it ever was—just as efficient in terms of output, and just as costly in terms of electricity and maintenance.

» *The candidate continues to make good progress through her framework of examining various manufacturing costs. So far, the interviewer hasn't said a word about labor costs. Could this be a clue?*

### > TIP

Is there something the interviewer isn't telling you? That should clue you in to what you should examine next.

**Candidate:** What about labor costs? Any changes there in the past year?

**Interviewer:** Now that you mention it, the president of the company recently informed us that the workforce at one of its key pencil-production plants unionized early last year.

» *Until now, the interviewer has kept this key piece of information to himself to force the candidate to dig deeper.*

**Candidate:** Did the unionization result in any changes to labor contracts or salaries for that portion of the company's workforce?

» *Good follow-up.*

**Interviewer:** Yes, the union negotiated a 40 percent increase in salaries and paid benefits.

**Candidate:** Very interesting. What portion of the total production costs is represented by the labor costs, and what were the approximate profit margins before this unionization occurred?

**Interviewer:** Labor costs were 55 percent of the total cost of production, and profit margins averaged 20 percent overall.

» *The candidate now has all the quantitative and qualitative information she needs to make her assessment.*

**Candidate:** A back-of-the-envelope calculation tells me that labor expenditures have risen to the point where the sales price of a pencil no longer covers the cost of producing it.

**Interviewer:** Good analysis—I think you’ve gotten to the bottom of the operating cost issue this company is facing. What solutions would you suggest?

» *The interviewer doesn’t expect the candidate to supply all the answers—just a few creative ideas.*

**Candidate:** While I’m not an expert in unions and labor negotiations, I do have a few ideas. First, I’d like to assess whether there’s any leeway to renegotiate with the union to move salaries and benefits closer to previous levels. There may well be—especially if the contract is only for a year.

But, if there isn’t, the company will face the more challenging task of drastically reducing other operating costs to offset the labor-cost increases. Perhaps it can improve or replace its manufacturing machines and processes to make production more efficient.

Finally, the company may need to consider raising the price of its pencils. Its ability to do that without eroding demand for its product will depend on the competitiveness of the market.

Of course, I’d want to investigate all these issues more closely before making any recommendations to the client.

» *The candidate has offered sound ideas while acknowledging the need for further investigation that is the hallmark of any top-quality consultant.*

## CASE 12

**The managing partner of one of the larger regional offices of a management consulting company has noticed an overall reduction in consulting spending industrywide within the past year. He’s concerned about how this might affect his office. What would you like to know, and how would you advise him to react?**

» *This question tests your understanding of both professional services companies in general and management consulting firms in particular.*

### Bad Answers

**Candidate:** Where did the managing partner get this information? From everything I’ve heard, business spending on management consulting services has been growing steadily. The first thing I’d do is make sure he’s done enough research.

» *Absent a compelling reason, don’t second-guess the case setup. Focus on moving forward instead.*

**Candidate:** I think he’d better start laying people off. That’s the first thing to do when your market cools off.

» *Avoid jumping to overconfident—and potentially callous or impractical—solutions. Investigate the issues before making suggestions.*

### Good Answer

**Candidate:** I’ll assume that things won’t improve anytime soon. The managing partner’s main concern will be to control fixed and variable costs so his office can remain profitable even if revenue starts to slip.

» *This is a strong start. The candidate has inferred key information from the setup of the case—namely, that the overall industry demand is contracting and that this is likely to hurt revenue. She recognizes that the managing partner should focus on containing costs.*

**Interviewer:** That’s a safe assumption. When the overall industry is experiencing a downturn, management of the office’s costs is the main operational concern, even though there are also strategic concerns about how to add customers and create demand for services in the medium to long term. For now, let’s focus on the short term and what the managing partner really needs to do.

» *The interviewer validates the candidate’s point that cost management is the main thrust. The candidate should now take a closer look at operational costs.*

**Candidate:** In a general sense, I’d want to consider the largest categories of fixed and variable costs that make up the office’s operational expenses. From what I know about consulting firms like this one, the main fixed costs tend to be things related to keeping the company running—accounting and IT, for example, and administrative functions like HR and the travel department that keep everyone organized and well supported. These costs are probably hard to reduce in the short term.

» *As she checks to see if everything is there, the candidate continues to demonstrate an understanding of operating costs, particularly as they relate to a services business—her framework. Of course, fixed costs for a manufacturing company would include the expenses associated with plants and machinery.*

**Interviewer:** What other costs should the managing partner think about?

**Candidate:** He’ll need to consider variable costs as well. For a professional services company like his, the main variable costs would be employee salaries.

