

Guide to Case Interviews

Practice Exercises

Agenda

- **Case Cracking**

- **Sample Cases**

Cracking a Case

● **Step 1: Preparation**

- Attend case interview workshops
- Regularly read a major business publication or daily paper (*WSJ, NYT, Business Week*)
- **PRACTICE** with friends, colleagues, and people you know in consulting
- Come relaxed and with a pen and paper to take notes and do brief calculations
- Research the interviewing company - it will demonstrate knowledge of the firm and might give you a sense of the flavor of the case question. Are there industry specialties? Is it a quantitative firm? What sort of consulting does the firm do? (Strategy, operational, IT, e-business, etc.) However, use your research as a possible “heads-up” but certainly not as the definitive guide to what will be asked
- Don’t “over prepare”; every interview is different and no set formula will do it all

● **Step 2: Take your time**

- Take a couple of minutes to gather your thoughts, jot down preliminary ideas, and formulate intelligent questions; Nobody is impressed by instantaneous answers
- **LISTEN TO THE QUESTION** and figure out what the interviewer is asking. Repeat the question back or paraphrase to be sure you are clear on the concepts

● **Step 3: Devise a coherent structure for approaching, organizing, and breaking down the case**

- State your assumptions and the facts you were given
- Outline for the interviewer how you are thinking about the problem
- Stick to your structure and move methodically, addressing issues point-by-point

Case Cracking Tips Continued

- **Step 4: Ask questions**

- Case interviews are discussions. Approach the interviewer as a resource
- Ask questions to clarify the issues, scope of the case, or time frame early on; these are often the “case crackers”
- All the data are NOT given immediately. The interviewer has the information you need. You’ll never know it’s there until you ask for it

- **Step 5: Explain your thinking**

- Be explicit when making assumptions. Why do you believe your assumptions are valid?
- Formulate hypotheses that might explain the problem. Express them to the interviewer
- Walk your interviewer through your thought process as data are revealed

- **Step 6: Come up with an answer**

- Be willing to take a risk and commit yourself to a course of action
- “Maybe” or “possibly” are not answers; they are caveats
- If the answer is a number, give a number
- Be willing to revise your thinking in the face of new data

Top 5 Case Cracking Tips

- 1) Take your time when asked the question to formulate your response**
- 2) Be transparent in your thinking and articulate it to the interviewer**
- 3) Maintain the context of the question: what is the macro context of your plan? What question are you answering? Are you spending time and effort on the key elements that answer the question?**
- 4) Simplify your assumptions and calculations when possible: use round numbers. Don't overly complicate the question or your methodology.**
- 5) Be willing to take a risk - commit to a path**

Potential frameworks - Remember! These do not always work and you should be prepared to think out of the box!

- **The 4 C's: Used for business strategy & new market opportunity cases**
 - **Customers / Consumer:** who are they? What are their needs? Are those needs changing? Can the customers be categorized in a useful manner?
 - **Competition:** what are they up to? Are they changing prices, volume, or location? What advantages do they have? What disadvantages?
 - **Company:** what are your mission and objectives? What differentiates your company from others? Are you a scale player or a niche player? Are you an innovator or adapter?
 - **Cost:** What are the major costs? Fixed and variable? Can they be reduced? Do they need to be increased? How do they compare to competitors?

- **The 5 P's: Used for cases concerning marketing and new product development**
 - **People:** how do you segment your customers? What are their needs? What drives their demand?
 - **Product:** how are you positioning your product? What does it do? What are the benefits? How is it differentiated from other products?
 - **Price:** how much is it? Does demand change with price? Are there opportunities for higher prices?
 - **Place:** what are your distribution channels? Where will you sell it? Are there more or better channels?
 - **Promotion:** what is your marketing strategy? Is there a target market for the product? Do you have the right contacts to sell the product?

- **Porter's 5 forces: Used for opportunity attractiveness cases or profitability analysis**
 - Threat of new entrants
 - Bargaining power of suppliers
 - Substitute products or services
 - Bargaining power of buyers
 - Rivalry among existing firms

Other Potential Approaches

- **Profit = Revenue - Cost**
 - **Revenues:** What drives the revenues? Can they be increased? Price x Volume; Elasticity of demand
 - **Costs:** Fixed vs. variable; Rent, labor, raw materials, distribution, etc. (not a comprehensive list)
- **Risk-Reward:** Can a company afford to take a particular risk? Are the rewards great enough for the risk? How does the risk and reward look for each option?
- **Cost-Benefit:** Which options provide the highest return (or greatest benefit) for the lowest cost?

