



**The University of
Chicago**

Graduate School of Business

Management Consulting Group
Casebook Supplement

*Supplement of Additional Cases and Guides for the 2000-2001
School Year*

The University of Chicago GSB
Management Consulting Group 2000-2001

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Note: This is a supplement to current 2nd Year Students from the prior year to supplement the additional cases and literature added in this year's casebook.

The information included from Pages 1-16 are guides to approaching cases that might be of use, but were primarily written for first-year students or those that are unfamiliar with the case interview experience. Starting from Page 17 are the new cases that have been included in this year's casebook.

Again we would like to thank those members who helped contribute to the list of new cases in the book.



Introduction

WHAT IS CASE INTERVIEWING

Case interviewing is the preferred form of consulting firms to screen candidates. The reason for this is that consulting firms depend on employing flexible and dynamic people who are able to interact extensively with colleagues and clients in varied environments. The case interview is an efficient, but imperfect way to quickly evaluate candidates for their abilities including analytical skills, knowledge, leadership, and communication. Many times the case you will be given is from the actual experience of your recruiter and may sometimes be the very case they are themselves working on at the time. Do not expect that there is an answer to every case that you receive as you are evaluated for your ability to determine the key factors influencing the situation you are given. Sometimes you may be asked to develop a potential solution, but in many cases you only have time to evaluate and identify key areas that influence the problem. The cases you receive may be very different from those of the other candidates due to your personal background and experience. If your background is perceived to be weak in one area, although you receive the same case as another candidate, the interviewer may try and evaluate your ability in that skill. Remember the case interview's purpose is to evaluate your abilities as a consultant and not a confrontative interrogation.

HOW TO GET THE MOST OUT OF THE MCG CASEBOOK

The Management Consulting Group Casebook is one of the resources that you find available to you here at the GSB. In order to prepare you for the upcoming recruiting season you should use it in conjunction with the other resources offered by the MCG, Career Services, and the firms themselves. The MCG Resource Guide touches on many of these available resources and provides a sample timetable of what to do on your road to the Consulting Case Interview. Attending case workshops and other events sponsored by the Management Consulting Group are intended to supplement the information in the Casebook.

To best utilize this casebook, we recommend that you use these cases in practicing with other students be they first or second years. There are many other external resources available that will help you start practicing on your own including offerings by **Vault Reports** and **Wet Feet Press**. These offerings can be found in the Career Resource Center at Edelstone and is suggested as an excellent means to start practicing on your own and become familiar with case interviews. Unfortunately the cases included in these books were not as useful for group practicing, which is viewed as the most effective method to preparing for case interviewing by prior students.

WHAT'S NEW IN THE MANAGEMENT CONSULTING GROUP

The Management Consulting Group's Webpage has been updated considerable over this past summer and should be a good resource for links to other resources. The site will be updated regularly to provide you with the most up to date calendar of events sponsored by the Management Consulting Group or events that relate to consulting at the GSB.

The MCG site will also be used this year to allow for continuous improvements to the Casebook and Resource Guides. As these guides are printed on paper during the summer, many changes in consulting may not be captured. To better prepare you for these changes be they in Cases or within the industry, supplements will be available for download if these become necessary.

The Management Consulting Group will also be sponsoring a fall lunchtime series, which will present many frameworks that may be useful in preparation for case interviewing. Selected GSB Professors or invited Consultants will present these sessions.

ACKNOWLEDGMENTS

The 2000-2001 MCG Co-Chairs wish to thank the following organizations and individuals for their assistance and support:

- Past MCG Co-Chairs who helped compile many of the cases currently included
- Office of Career Services for their support and assistance
- Office of Student Affairs for helping to make life a lot easier in coordinating all the logistics necessary to operate the MCG
- Current and past Management Consulting Group members who contributed to the collection of cases in this book

Sincerely,

The Management Consulting Group Co-Chairs for 2000-2001

Albert Chow

Brad Libby

Mark Gaffin

Trip Meredith

Scott Rockfeld

Andy Rojeski

Before you start reading...

Please understand that this resource guide is based on the opinions and insights of the past and present Management Consulting Group Co-Chairs.

Responsibility for any errors, factual or otherwise,

rests with the Management Consulting Group and not with other contributors.



Introduction to Case Interviews

FORMAT OF THE CASE INTERVIEW

As stated earlier the case interview is the most likely form of evaluation you will encounter during your interviews with consulting firms. While preparing for the interviews you will encounter many different opinions on the case interview. Some stories you may hear may make it appear to be an elaborate form of torture to a piece of cake. But as with most things it is somewhere in between and will be easier with practice. Again the greatest comment in hindsight by those who have gone before you is that they wished they had practiced some more.

