

How to Begin to Prepare for Case Interviews

Masters Career Center



Agenda

- Principles for Case Interviewing
- Case Example





Principles for Case Interviewing



Case interviews are being used more often during the recruiting process



- Used extensively by general management consulting firms during their recruiting processes
- Being used more frequently by financial services firms in evaluating, for example, investment banking candidates
- Incorporated more frequently in the form of “mini-cases” during the recruiting processes used in a variety of industries, e.g., pharmaceuticals, telecommunications

Candidates are frequently evaluated in four main areas during their discussion of a case



Problem Solving

- Interest in problem solving
- Structured thinking
- Ability to sort through information
- Ability to identify key points
- Pragmatic approach

Analytics

- Knowledge of analytic techniques
- Facility with numbers
- Ability to carry out analyses
- Ability to form recommendations based on analyses

Communication

- Oral communication skills
- Presentation skills
- Presence

Personal Characteristics

- Ability to think on your feet
- Ability to deal with pressure
- Creativity
- Enthusiasm and high energy level
- Common sense

Candidates should consider the interviewer's perspective as they prepare for cases



Candidates should also be aware that some of the best case interviews are conversations...



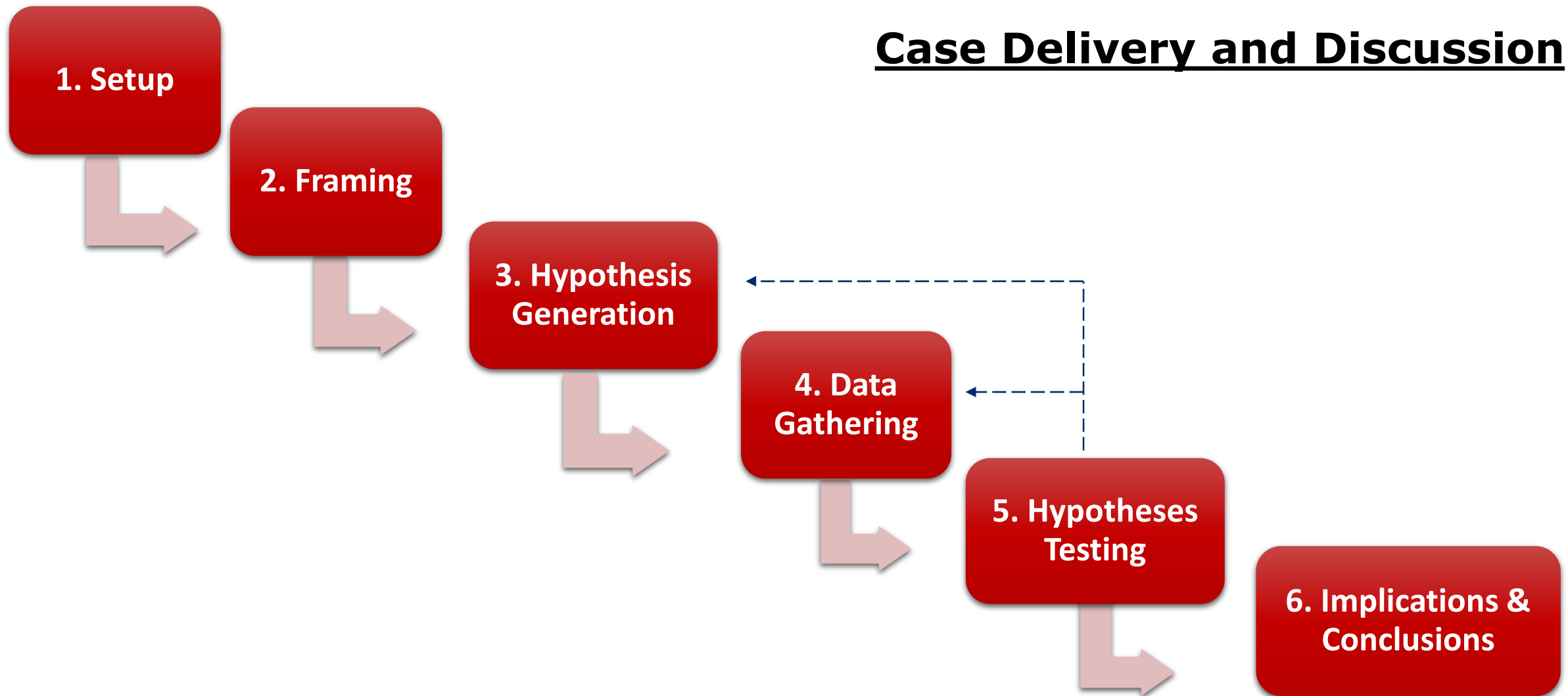
- What are characteristics of a good conversation?
 - Variety of topics
 - Shared interests
 - Comfortable atmosphere
 - Intellectual challenge
- Both the candidate and the interviewer learn from the discussion