Caution: These approaches may get you the answer, or they may just provide the right question to answer! Determining the answer to the above questions may require one of the frameworks

Other hints to keep in mind...

- **Elasticity of demand**
 - If you raise the prices of a product, how much will demand for that product change?
 - Think about insulin vs. nail polish
- **Complementary industries & products**
 - If you are trying to think about how fast an industry might be growing, or how large it is, think about how related industries might act as benchmarks
 - Ex: the window industry and new housing/building construction
- **Cyclical business and products reliant on changing consumer tastes and preferences or differing demographics?**
 - Why is the ice cream shop doing so badly around Christmas?
 - Why aren't those 'N Sync records selling anymore?
- **Macro or external trends vs. company specific incidents**
 - The business is doing badly; is the stock market crashing or has the CEO just resigned?

In addition, remember that the case question is only a portion of your interview

- You should also prepare yourself for the rest of the interview
 - Review your resume and prepare possible questions an interviewer might ask
 - Practice talking with a friend about each experience on your resume. This puts the appropriate phrases in your head so that when you are nervous in an interview situation, you sound confident and lucent

- Research the company and prepare questions you have about the job or the company

- Relax and act natural (you have now done everything possible to prepare yourself for this interview!)

Agenda

- **Case Cracking**

- **Sample Cases**

Pharmaceutical products...

- **Our client is a large pharmaceutical company that has developed a cure for baldness. It's a pill that will rapidly (within three months) regrow your hair to the thickness that it was when you were 15. The pill, IPP2, needs to be taken daily to maintain that thickness. Estimate the size of the market for this drug, and describe how you would go about pricing this product**
 - **What clarifying questions would you ask?**
 - **What do you know?**
 - **How would you organize your response?**
 - **What data would you want / need?**
 - **What assumptions, if any, would you need to make and why?**

Sample Case: Brewery Profits

“We are evaluating two beer brewing companies, Cheapo Beer Company and Bourgeois Beer, Inc. Cheapo and Bourgeois are competitors; both have been reporting similar revenues over the last five years showing steady growth. Cheapo is designated the “All-American Beer” and is a staple of tailgate parties. Bourgeois markets its product as brewed fresh from mountain water. Cheapo has posted consistent profits that have been growing at a moderate rate whereas Bourgeois’s profits have fluctuated significantly. Why is there such a difference? If you were CEO of Bourgeois, what steps would you take to minimize these fluctuations?”

- **What clarifying questions would you ask?**
- **What do you know?**
- **How would you organize your response to this question?**
- **What data would you want?**
- **What assumptions, if any, would you need to make and why?**

Sample Case: A Brainteaser

“Airplanes are taking off from JFK and LAX airports every hour on the hour continuously, flying identical New York-Los Angeles routes. The flight takes five hours. You are leaving New York at 12:00 PM EST and flying to Los Angeles (because it’s sunny and the beaches are great). How many airplanes flying the opposite route will you pass on the way there?”

- **What clarifying questions would you ask?**
- **What do you know?**
- **What logical traps might you want to avoid?**
- **What information really matters and what is superfluous?**
- **What assumptions, if any, would you need to make and why?**