A standard 30-minute case interview format can be broken down as follows:

1. *Greetings / Introductions* (1-2 minutes)
2. *Personal Questions* – Often focusing on your resume or things you have done and were of interest to the interviewer, make sure you have your story down! (5-10 minutes)
3. *The Case Interview* – Now comes the fun part! (10-20 minutes)
4. *Wrap-up questions* – Ask one or two questions that you would like to know about the firm and is also a good time to ask what the next step is and their business card (1-5 minutes)

It is important to remember that each interview is different as there have been cases where during the course of an interview no case was ever asked! In addition sometimes your background is spun into a pseudo-case where they will ask pertinent questions to better evaluate you. Of course on the other hand, there have been interviews where you hit the case the second you sit down.

Often interviews will come in pairs, so you may get a case from one interviewer and then receive none from the second. Also do not be intimidated as you will may be interviewed by some very senior partners of a firm. This is not intended to put pressure on you, but gives you an idea how important these interviews are to the future of the firm as well.

We've all been through interviews, you went through one to get into the GSB and were successful. So don't put too much pressure on yourself.

PREPARING FOR THE INTERVIEW

Although this guide is primarily intended for preparation for the cases, it is vital that you also know your own story from your resume. This reflects the importance of your resume on the interview, so please take your time in thinking through what you want to put to paper. As it has been found that the firms usually only look at the first one you submit as it is the one that makes the official resume book that is put out by Career Services. You may bring a new one to the interview, but your interviewer will most likely have already read your resume from the resume book and noted comments.

We strongly recommend that you also take advantage of resume reading activities where career services, alumni, and second years will look over your resume and comment. The MCG will be holding a resume reading service for members in October as well.

But knowing your story is very important as the GSB has a reputation for being too geared into the case and not being very polished on their own background or story.

Thus it is important to not neglect this aspect of the interview, as stated above there are some interviews where the case will NOT appear and will focus the spotlight directly on you!

So when practicing for Cases, it is highly recommended to work in an official style interview where you greet, talk about your background, and then hit the case. There will be opportunities to practice as well through Mock Interviews sponsored by Career Services and others including the MCG. For first-year students this effort will speed up at the conclusion of second-year recruiting.

As you begin practicing cases it is also very useful to seek the assistance of a second-year or other individual who has gone through the process. This will better prepare you for what to expect from the interview as it is naturally hard to practice for something you've never experienced first hand.



Practicing Cases

PRACTICING THE CASE

Although it is obvious that every business student must devote time and effort to practicing the case interview, it is less obvious where to obtain cases with which to practice. As each person has different backgrounds, your ability to analyze cases differs from person to person.

The following pages provide over 50 cases for such practice. The general format to every case follows a basic four-step exposition: Background, Question(s), Additional Information, and Approach(es). It must be emphasized that, for any given case, the approach provided represents only one suggested methodology for solving the problem and is by no means intended to be comprehensive or exhaustive. Other solutions may very well occur to you as you work through the case in question. The approaches are supplied to give you an idea of what the interviewer might be looking for. It is worth reiterating that the most important qualification for succeeding in the case is clarifying your thought process and communicating the results persuasively, not arriving at a specific solution.

APPROACHING THE CASE

As you practice the cases you will most likely develop a style that is most comfortable for you. But below are a few basic tips on approaching the case interview, most of which are common sense.

Basic Approach Tips:

1. Take Notes
2. Make no assumptions
 - a. Who is our client?
 - b. Has the company faced this issue before? If so outcome?
 - c. What have other companies done facing this solution?
 - d. Has the firm already done any research?
3. Ask Questions... Concise & Logical
4. Remember to listen to the answers you get
5. Maintain eye contact
6. Take your time
7. Lay out a road map for the interviewer
8. Think out loud. Drawing out the problem also helps as consultants are often very visually based.
9. Present thinking in a clear, logical manner. Where useful use frameworks and business concepts to organize your answer.
10. Quickly summarize your conclusions at the end

CASE FRAMEWORKS

As you approach Case Interviews you will hear a great deal about frameworks. So what is a framework? These are methods that have been found to be useful in

structuring your thought process. Many of these are models and concepts are right out of classes such as marketing and economics.

The benefit to following a framework is that it provides a logical flow to your story when analyzing the problem. DO NOT fall into the trap that there is a framework that will solve every type of case or that you need to follow a framework to be successful in “cracking” the case. Many cases you will encounter are specifically scripted to tempt you to try and follow one of the standard frameworks and draw you into a lengthy discussion that will waste valuable time.