... and not interrogations

The delivery and discussion of a case often follow a pattern, with some variation



Case Delivery and Discussion



Principles of successful case interviewing include:



- Stay calm, take time to think
- Phrase the problem in your own words (echo-back) if it's complicated
- Develop a framework—don't generate random ideas
- Begin by defining issues and hypotheses, not answers
- Don't make assumptions—ask questions and listed carefully, but don't "go fishing"
- Surface potential analyses—WHY, not WHAT
- Think out loud—summarize periodically and avoid logic jumps
- Focus on the issues and opportunities facing the client
- Drive to potential actions—be pragmatic
- Watch the interviewer's reactions and listen carefully for hints



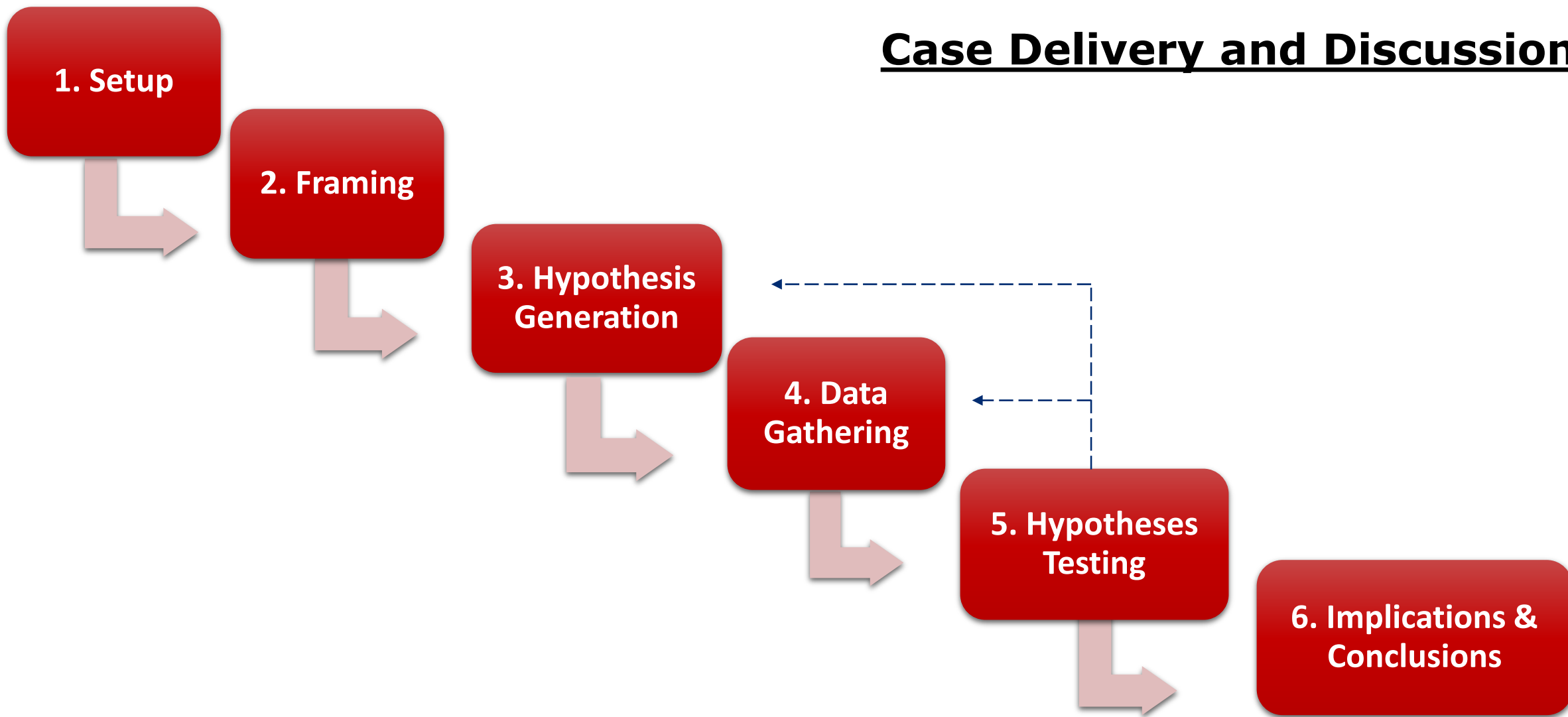
Case Example



Let's examine the typical steps involved through consideration of a case example



Case Delivery and Discussion



The first step is for the interviewer to set up the case by describing the business situation