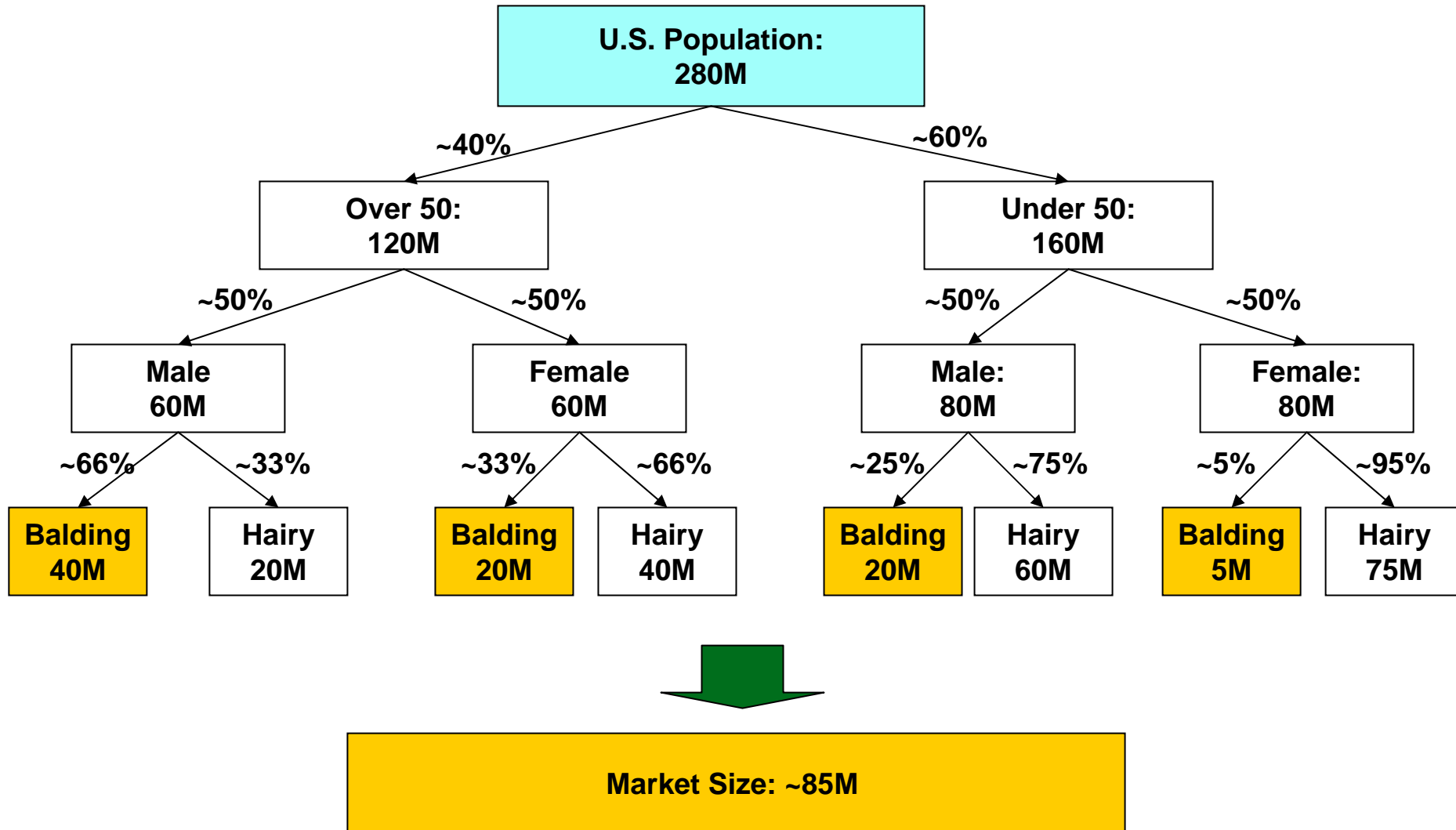
Sample Case: Checking Accounts

“Estimate how many checking accounts there are in the United States right now.”

- **What clarifying questions would you ask?**
- **What do you know?**
- **How would you organize your response to this question?**
- **What data would you want (besides the actual number of checking accounts)?**
- **What assumptions, if any, would you need to make and why?**



Pharmaceutical Products Answer - Market sizing

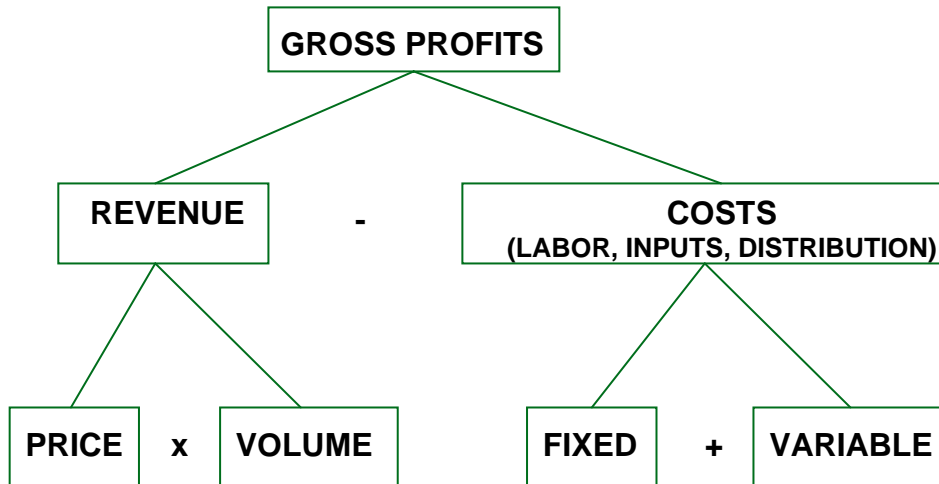


Pharmaceutical Products Answer - Pricing

- **Consider the factors that drive a drug's price. You could use any of the frameworks:**
 - **Porter's 5 Forces**
 - **The 5 P's**
 - **The 4 C's**