» *True, employee salaries are key. However, the candidate should identify one or two other variable costs as well.*

**Interviewer:** Are there any others?

**Candidate:** Yes. Those would include travel expenses, the cost of office supplies and other non-fixed assets used to run the business, and R&D expenses related to finding new clients and creating service offerings for that particular office of the company.

**Interviewer:** You’ve done a good job identifying fixed and variable costs. What, specifically, should the managing partner do about them?

» *The interviewer is moving the candidate from the theoretical realm to the practical. At this point, the candidate’s analysis will become more subjective. She’ll draw on her business experience and instincts to make recommendations.*

### TIP

Be prepared to move beyond theoretical discussions. At some point, you may have to show off your practical knowledge and business intuition.

**Candidate:** Let’s consider each of the cost categories in turn. With regard to fixed costs, most of the ones I mentioned are difficult to reduce in the short term. It’s the very fact that they’re hard to change that makes us think of them as fixed costs.

If the managing partner needs to make drastic changes, he should consider reducing the real estate budget by consolidating office space. That could reduce monthly real estate lease fees—or gain rental income if the company owns the facility and frees up enough space to take on tenants. Admittedly, such a move could be difficult to pull off politically, as it would likely hurt employee morale. And implementation might be slow, given the time it would take to rearrange the office and find tenants.

In the event that revenue dropped sharply, however, I’d expect the managing partner to explain to staffers the need to cut costs temporarily as he and his team

work on a plan to boost revenue in the long term. I know the first things to get cut during economy downturns are so-called nonessential expenditures like new technology, company perquisites, and incentive trips for top salespeople. The managing partner might be able to reduce discretionary expenditures for the next several quarters and thereby maintain profitability despite falling revenue.

» *Sometimes the candidate needs to go with her instincts and make a judgment call about where to focus her thinking and recommendations. This is fine to do—the interview time is limited, after all.*

**Interviewer:** I can see why you might suggest these ideas for reducing fixed costs. But as you say, they might take a long time to implement. What else can the managing partner do?

» *The interviewer is essentially asking the candidate to shift to variable costs.*

**Candidate:** Yes, the other main source of expenses I mentioned earlier was salaries. This is a tricky issue: While letting employees go during tough times does save money, it costs you in severance payments, not to mention poor office morale, negative PR—and, most important, lost talent. However, staff reductions would make sense if the managing partner anticipated a prolonged slowdown and demand fell too sharply to justify salaries.

Of course, if employees are protected by collective bargaining agreements or long-term contracts, the company may not be able to reduce the size of its labor force in the short term.

» *A savvy—and empathetic—businessperson understands that the primary objective of company managers is to employ and retain the very best people. The candidate mustn't lose sight of this when discussing staff reductions.*

**Interviewer:** Letting employees go could save the company significant money, assuming that its overall business is contracting. The managing partner has actually been considering this step, as he believes the economy and the demand for his company's special type of management consulting could be in for a dry spell. If he chooses this route, what else would you do before he starts directing his managers to reduce their headcounts?

**Candidate:** First, I'd want to assist him in building a solid business case to assure him of the precise number of layoffs necessary to sustain profitability.

Second, I'd counsel him to seek input from the management team of the parent company before locking into the staff reduction plan and carrying it out.

**Interviewer:** That makes sense—company managers never like to be taken by surprise, especially with respect to a major decision like this one. What else would you do?

**Candidate:** Third, I'd urge the managing partner to ensure that the parent company has a PR plan in place to address any questions from the news media and business analysts once the measure becomes public knowledge.

Finally, I'd advise him to communicate openly with all internal stakeholders and ask him to ensure that HR is up to the task of carrying out the staff reduction plan both professionally and empathetically.

» *Any investment in learning the specific requirements and expectations of a role in a particular industry will shine through during the interview and reflect well on the candidate.*

**Interviewer:** Your suggestions make sense. Thanks for sharing your ideas with me.

## CASE 13

The CEO of Bon Jeans, a famous jeans producer, has come to you for help with his retail division. His company sold jeans primarily through department stores until two years ago. Once that channel became saturated, the company decided to launch retail stores to capture additional sales. The stores got off to a flying start but have since slowed down—to the point that the company’s retail division has become unprofitable. What’s causing the problem?

### Bad Answers

**Candidate:** Obviously, no one is buying his product because it sucks. He needs to fire his designer and find someone new who can design jeans that sell.