Case Set-up

- The company in question is a **consumer packaged goods** company
- It is in the business of manufacturing, marketing and selling **consumer food products**
- Direct customers are **grocery retailers**...but the end customer is the **consumer**
- Over the past year, the prepared sauces division has experienced an unusual trend
 - **Volume increased 20%**
 - **Profits decreased 10%**
- The CFO wants the Director of Strategy to understand **why this is happening and to recommend a solution**

The second step is for the candidate to propose a framework for approaching the problem and driving toward a solution



Framing

- The question at hand is really one of **profits**
- To understand what drives profits, a fairly simple framework can be applied
 - **Profits = Revenue - Cost**
 - **Revenue = Price x Volume**
 - **Cost = (Variable Cost x Volume) + Fixed Cost**
- Using this framework, **explore the key levers** to understand where there may be issues
- Note: Not necessary at this point to conduct a full diagnostic (e.g., industry, competition, customers)

The third step is for the candidate to develop a few well reasoned hypotheses to pursue



Hypothesis Generation

- **Hypothesis 1:** Prices may be declining to support the higher volumes, thereby leading to lower profits
- **Hypothesis 2:** Variable product costs may be rising—perhaps due to changing product mix or perhaps due to diseconomies of scale
- **Hypothesis 3:** Sales and Marketing costs may be rising to generate higher sales
- **Hypothesis 4:** Property, Plant and Equipment costs may be rising to support increased production

The fourth step is for the candidate to collect the data necessary to test the hypotheses



Data Gathering



- Data shows that average price has remained flat

The fourth step—data gathering (cont.)

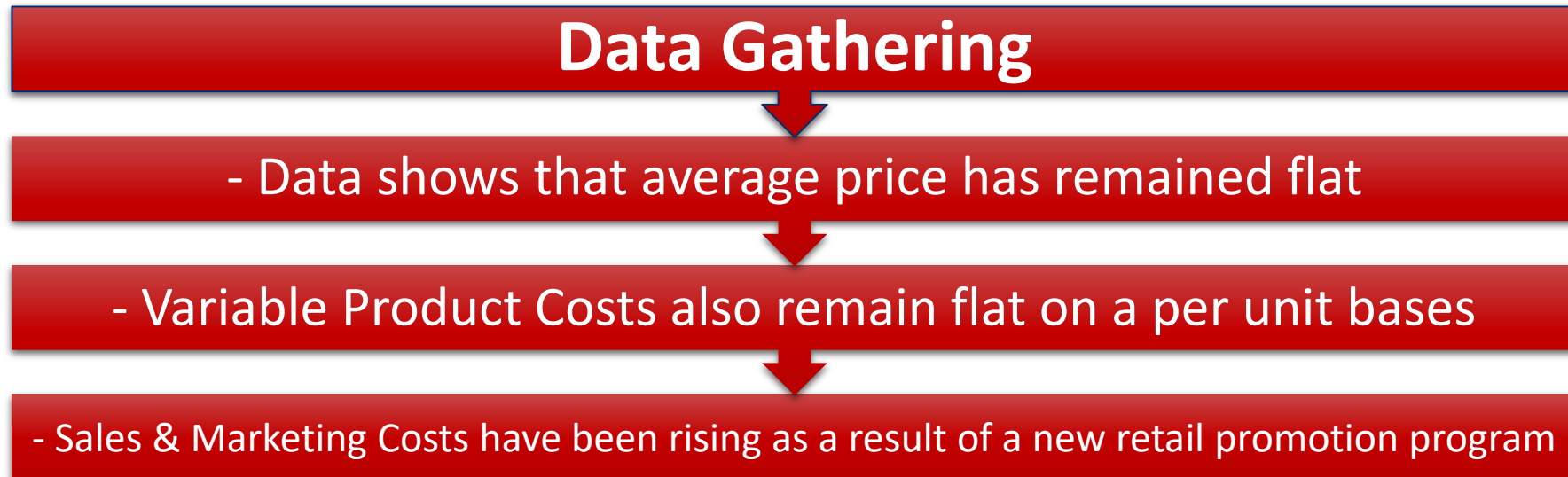


Data Gathering

- Data shows that average price has remained flat

- Variable Product Costs also remain flat on a per unit bases

The fourth step—data gathering (cont.)