- **Also, are there any similar products on the market that you could price similarly to?
This might give you a good jumping off point....**

Brewery Answer - Profits



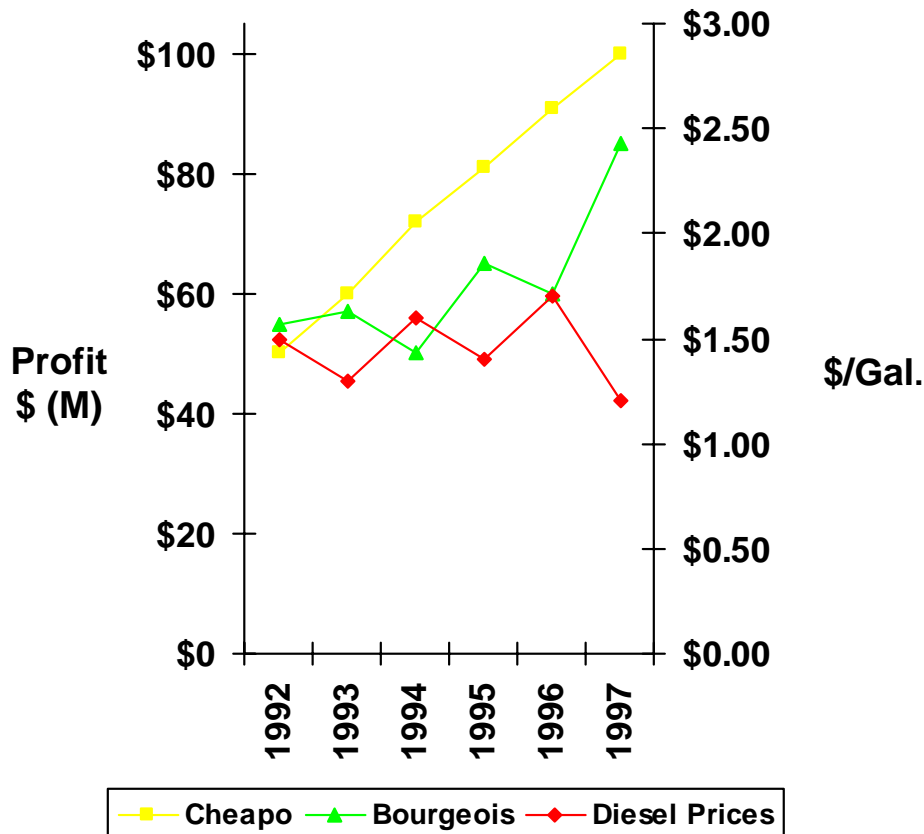
This question has two parts:

PART 1: Cost Structure Analysis

- Issues to identify:
 - Profit = Revenue - Costs
 - Major costs to a brewery: Labor, Distribution, Inputs
- Questions to ask
 - Does Cheapo have more leverage in negotiating prices for barley/hops/yeast/bottling than Bourgeois? [No.]
 - Does Bourgeois have higher labor costs? [No.]
 - Does Bourgeois have a different distribution network? [Yes!]
- Bourgeois's breweries are located only in Colorado to be consistent with its marketing scheme, thus they pay higher distribution/shipping costs that vary with fuel prices

Brewery Answer - Profits Continued: Restoring Stability

Profits and Diesel Prices

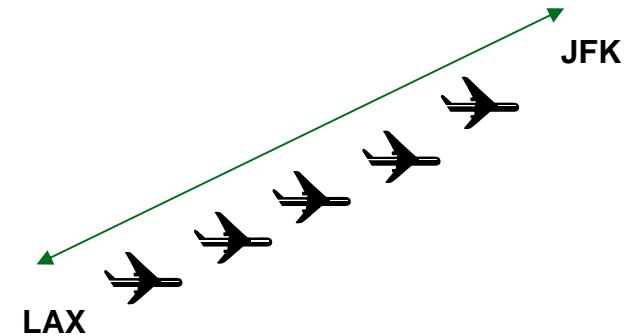


PART 2: Making a Recommendation

- In order to arrive at the “diesel answer”, we also needed to look at the other costs for distribution:
 - Equipment
 - Labor
 - Fuel
 - Storage
- Of these, fuel is the only one that Bourgeois would pay significantly more on, as well as the only cost linked to a commodity price that tends to fluctuate.
- In order to minimize these fluctuations and hopefully secure gross profits at the highest possible level, we need to think of ways to get around the changing price of diesel fuel.
 - A good, cost effective way to achieve this is to buy options or futures on diesel fuel to try and lock in a set price.
- What other ways are there to get around this problem?