» *There’s rarely an easy answer. Besides, the interviewer is more interested in your thought process. So don’t just blurt out an opinion, particularly an obnoxious one like this.*

**Candidate:** Jeans are really trendy. Sometimes they’re cool and people buy them, and sometimes they’re not. The company should just hang in there.

» *The candidate’s answer demonstrates a lack of maturity and thought. Consultants will never advise companies to “just hang in there.” Yes, jeans and clothing are trendy, but there’s a lot more to the industry (and all other industries) than this simplistic answer would suggest.*

### Good Answer

**Candidate:** This sounds like an interesting question. Let me just take a moment to think about how I might approach answering it.

» *For complicated questions like this, start by taking a moment to think. Give yourself a chance to put together a structured, coherent response. Think through the different frameworks you can use and identify the most appropriate one.*

**Candidate:** Are we talking about just a retail division problem, or about a problem affecting other parts of the business as well?

» *The candidate starts off by clarifying: What is the scope of the question being addressed?*

**Interviewer:** Assume that performance in the department store division has remained strong over the period in question. It has experienced steady sales growth, and costs have remained relatively flat.

» *Every shred of information the interviewer provides is a clue to help you resolve the case.*

### TIP

The interviewer will probably only answer a limited number of questions, so choose them wisely.

**Candidate:** That leads me to believe the company’s issue isn’t a market-driven problem. And it’s probably not a problem with the product, as customers are buying the jeans through other channels. So let’s examine why profitability has declined.

Profitability is a function of revenue and costs. If profitability has declined, then revenue has fallen, costs have risen, or some combination of the two has occurred. Has revenue declined in the retail store division?

» *The candidate clearly lays out her structured approach to the problem before digging in and asking questions. The interviewer should be well aware at all times of the thought process you’re using and where you are in that process.*

**Interviewer:** Total revenue in the division has remained flat.



**Candidate:** The fact that total revenue has remained flat could still be hiding something. To be sure this isn't a revenue problem, I think we need to delve deeper. You can break out total revenue in many ways. If we define total revenue as revenue per store multiplied by the total number of stores, we can check to see what's happened to revenue per store. Has revenue per store also remained flat?

» *The candidate is smart enough to realize that there's more to revenue than the top-level number would reveal. She decides to probe further before moving on to another aspect of the problem.*

**Interviewer:** No, revenue per store has declined.

**Candidate:** That means the number of stores must have increased to keep total revenue flat. Operating more stores means a higher cost base, which would explain the declining profitability. The big question is, why has the revenue per store fallen? Could it be that the new stores aren't performing as well as the old ones? Or is something else to blame?

Let's explore the issue of new stores vs old. Do the new ones perform any differently?

**Interviewer:** Whenever a new store is launched, it does well for the first month or two. But then it goes into decline, and its total sales fall. All the new stores have exhibited the same pattern.

**Candidate:** Well, let's consider possible reasons for the decline: price, place, promotion, and product. Let's start with price: Price per pair of jeans  $\times$  number of jeans sold = revenue per store. Has the average price per pair of jeans changed?

» *The candidate is making good use of one of the basic structures: the 4Ps. This approach will ensure that you cover all the basics without missing out on something big. But don't feel you have to jam frameworks into*

*every case interview—apply them only when they're appropriate.*

**Interviewer:** No, the average price has remained flat.

**Candidate:** If the average price per pair of jeans has remained flat, the stores must be selling fewer jeans. Why? Let's think about place next. Perhaps the stores are located in low-footfall areas that can't generate enough sales to maintain the stores.

**TIP**

Use frameworks only if they're helpful. You may not need them all the time.

**Interviewer:** Actually, all the stores are in fantastic locations. The company spent a lot of time identifying the right malls in which to locate. It picked high-footfall, top revenue-generating malls for its stores.

Here's some data about Bon Jeans performance at various malls. Perhaps this will help you.

Location	Average sales per sq. ft. (\$)	Bon Jeans sales per sq. ft. (\$)
Galleria Dallas (Dallas)	650	200
South Coast Plaza (Costa Mesa, Calif.)	800	175
Oakbrook Center (Oakbrook, Ill.)	625	300
The Mall at Millenia (Orlando, Fla.)	700	225

» *Don't get flustered with charts and tables. Try to discern the key message without getting bogged down in the details.*

**Candidate:** Thanks. Now let's see what the data is telling us. In every mall on the list, Bon Jeans is performing significantly below average. For some reason, the client isn't generating the same volume of sales as other stores in those malls.