A common method of effectively using frameworks is to understand and integrate them into your personal methodology of approaching the case.

The MCG will be sponsoring several events this fall that will focus on providing you with more in-depth discussion on the basic frameworks.

Basic Frameworks

The following are methods that will work with most any case:

- Cost-benefit analysis - Basic microeconomics and strategy concepts
- Internal vs. external market factors - Strategy and marketing concepts
- Fixed vs. variable costs – Microeconomics concept
- Opportunity Costs - Microeconomics concept

Porter’s Five Forces (Strategy)

• Before any company expands into new markets, divests product lines, acquires new businesses, or sells divisions it should view the 5 forces.

1. *Potential entrants* – What is the threat of new entrants into the market?
2. *Suppliers* – How much bargaining power do suppliers bear?
3. *Competition* – What rivalry exists among present competitors?
4. *Buyers* – How much bargaining power do buyers have?
5. *Substitutes* – What is the threat of substitute products & services?

Product Life Cycle (Marketing)

- Maturity of the product or service
 1. *Emerging* – Sales gaining, negative profits. Concentrate on R&D and engineering, define product and generate need with little or no competition
 2. *Growth* – Sales increasing, profits becoming positive. Emphasize marketing, manage rapid growth, focus on quality, and expect new entrants.
 3. *Maturity* – Sales starting to plateau, profits plateau. Focus on manufacturing costs, Prices fall and competition increases.
 4. *Declining* – Decrease across sales & profits. High-cost and low-share competitors exist, focus on being low-cost or niche strategy

The Four Ps (Marketing)

1. *Price*: Predatory or Premium effect.
2. *Product*: Product meets a particular customer need. Or extension of existing products, thus less benefit.
3. *Position / Place*: Physical location is an advantage if superior to competition. Easier to consume for buyers.
4. *Promotion*: What can it do to stand out in category?

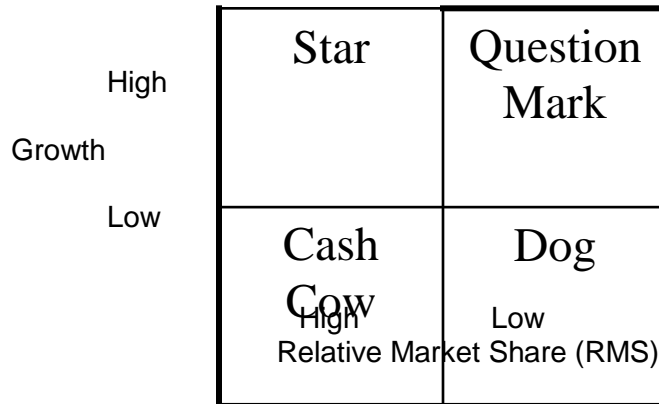
The Four Cs (Marketing)

Especially useful for analyzing new product intros and industry analysis

- *Customers*

- How is the market segmented
- What are the purchase criteria customers use
- *Competition*
 - What is the market share of the client
 - What is the market position
 - What is the strategy
 - What is their cost position
 - Do they have market advantages
- *Cost*
 - What kind of economies of scale does the client have
 - What is the client's experience curve
 - Will increase production lower costs
- *Capabilities*
 - What resource can the client draw from
 - How is the client organized
 - What is the production system

BCG Matrix - Market Share vs. Growth Rate (Marketing)



A CASE INTERVIEW EXAMPLE

Case Title: Jams & Jelly Company

Background: Our client is a jam & jelly manufacturer in the New England area.

They have experienced a drop in profitability over the past few years.

Question: Why has profitability fallen?

Available Information:

- Profitability decreased 2 years ago.
- Firm is a single store operation. Niche player so no major competitors.
- Product is a premium jam / jelly product line.
- Small operation, with no new capital, labor, operations investment expenditures in the past few years.
- Revenues have increased
- Volume has gone up

- Prices have stayed the same
 - Product mix has stayed the same
 - No changes in direct material, labor, overhead. But transportation costs have risen.
 - Transportation change was instituted a little over 2 years ago (26 months ago).
 - Shipping was done to allow for sales in New York and Boston.
 - The distribution is done by another local firm. They are charging us at the rate of transportation, no profit for them. We pass these costs on to our customers.
 - Bad products are returned with a full refund.
- Jellies and jams go bad with low temperatures.