The fourth step—data gathering (cont.)



Data Gathering

- Data shows that average price has remained flat

- Variable Product Costs also remain flat on a per unit bases

- Sales & Marketing Costs have been rising as a result of a new retail promotion program

- Data shows no increase in PPE Costs

The fifth step is for the candidate to test the remaining hypotheses



Hypothesis

- **Hypothesis 3**: Sales and Marketing costs may be rising to generate higher sales

Basic Data

- Original Volume—100 cases/year
- Price—\$100/case
- COGS—\$80/case
- Promotion—discount of \$15/case (15%)
- New Volume—120 cases (20%)
- Promoted Volume—40 cases

Fifth step—hypotheses testing (cont.)



Hypothesis

- **Hypothesis 3:** Sales and Marketing costs may be rising to generate higher sales

Basic Data

- Original Volume—100 cases/year
- Price—\$100/case
- COGS—\$80/case
- Promotion—discount of \$15/case (15%)
- New Volume—120 cases (20%)
- Promoted Volume—40 cases



Original Profit

- Revenue—100 cases
X \$100/case = \$10,000
- COGS—100 cases x
\$80/case = \$8,000
- Margin--\$2,000

Fifth step—hypotheses testing (cont.)



Hypothesis

- **Hypothesis 3:** Sales and Marketing costs may be rising to generate higher sales

Basic Data

- Original Volume—100 cases/year
- Price—\$100/case
- COGS—\$80/case
- Promotion—discount of \$15/case (15%)
- New Volume—120 cases (20%)
- Promoted Volume—40 cases



Original Profit

- Revenue—100 cases
X \$100/case = \$10,000
- COGS—100 cases x
\$80/case = \$8,000
- Margin--\$2,000



New Profit

- Revenue—120 cases
X \$100/case = \$12,000
- COGS—120 cases x
\$80/case = \$9,600
- Promotion—40 cases
X \$15/case = 600
- Margin—\$1,800—a 10% decrease

It is necessary to do some additional data gathering to understand why companies run promotions



- Generate incremental sales to boost profits—not happening in this case
- Drive trial and conversion among consumers to boost long-term share—uncertain
- Combat competitors' promotional activity to prevent loss of share—yes
- Cross-sell additional products that the company sells (e.g., pasta & sauce)—not in this case
- Win retailer support for distribution, product placement, display and other in-store support—absolutely

Finally the candidate should summarize and present recommendations



- In this case, it appears that the client's retail promotion program is not generating enough incremental sales to justify its cost resulting in eroding profits
- However, there are a number of strategic reasons for keeping some form of promotion—the opportunity cost of not having one could be greater
- Therefore, the recommendation is to continue to offer a program, but look to implement the following changes to improve its effectiveness
 - Promote at a lower discount level
 - Attempt to share the promotion cost with the retailer
 - Ensure that all outlets are providing feature and display support
 - Consider exploiting any seasonal effects
 - Consider changing the duration of the promotions—more frequent, shorter promotions versus less frequent, longer promotions

To review, principles of successful case interviewing include:



- Stay calm, take time to think
- Phrase the problem in your own words (echo-back) if it's complicated
- Develop a framework—don't generate random ideas
- Begin by defining issues and hypotheses, not answers
- Don't make assumptions—ask questions and listen carefully, but don't “go fishing”
- Surface potential analyses—WHY, not WHAT
- Think out loud—summarize periodically and avoid logic jumps
- Focus on the issues and opportunities facing the client
- Drive to potential actions—be pragmatic
- Watch the interviewer's reactions and listen carefully for hints
- PRACTICE, PRACTICE, PRACTICE!

Additional Resources:

We recommend these books for anyone interested in preparing for case interviews:

- “The Boston Consulting Group On Strategy” by Carl Stern and Michael Deimler
- “How to Talk to Anyone: 92 Little Tricks for Big Success in Relationships” by Leil Lowndes
- “Guesstimation: Solving the World's Problems on the Back of a Cocktail Napkin” by Lawrence Weinstein and John Adam