We've talked about price and place, so let's tackle promotion next. My guess is that advertising activities would improve brand awareness and drive customers to all outlets selling the company's jeans. The fact that the department store division is experiencing strong sales suggests that the marketing is effective. The only caveat on that would be if marketing is specific to divisions.

» *The candidate identifies and articulates the key message from the data table. She then incorporates the new data into her thinking and moves forward. It's always good to talk through the data provided out loud. This demonstrates your ability to understand, interpret, and use data effectively.*

**Interviewer:** This is very true; the client focuses most of its marketing spending on building brand awareness. It does spend a small amount on store or department store-specific promotions, but this isn't large enough to cause the decline we've seen.

» *The interviewer is happy to discuss the case with the candidate. If he wanted the candidate to move forward more quickly with the case, he would make this known.*

**Candidate:** This is a challenging problem. Let's recap what we know so far and see if that helps to shed light on the answer. We know that sales in retail stores have been declining. Other divisions of the company are experiencing growth, suggesting that it's not an issue with the product, changing consumer tastes, or promotional techniques. We also know that the retail stores are located in high-footfall, strong-performing malls. So why isn't the company able to sell more jeans?

Let me ask you another question: I know these

stores are in high-footfall areas, but are customers actually going into the stores when they're in the mall?

» *The candidate perseveres. If at first you don't identify the answer, keep working at it. Stick to your framework and use a process of elimination. Eventually, you'll get there.*

**Interviewer:** Yes, the client is getting the number of store visitors we'd expect.

**Candidate:** So customers are entering the stores and leaving empty-handed. Let me ask another question: If the customers in department stores are buying the jeans but the ones in the retail stores aren't, could it be that the two channels are each attracting a different customer segment?

» *The candidate realizes she may have missed something and backs up to incorporate it. It's always better to incorporate something than to just ignore it and potentially miss the point of the case altogether.*

**Interviewer:** No. In general, the same type of consumer shops in retail and department stores. Both channels have roughly the same customer demographics.

**Candidate:** If the consumer wants to buy the product and is visiting the retail stores, then the stores must just not have the product to sell. The retail stores must be running out of stock or experiencing inventory problems of some kind.

**Interviewer:** You've hit the nail on the head. Not experienced in running its own distribution channels, the Bon Jeans retail division has been plagued with inventory issues since its launch. The company has been unable to effectively manage the store inventory requirements—meaning that a lot of customers are walking away empty-handed when the store doesn't carry jeans in their size.



» The candidate successfully navigates the case and identifies the reason for the decline in store profitability. She makes good use of frameworks (profit = revenue – cost) and the 4Ps (price, place, promotion, and product) to guide her answer.

*Additionally, she makes an effort to think out loud so the interviewer is fully aware of her thought process. This—along with frequent summaries of what she’s learned so far and the direction in which she plans to take the discussion next—makes the case easy for the interviewer to follow and evaluate.*

### CASE 14

**A client is thinking about offshoring most of its back-office functions. What would you recommend?**

#### Bad Answer

**Candidate:** Outsourcing is tricky, because it means you give up control of functions to another entity, so I think the client should proceed carefully. I’d like to propose a framework for evaluating the decision.

» *Why is this answer bad? Because outsourcing isn’t the same thing as offshoring! In offshoring, the business transfers some of its functions to another country. In outsourcing, the business contracts out some of its functions to another company. A company can outsource offshore, outsource domestically, or do offshoring by opening an office in another country. True, you may not have learned about these distinctions in class, but interviewers will expect you to understand major business issues and current events.*

#### Good Answer

**Candidate:** To start with, I’d want to know two things. Is the client considering outsourcing as well as offshoring? And does it operate overseas now?

» *It’s such a simple way to start: What’s the question, and is everything there? Maybe the interviewer will give*

*hints, or maybe you’ll have to make assumptions, but at least you’ve given yourself a chance to get on the right track from the start.*

**Interviewer:** The client is open to outsourcing, but it’s concerned about having its data stored outside of the company. It has sales offices in most major cities around the world.

» *So now the candidate has more information. It’s time to think. There are two ways to attack the problem: by looking at outsourcing vs doing the work in-house, and by looking at doing the work overseas vs doing it at home. It seems we have a 2 X 2 matrix on our hands. By George, it’s a framework!*

**Candidate:** I propose we start by drawing a matrix, like so:

<b>outsourced domestically</b>	<b>outsourced offshore</b>
<b>in-house domestically</b>	<b>in-house offshore</b>

I’d now like to consider the costs and benefits of the various categories.