Approaches:

| Interviewee 1 | Interviewee 2 |
|--|---|
| <ul style="list-style-type: none"> • This sounds like a profitability case. I'd like to break this initially into revenue and cost issues. I would guess jams & jellies have a relatively stable cost structure. So I'd like to start with revenues. • When did profitability drop? • Starting with revenues. What's happening with revenue trends? • Is it because volume is increasing or price? • Why is volume increasing? • Are they selling a same mix of jellies? • Interesting, I'd like to switch over to costs. • Variable costs change in direct materials? Direct labor? Overhead costs? Transportation? • Why have transportation costs increased? • Why did you change distribution and when? • Tell me more about the distribution? • Is there anything different in what he sells versus our jams & jellies? • Is the freezer method affecting our jellies? • What happens when our customers don't like the product? • I would suggest stopping this method of transportation as it is spoiling the jellies during the distribution. | <ul style="list-style-type: none"> • Interesting. May I ask for some clarifying information? • What is the products sold? • How big is the firm and how long have they been in business? • Who are the major competitors? • I will be approaching this case by analyzing the market dynamics and following with profitability analysis. • Starting with market dynamics. Is the overall market declining? • Who are their competitors? • Looking at their costs quickly I want to confirm no changes to variable cost structure. So any changes in operations costs? Labor? Product raw materials? New capital improvements? • Has the product pricing decreased? • Switching gears, have they seen a change in their product sales, say the mix? • So have sales increased? • Has volume increased? • So product and prices have not changed? • No advertising cost changes? • How do they sell the product? • So they sell products to New York and Boston as well. Do these products cost more to distribute? • When was this started? • Interesting... So they started sell products a little over 2 years ago. • I would state that the problem is in this distribution program? • So how is this shipped? • How much does this cost us? • What else is shipped with our |

| | |
|--|---|
| | <p>products? Is it making our products go bad?</p> <ul style="list-style-type: none"> • I would state that the freezer is definitely the wrong means to transport. • I suggest ceasing this method and investigating into an alternate means of transportation. |
|--|---|

Wrap-up / Analysis

| Interviewee 1 | Interviewee 2 |
|--|--|
| <p>Attacked it from a profitability angle as the question appeared to lend itself to this approach.</p> <p>Was looking for inconsistencies in the revenue or costs which were resulting in the lowered profitability of the company.</p> <p>Keyed into the new change in distribution as a potential cause and found it was the root of the lowered profitability.</p> | <p>Attacked it with elements of the 4P's and profitability. These allowed for a determination of what the market was internally and externally for the firm.</p> |

Conclusion

The key thing to take away from this example is that there are many ways to approach a case. By no means should you take either example as the "right" way to approach these cases as there is no definitive right or wrong way to "crack" the case. What IS important is that your approach is logical and structured.



Basic Case Interview Categories

WHAT CATEGORIES?

There are many types of categories, but most can be grouped in general categories focusing on different areas of business. These are as follows:

1. Profitability / Profit Improvement
2. Industry Analysis / Market Sizing
3. Market Expansion / New Product Introduction
4. Pricing
5. Investments / Strategic Acquisitions
6. Sizing / Guesstimates
7. Miscellaneous

Most of the cases given are often a mix of these basic categories.

In the following segment these areas will be introduced with representative questions.

PROFITABILITY / PROFIT IMPROVEMENT

Profitability cases often require you to analyze a situation and determine potential reasons for the client's drop in profits. This will test your understanding of product portfolio mix and several other factors.

Examples:

1. How can a mid-size domestic airline regain profitability?
2. How would you evaluate the profitability of a Big Five accounting firm? What are the best measures?
3. You are contracted by a CEO of a supermarket chain, whose profit margin is declining. Why? Assess the situation.
4. Your client is the National Beef Board. The board wants to know if its advertising campaign has been successful. How would you evaluate the campaign's performance?
5. Over the past few years, the client, a retail bank has gone from one bank in one state to eight banks in eight states. All of the banks are operated autonomously and the company as a whole is losing money. Specifically, four individual banks are losing money. The parent bank has tried to mandate cost reductions and has formed committees with representatives from each bank to address these problems.
6. You are working for a firm whose bottom line is declining and senior management thinks it is because of transportation problems. What would you do?
7. Your client is a manufacturer of large jet engines in the U.S. with 40 percent of the market. There is one major U.S. competitor and one potential Japanese competitor, who will not be able to enter the industry for 10 years. The U.S. competitor's prices are below those of your client, and the major purchasers of jet engines are the commercial airlines. What strategy would you advise for your client?
8. Profits are declining in a firm in the trucking industry. Why? How would you fix the problem?