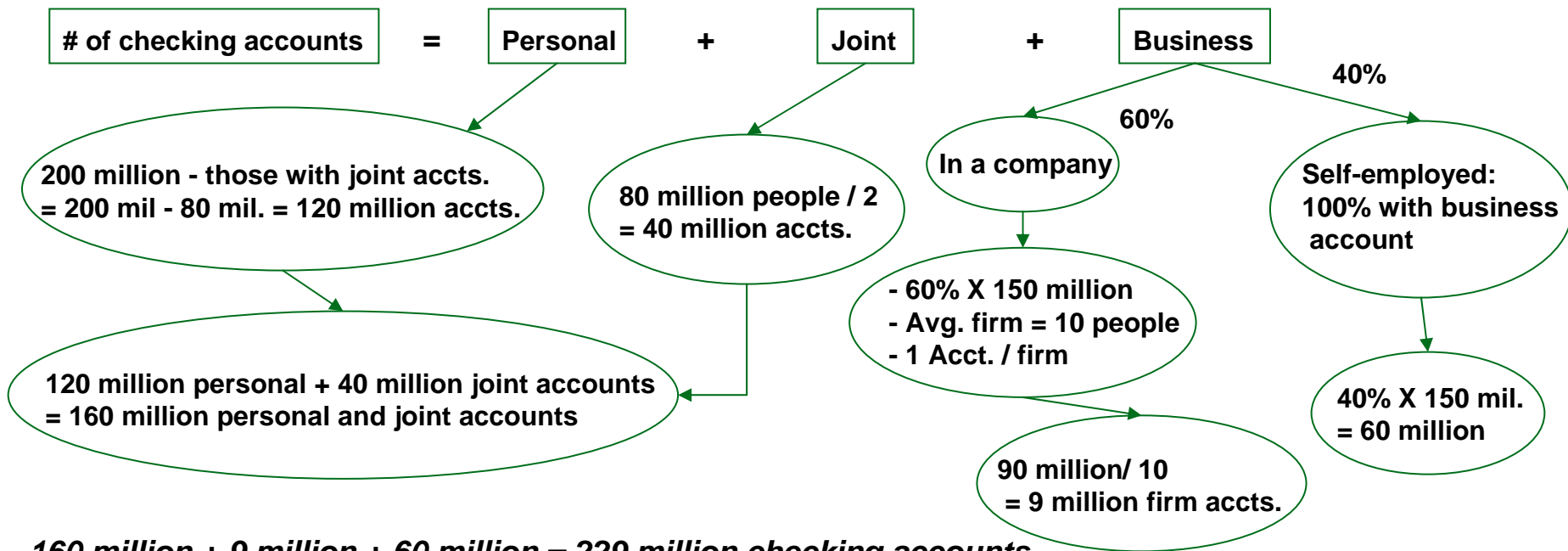
The Brainteaser Answer

- Clarifying question: Do you include take-off and landing points in the count?
 - Answer: Yes [could go either way depending on interviewer's prerogative]
- What you know:
 - As you take off from NY, a plane that left LA five hours ago is landing
 - As you are flying, you will see all the plans that left LA 4, 3, 2, 1, and 0 hours ago (the 0 hours ago plane is taking off at the same time you are, and you will pass in midflight)
 - While you are in the air, 1, 2, 3, 4 and 5 hours from now planes will also take off from LA, and you will see all of those. The one leaving 5 hours from now will take off as you are landing
- Key assumption: Airplanes are taking off and landing on time
- Logical Trap: Do time zones matter?
 - Answer: No. Flights are leaving continuously
- The answer: The five already in the air, the five that take off while you are flying, plus the one that lands in NY as you take off gives 11 airplanes passed in the course of your transcontinental journey



The Checking Account Answer

- Which checking accounts? Only personal checking? Business checking? Both? Let's assume we are looking for all checking accounts
- ASSUME: 250 million people in US
 - 80%, or 200 million over 18; 40% of these, or 80 million are married
 - 60 %, or 150 million in workforce; 40% are self-employed, 60% employed by firms, avg. firm = 10
 - All who can have an account do; all married couples have only a joint account



160 million + 9 million + 60 million = 229 million checking accounts