**Interviewer:** All right.

**Candidate:** The main cost of outsourcing is loss of control: Someone else has your data and may not care as much about your customers and brand as you do. The main benefits are that it can save money and give you access to workers you can’t get in-house. It also gives you flexibility to manage overhead as the business goes up and down.

As for location, the cost of moving offshore is that it can be disruptive. You might find big cultural or educational differences that make it difficult. There

can also be push-back from employees at home, who will resent seeing their jobs leave. On the benefit side, moving offshore can save money if the new employees are in lower-cost markets, and it can give the company exposure to a new market.

» *Nice explanation.*

**Interviewer:** What do you mean?

**Candidate:** Many of the markets that are popular for offshoring of office work also have rapidly growing consumer markets. I'm thinking of India and the Philippines in particular. A company can start getting its brand in front of customers by hiring workers in those places, even if it's only in the early stages of introducing products to those markets.

» *Ah, a blinding insight. The candidate went a step beyond the basic analysis.*

**Interviewer:** Interesting. So what do you do next?

**Candidate:** Is there any data that I need to consider here? Or should I make a recommendation based on the need for further research?

» *The candidate is asking for help in evaluating the question.*

**Interviewer:** The client is a cell phone manufacturer that has just picked up a contract with the Philippine telephone company to double the number of cellular towers in the country.

**Candidate:** In that case, the company should open an office in the Philippines to offshore at least some of its business functions. This would not only reduce its operating costs, but also show it's committed to developing the country.

» *Here, the candidate takes action and offers concrete advice. That's what consulting is all about.*

### CASE 15

**A client, an investment bank, is concerned about staff retention. Although it hires top graduates from top business schools in anticipation that they'll be long-term employees, almost 70 percent are gone after three years. What might be happening, and what should the client do?**

#### Bad Answer

**Candidate:** The problem is, it keeps going for these top graduates from the top schools, and those people are snobs who can't manage their way out of a paper bag. C students like me who graduated from state universities are usually a better hire.

» *Grades are often a lousy indicator of performance on the job, and maybe the investment bank is using the wrong metrics to evaluate candidates. Still, no employer wants to think that it's getting the second string. For purposes of your own career, never apologize for weaknesses on your resume, let alone joke about them.*

#### Good Answer

**Candidate:** Hmmm, an employee-retention problem. Let me ask you this: Has recruiting changed in recent years? Has the retention rate changed? And has the business changed?

» *The candidate is doing a reality check: What's the question, and is everything there?*

**Interviewer:** I have some data here that might be of interest to you.

### Three-year retention rates

	Year 1		Year 2		Year 3	
	M	F	M	F	M	F
<b>Corporate finance</b>	100%	80%	95%	75%	90%	65%
<b>Research</b>	50%	60%	40%	50%	30%	30%
<b>Sales</b>	50%	20%	30%	10%	10%	0%
<b>Trading</b>	40%	50%	30%	40%	30%	20%

**Candidate:** Thank you. And do you have any information on the company's business over this time period?

**Interviewer:** The industry as a whole did well, but this company lost market share.

**Candidate:** Tell me, is corporate finance headed by a different management team?

**Interviewer:** Yes. One person runs corporate finance; another runs the research, sales, and trading group. There's a Chinese wall between the two teams.

» *The candidate takes a moment to think. The tempting answer is that the manager for the research, sales, and trading group is a doofus, but that seems too easy. Besides, you must never openly challenge the client's expertise. It's time to ask some more questions.*

**Candidate:** Should I assume that the issue is unrelated to management? Are there any big compensation differences between the two groups?

**Interviewer:** Assume that management isn't the problem. Employees in corporate finance receive a base salary of \$150,000 plus a bonus based on performance. The research, sales, and trading staffers straight-draw against commissions, although they have a guarantee

their first year. In good years, many of them earn more than their peers in corporate finance.

**Candidate:** But in bad years?

**Interviewer:** In bad years, they have to work harder.

**Candidate:** It's pretty clear that people on the research, sales, and trading side think they're better off spending their time looking for new jobs after that first guaranteed year than they are working at the firm. That's why they're leaving.