9. A national retailer has low profits. Its competitors are small, regional, specialty stores. What would you review to improve the situation?
10. A manufacturer makes "flooring" for sports courts; i.e., basketball courts, gyms, etc. The floors are made of maple wood. The company has four national competitors and has a 15 percent market share, but it remains profitable with 16-18 percent ROE after taxes. How can the company increase profits?
11. A company is in the railroad freight business and they own the railroads. Profits are declining. What are the key areas you would examine to understand why?
12. A company makes rubber grips for golf clubs and has stagnant sales. The company is profitable, but wants to know how profits can be increased.
13. A manufacturer of communications equipment is losing share and its profitability is declining. The cost side of the business has been analyzed and there are no cost savings. What about the revenue side?

INDUSTRY ANALYSIS / MARKET SIZING

These types of cases often require you to analyze your client and recommend how they should respond to changes made by their competitors or the marketplace. Industry analysis / market sizing tests your analytical ability to understand internal and external market factors and microeconomic concepts of supply and demand.

Examples:

1. An insurance company, which used to be profitable, has been losing money for the last couple of years. Assess the situation. What could be the cause?
2. What are the potential problems you should consider if a Japanese millionaire asks you about the viability of franchising an NFL football team in Japan?
3. A company with 1200 sales representatives throughout the U.S. and superior merchandise offerings is experiencing a decline in sales. What can you do to recover sales?
4. Your client is a motor boat engine manufacturer. A competing engine manufacturer has just purchased a pleasure boat maker to begin selling a complete product. What should the client do?
5. Your client is a cash register maker, a U.S. subsidiary of a Japanese firm. The registers are made in Japan. U.S. profits are plummeting. Why?
6. Your client is a cellular phone network company. The industry is a regulated duopoly. There is high churn in the market, 2-3 percent per month. The market is projected to have a net growth of 40 percent. The client wants to better understand the dynamics of its customers and the market. What would you examine to address these questions?
7. I am a manufacturer of railroad cars in a declining market. The firm is losing market share and money, but thinks that the industry may rebound in the near future. What should I do?
8. A regional Bell operating company is considering entering the phone book publishing business. Growth had been 15 percent for five years following the divestiture and deregulation, but it has now stalled. The client wants to know how you would evaluate the situation.
9. Your client is a manufacturer/distributor of disposable hospital gowns. Industry sales grew quickly until two years ago, then leveled off. Half of the hospitals say that cloth gowns are more economical, while the other half believes that disposable gowns are the better choice. What should the client do? Part II: Given that the cost advantage for cloth is 3.75 to 1 in favor of cloth for non-customers, what are the strategic alternatives available to the firm?
10. What are the concerns of the Dean of the Business School?
11. Your client is Domino's Pizza. You've just heard that Pizza Hut is entering the home delivery business. How big a threat is this for Domino's?
12. What are the differences between beer distributors and groceries distributors?

13. A beer company has asked you to review the beer industry, taking into account all the changes in drinking habits & new product introductions. Assess the future market and discuss what strategy the company should pursue.

MARKET EXPANSION / NEW PRODUCT INTRODUCTION

This type of case involves your ability to recommend a strategy to enter a new market or bring a product/service to market. This type of case strongly tests your ability to analyze the competitive landscape and the client's core competencies.

Examples:

1. An East Coast tire retailer is looking to expand in the Midwest. The retailer has the largest (15 percent) share in its existing market, with three competitors who each have 10-12 percent share. The rest of the market is fragmented among independent service station-type outlets. Assume that the Midwest market share distribution is similar, except that the client's current market share is proportionately distributed among the existing operators. The client has retail-only outlets. The other principal competitors also operate service bays at their outlets. Assess the factors related to the expansion. (Issues to consider: What are the underlying economics of the business? What are the principal factors affecting customer purchase decisions? How price-sensitive are customers? What are the cost structures of the various types of retailers? What are the likely competitor reactions? What are the benefits to a market expansion?)
2. What is your understanding of the organizational structure of the consulting industry?
3. A large glove manufacturer with one major competitor sells product to department stores and wholesalers. How would you assess the competitors' revenues and costs?
4. Your client is an investment company that provides various services (e.g., CDs, IRAs, and Mutual Funds) to individuals. The company is thinking of expanding into Europe. A) Should it undertake this expansion? B) If yes, and given that transaction processing is very computer-intensive and the firm's United States office currently has excess capacity, the company wants to know if it would be a good idea to do the "back-room processing of paperwork" in the United States?

PRICING

This category will test your ability to access your client in relation to competition and may require the ability to "guesstimate" the value of the service/product in the marketplace. The key to this type of case is your ability to understand the basic cost-benefit relationships and microeconomic concepts such as fixed vs. variable costs.

Examples:

1. The 14th century inventor of the telescope wants to know: 1) What is the market for his good, and 2) How to price it? (Hint: Identify uses for product and corresponding user segments.)
2. How would you price and sell services in the consulting industry?
3. Your client is a symphony hall. Revenues at performances are declining. Given that the symphony hall's goal is to maximize exposure while covering costs, what should be done?
4. Why are airline prices so volatile?
5. The production of phone books is essentially a monopoly. There is unlimited production and prices have bounced around in the past. The client wants to know a base price, lowest acceptable price, and prices it could charge various customers. How would you go about pricing an ad for the yellow pages?
6. Part I. How would you price milk? Part II. Your client is an organic manufacturer of milk; how would you advise your client to price his product?

INVESTMENTS / STRATEGIC ACQUISITIONS

These forms of cases will ask you to help determine whether or not a specific acquisition or merger would be advisable for the client. This type of case will often occur in identifying your ability to analyze supply chains, access the market, and valuation of the particular elements in question.

Examples:

1. Your client is a German manufacturer of metal alloys that has been approached by a specialty alloy firm proposing a merger of the two. The specialty alloy manufacturer sells product to steel makers. The firm has the smallest market share of four players and has lost money in each of the last seven years, except for last year. The firm's costs have remained constant over the time period as has its market share. Should your client go ahead with the merger?
2. Your client is a large manufacturer of tractors for agricultural and industrial use. The client is considering sourcing some of its tractors from a competitor. What would you do? What impact would this move have on your manufacturing and dealer network?
3. Your client is a sawmill that logs and processes timber into construction wood. Currently, it is making a lot of money and wants to know how to determine whether it should buy more mills, sell parts of its operations, or do nothing. What would you advise?
4. A waffle factory is at 100% capacity. How can it increase its capacity?
5. A beef manufacturer is thinking of integrating forward and selling branded beef. Should it?
6. A chemical company is trying to decide whether to acquire/expand capacity. How would you advise it? Why? Related Question: How would you structure compensation for an individual plant manager of the chemical company?

SIZING / GUESSTIMATES

These are questions that require you to be able to logically determine a certain quantity. Often these will not be free standing types of questions, but will be required as you solve a larger case. This could exist as a case focusing on the automotive industry might require you to determine how many tires are sold for SUVs per a year.

Examples:

1. Estimate the amount of tea in China.
2. Estimate the number of airline passenger miles flown in one year.
3. Estimate the number of skis sold in one year.
4. How many light bulbs are sold in the United States each year?

Possible Answer:

Assume every bulb is replaced once a year.

Determine number of households (250,000,000/4).

Assume 20 bulbs in an average household.

Triple that estimate for industry usage.

$250,000,000 * 20 * 3/4$.

5. Value the US as an option of the world and give a numerical answer.
6. Estimate the number of gas stations in the United States.

Possible Answer:

If you figure there are 250 million people in the U.S. and one car per four people and maybe 500 cars for each gas station, the answer is 125,000.

7. Why are man-hole covers round?

Possible Answer:

They can be moved by rolling, and if they were square, they could fall down the hole.

8. If you were to put artificial turf on all the Major League ball-fields, how many square yards would you need?

9. Why do many vending machines and juke boxes have both letters and numbers?

Possible Answer:

There would be too many buttons otherwise.

10. If you were a product, how would you position yourself?

MISCELLANEOUS

There are many other types of cases that are possible that do not meet any of these categories or are combinations of the above styles.

A major development recently in this category is the advent of the E-Commerce oriented case. These often focus on questions related to the "New Economy" as it pertains to one of the other categories. These cases also intend to evaluate your understanding of the new technologies or trends in the marketplace.

Examples:

1. Our client is a local bank who now is seeking to enter into the on-line banking market. Do you think this is a good idea? What is the potential market for our client and growth?
2. The client is a small startup who is in the on-line independent movie distribution chain. Given recent events in the on-line music industry what do you think is the best means to grow in the market?
3. The client is an accounting firm, whose growth has recently stagnated. How would you think about productivity? What would be the optimal size of the firm? How centralized should its operations be? How should it motivate its professionals?
4. Give me your marketing plan to become a partner, including a timetable.
5. A commercial bank has inefficiencies in its loan operations. Think of the process as involving three steps: 1) Application and approval. 2) Loan money 3) Close loan. What would you look at?
6. Why is the trade deficit an issue for the United States? Why is the budget deficit an issue? What are the implications of both?
7. A major airline with a reservations system is thinking about working with a software developer to add a feature to its system that can track fraud by travel agents. The primary fraud perpetrated by travel agents is backdating tickets (i.e. issuing 14-day advance purchase ticket, 10 days before an actual flight.) How would you advise the airline to evaluate whether they should add this feature?
8. A consumer goods company manufacturing shampoo is having problems at the customer locations with cyclical demand. The marketing, manufacturing, production, and sales departments are not communicating effectively. Furthermore, a bottle supplier is not meeting demand on time, shipping bottles to us a few weeks behind schedule. How would you approach the situation to produce the right brand and size on time while keeping inventory low and smoothing out the demand cycle?