**Interviewer:** That would be fair to say.

**Candidate:** So the question is, what can the firm do about it?

**Interviewer:** Well, yes.

» *It's time to think again. What's a good approach to this problem? Maybe a competitive-analysis framework would work. Thinking of Michael Porter's Five Forces?*

**Candidate:** The way to approach this is to look at the market for these staffers. In a competitive market, you have five main factors to consider: bargaining power of suppliers, bargaining power of buyers, threats of new entry, substitute products, and rivalry of the firms. The staffers in question are top graduates of top business schools with some experience working for an investment bank that's losing market share. They seem to be in a good position to negotiate for themselves, especially if the overall industry is doing well.

The buyers, which would be the other firms, are gaining market share; therefore, they're in a position to pay. The client's staffers, who are seeing declining incomes and prospects, would find them attractive.

Are there new entrants? I suppose in this situation, the new entrants would be other buyers of the staffers' services, such as hedge funds and private equity firms.

Substitute products would include new hires, experienced hires, and perhaps students from lower-tier schools, so the client does have alternatives. It's hard to say whether these individuals would be more comfortable with the compensation structure than the employees who are leaving.

As for rivalry among firms, the financial services business is highly competitive, so I'd imagine that competitors would want to acquire talent from our already-wounded client to further weaken it.

» *The candidate explains himself logically, demonstrating how his framework applies to the situation. His next step is to evaluate.*

**Interviewer:** Interesting.

**Candidate:** As we've discussed, it seems the client is losing employees because it doesn't offer a competitive compensation package in an increasingly competitive market.

**Interviewer:** Yes.

**Candidate:** So what it needs to do is determine what package will effectively attract and retain the employees it wants. The firm needs a core group of employees on staff during tougher years to help it maintain market share. It can retain these people by offering them a base salary. Maybe it can also induce them to stay with benefits and perks such as health club membership, premium health insurance, and first-class airline tickets for business trips. I think a survey of industry compensation trends is in order.

The firm might also consider bringing different people in the firm. Its current recruits are those who are in greatest demand elsewhere—and therefore, the ones who are most likely to leave. Perhaps defining “top graduates from top business schools” more broadly to include individuals who are slightly less marketable to other firms would result in incremental retention advantages.

» *Here's an answer that takes action. It's a great way to wrap up the interview.*

**Interviewer:** Thank you, and we're actually over time, so let me shake your hand and get to the next candidate.

**CHAPTER 1**  
AT A GLANCE

**CHAPTER 2**  
THE INTERVIEW  
UNPLUGGED

**CHAPTER 3**  
CASE-BY-CASE RULES

**CHAPTER 4**  
THE PRACTICE RANGE

**CHAPTER 5**  
NAILING THE CASE













## >> The WetFeet Story

WetFeet was founded in 1994 by Stanford MBAs Gary Alpert and Steve Pollock. While exploring their next career moves, they needed products like the *WetFeet Insider Guides* to guide them through their research and interviews. But these resources didn't exist yet—so they started writing! Since then, millions of job seekers have used the *WetFeet Insider Guides* and WetFeet.com to research their next career move.

In 2007 WetFeet became part of Universum Communications, the global leader in employer branding. Thanks to the integration of WetFeet into the Universum group, WetFeet products are now used by job seekers all over the world. In addition to our *Insider Guides* and WetFeet.com, we produce *WetFeet* magazine, which features career advice tailored to undergraduate students.

## >> The WetFeet Name

The inspiration for our name comes from a popular business school case study about L.L. Bean, the successful mail-order company. Leon Leonwood Bean got his start because he literally got his feet wet: Every time he went hunting in the Maine woods, his shoes leaked. One day he set out to make a better hunting shoe, doing such a good job that his friends lined up to buy pairs of the boots. And so L.L. Bean was born.

The lesson we took from the Bean case? Well, it shows that getting your feet wet is the first step toward achieving success. And that's what WetFeet is here for: To help you get your feet wet and take the right steps toward ever-greater career goals, whatever they may be.



»» The case interview is analytical, quantitative, creative, and challenging. In short, it's just like real consulting work, which is why consulting recruiters use the case interview as a primary means of evaluating interviewees. This follow-up to WetFeet's popular *Ace Your Case* guide provides 15 more case questions that you can use to practice and sharpen your case-cracking skills. With more detailed explanations of the different case types and recommended answers to help you assess your progress, this guide will get you one step closer to a job offer.



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## THIS WETFEET INSIDER GUIDE PROVIDES

- ★ THE STEP-BY-STEP WETFEET WAY OF CRACKING ANY CASE QUESTION
- ★ 15 PRACTICE CASE QUESTIONS THAT WILL CHALLENGE YOU MORE THAN THOSE IN *ACE YOUR CASE*
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