A catalog producer for an L.L. Bean-type company has a mailing list of past customers, about twelve million. Currently, it ships four million catalogues but these are not reaching the right people. Sales per catalogue is decreasing, but sales overall have increased. Determine a strategy that will optimize both the number of catalogs shipped and the target customers receiving them.

CENTRAL PARK

Background: Giuliani wants to lease central park to raise some revenue. The lease is for 99 years. The client has retained you to advise them on controlling and operating central park. Giuliani will accept sealed bids – the highest bidder will win, as long as the use meets expectations.

Question: What should we do with Central Park and what should our bid be?

Case Information:

Expectations are that the buyer can build on no more than 20% of the park. Building sites can be roughly 2-5 stories in height, though no high rises. The buyer can put these facilities to any purpose.

The client has other New York assets/facilities.

The client is Disney (this information should only be given out if requested).

Giuliani will take the highest bid no matter what the highest bid is.

If the person taking the case comes up with a figure, tell them the client is the only bidder. What should they bid?

Analysis of case:

First, the person should determine who the client is. This information is vital to how to structure what to do with the park. Regardless, the case taker should come up with a rough format of how to value the park. Setting up this format will drive out potential uses, the value of each use to a particular person or persons, the amount the client can charge for such a use, and some assumptions about the aggregate fees per day and per year for each use. The case taker should also consider multiple uses for different parts of the park. Sample uses include leave as a regular park but charge for usage, make a theme park or amusement park, create a permanent concert venue and charge admission, install housing, put up other commercial or retail space. Although the case taker need not explore each one, he/she should choose one and get an idea of how much the value would be.

After the case taker puts some assumptions around value and what to charge, the daily and yearly usage figures should be estimated. These estimates are back of the envelope; the giver is simply trying to see if the taker can think on his/her feet and come up with reasonable assumptions for the value of the park. For instance, as a regular park, the buyer could charge admission. If the users currently get \$8 of utility from a free park, it might be reasonable to assume that the client could charge each user \$4 a visit. If we assume that 5000 people visit the park daily after the admission fee is instituted, then the park generates \$20,000 a day. Multiply times 360 to get that the park is making 7.2 Million per year. Since the lease is essentially forever, pick an acceptable discount rate, say 10%, and the park is worth \$72 Million.

Obviously the taker should use simple numbers to help out the math. Also, the taker should mention that no costs are factored in, and that the utility would need to be measured for feasibility. Other uses of the park would clearly bring in other cash flows, including up front capital expenditures.

Finally, if the case taker suggests a figure, mention that NY will take the highest bid no matter what – and that your client has is the only bidder. The bid should be something like \$1.

Comments: If done correctly, it can be cracked in less than 10 minutes. This case mixes concepts from marketing and finance, forcing the taker to make assumptions about uses and discount potential cash flows.

REGIONAL ASIAN BANK

Background:

The processing division of a large, regional Asian bank wants to improve its cost-to-revenue ratio (CRR). Present calculations reveal that the current CRR is 0.60. The client wants to improve this to the industry standard of 0.40.

Question:

What strategies can the client pursue to lower its CRR to 0.40?

Case Information:

The client provides back-office services for the bank's three other divisions: Retail Banking, Corporate Banking, and Regional Banking. These services include: credit processing, payments processing, customer service processing, call center services, and credit card processing.

The client receives \$100M in annual revenues. In the past, revenues have always grown or diminished in accordance with industry trends; costs increase and decrease in proportion to revenue. This trend is expected to continue in the future. An analysis of the revenue/cost distribution will show that revenue and costs are distributed evenly among the three customers. *[The candidate can calculate that costs are approximately \$60M]*

The client is organized into three highly independent groups, with each group servicing one customer. Analyzing the individual groups will reveal that none of them stand out as being particularly inefficient, and they all have CRR's of about 0.60. However, there are many similarities and overlaps in the processes they perform (all processes are handled internally). *[There is no need for the candidate to explore the specific processes or overlaps.]*

A cost analysis will reveal two types of costs: labor, and systems. Labor costs stem from the organization's workforce of 1,000 employees, with an average annual salary of \$40,000 to \$45,000—salaries are in accordance with industry standards. *[Salary cuts are not advisable.]* Systems costs are primarily IT related, and comprise the remainder of costs.

A study of the client's IT systems will reveal that they are below industry level in sophistication.

A competitive analysis will reveal that the average industry cost distribution is 60% labor, 40% systems. No other information is available about competition.

The client has no control over the volume of revenue it receives from its three internal customers. Furthermore, the client believes that strategies to boost revenue by fine-tuning the operations of its customers are beyond the scope of the engagement.

The client's pricing for its internal customers is consistent with the industry standard. The client is aware that it can increase revenues by increasing internal pricing, but would like to hear other recommendations.

Analysis of Case:

The case can be approached by looking at ways to reduce costs and increase revenues in order to hit the target.

The client's labor/systems cost mix is 70/30%, compared with an industry standard of 60/40%. Upgrading IT systems may allow it to decrease its workforce, and reduce overall costs.

The client can integrate its three groups, and look for synergies. Possible synergies include integrating common processes, and transferring best practices. This can result in reduced manpower requirements, and further cost savings. (The candidate should list possible synergies that can occur from integration.)

| | | | | | |
|-----------|----|---|-----------|----|--|
| Retail | BO | → | Retail | BO | |
| Corporate | BO | | Corporate | | |
| Regional | BO | | Regional | | |

Reducing costs may not be enough to achieve the target CRR. There are no options to increase revenues from the internal customers; however, the client can explore *insourcing*, where they can offer processing services to external banks for services that they have high competencies in. This can increase revenues substantially, while bringing economies of scale.

The client can combine the *insourcing* strategy with *outsourcing* the processes that it does not have competencies in, and are **not highly sensitive**. The client can determine its strategy to maintain, develop, *insource*, or *outsource* the different processes as follows:

| | | | |
|-------------|------|---------------------|--------------------|
| | | Competency | |
| | | High | Low |
| Sensitivity | High | Maintain Internally | Develop Competency |
| | Low | Insource | Outsource |

PAINT OR LAMINATE

Background: A client has come to you with a new technology which will label bottles in a way that makes them look like they have been painted.

Question: How valuable is the technology?

Case Information:

There is a limited set of companies which make bottles and apply labels. When a bottle is to be painted, a different company will generally do the painting, but will not necessarily create the bottle: 10% of the painting is done at the glass manufacturer. (There are actually only 4 players in the market and it is mature; the case taker should realize that margins are low and glass bottles are a commodity)

The market size of the paint and label business today is \$50 billion. 10% of all bottles get paint.

Current paint technology provides crude images. The new laminate would create sharp bright images.

Each color painting today adds additional expense; the new laminate would not necessarily be so.

The laminate is more expensive than paper, but cannot be scratched off.

The cost per bottle is \$0.20 for paint, \$0.15 for the laminate, \$0.05 for paper labels.

An un-labeled bottle costs \$0.05.

Potential Questions:

Who wins and who loses with this technology?

Who really needs it?

Analysis of case:

This case involves a little math and some reasonable assumptions on the part of the case taker.

The case taker could move down the path right away of who might need this technology. The case taker should instead focus on the numbers, and then come back to that discussion at the end.

Realizing that the market is \$5 billion a year and the cost is still high for your product, you could really only charge no higher than \$0.19 per bottle for the laminate. In fact, you may only be able to realize a couple cents per bottle, since the bottlers need some incentive to move to your product. Thus the actual value of the technology would be some \$0.035 per bottle. Assuming that each bottle costs a nickel by itself, then the number of bottles with paint would be $5 \text{ B} / 0.25 = 20 \text{ B}$ bottles. So the technology would be worth about 700 Million.

The case taker should then discuss who might use this technology and discuss why they might switch. Companies dependent on marketing may be best suited for this technology, such as Coca-Cola. The candidate should feel free to suggest other ways to expand the business.

However, the candidate should realize that most bottled products are as much a commodity as the bottle themselves. If a drink producer made \$0.25 for every drink sold using paper labels, then raising costs by \$0.13 per bottle for laminated labels would seriously erode profits. They would have to sell twice as many bottles of soda than they did before switching. In an industry like the software industry such increases are unlikely.

Finally, the case taker should realize that not all painted labels will convert to laminate; the technology is therefore worth somewhat less than the \$700 million figure from above.