



**INSEAD**  
The Business School  
for the World



# **INSEAD Consulting Book 2007**

**January 2007**

**Sponsored by:**

**THE BOSTON CONSULTING GROUP**

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# 1. Introduction

The ICC (INSEAD Consulting Club) is pleased to present the INSEAD Consulting Book 2007, following up on the tradition created by the 2005 class. This book is created with the aim of assisting INSEAD students to prepare for a career in consulting and be successful in their job search and recruiting process.

The book consists of distinct sections, starting with an overview of the management consulting industry and opportunities offered to MBA graduates. This would serve as part of your background knowledge as you begin conducting informational interviews. The informational interviews serve two main goals: finding out whether there is a fit between you and the company, and acquiring more information on the company to be used in your cover letter or interview. Next, we have included samples of cover letters to serve as guidance to the first stage of the recruiting process.

Finally, we present some useful tips from INSEAD students and alumni who were successful in their consulting job search and a selection of case examples. They are intended to assist you in the case interviews preparation, the cornerstone of the whole process. Why do management consulting firms give cases during their interviews? Simply because they are in fact an excellent indicator of how good you will be as a consultant, both in terms of your problem-solving skills and your personality. We find that cases are the best way for you to think on how to approach and "crack" the cases. Make sure you are relaxed and have fun during your case interviews, but remember: success favors the well-prepared!

We would like to acknowledge the support we received from the Boston Consulting Group, who sponsored the production of the 3<sup>rd</sup> edition of this book and gave us full access to their resources. We would also like to express our gratitude towards BCG and Booz Allen Hamilton for providing us with the 11 case exercises which are the bulk of this book.

Our most sincere thanks also go to the current students, ex-consultants and alumni who have contributed significantly both to this book and to the ICC's ongoing activities, in the form of CV reviews, mock interviews, informal chats and general but very insightful feedback and input.

Finally, we would like to thank the 2005 and 2006 ICC members for initiating the production and circulation of the INSEAD Consulting Book. We hope this tradition will continue further on with the next INSEAD classes.

ICC Board, 2007

## 2. Consulting job search at INSEAD

Consulting remains a popular choice for INSEAD graduates, with stable recruitment levels over the past three years. There has been a steady increase in the number of graduates who find consulting jobs through INSEAD career activities and networking.

Western Europe is still the main destination for consulting jobs, but an increasing number of graduates are moving to Southern Europe, particularly Spain and Italy. Consulting recruitment in Asia Pacific is stable, 15% of total both in 2004 and 2005, with the majority of offers coming from global firms based in Singapore.

Table 1 presents the top 10 INSEAD employers in the last three years for positions in the Consulting industry.

Top INSEAD employers for Consulting positions					
2003 classes		2004 classes		2005 classes	
McKinsey & Company	91 (49)	McKinsey & Company	90 (37)	McKinsey & Company	74 (30)
Bain & Company	25 (14)	The Boston Consulting Group	60 (23)	The Boston Consulting Group	40 (16)
The Boston Consulting Group	22 (13)	Bain & Company	29 (17)	Bain & Company	30 (8)
Booz Allen Hamilton	17 (5)	A.T. Kearney	9 (2)	Booz Allen Hamilton	13 (5)
Cap Gemini Ernst & Young	6 (3)	Booz Allen Hamilton	9 (3)	Roland Berger Strategy Consultants	12 (4)
Accenture	5 (3)	Accenture	7 (3)	L.E.K. Consulting	9
A.T. Kearney	5 (5)	Marakon Associates	7 (1)	Accenture	7 (1)
L.E.K. Consulting	4	Deloitte	3 (2)	Arthur D. Little	5
Marakon Associates	4 (1)	Monitor Company	3	PricewaterhouseCoopers	4 (3)
PricewaterhouseCoopers	4 (2)	Roland Berger	3 (2)	Value Partners	4

Table 1: Top INSEAD employers in Consulting, numbers in brackets are former employees  
Source: INSEAD Career Services reports

The main difference between the timelines of the consulting job search process for the January and the September INSEAD promotions is the possibility of doing an internship during the summer break for the January graduates. Overall, figure out what you want to do during P1 and P2, network during P3 and go for it in P4 and P5.

Make sure you initiate your job search before the P4 and P5 periods, when you will have little time and will be more stressed out. Think about your goals, do your research on the sector and network through informational interviews or other activities. This will help you to be more focused on your applications and more confident in your interviews.

## TIMELINE OF CONSULTING JOB SEARCH PROCESS

### January promotion

Self Assessment & Internship hunt P1-P2	More Sector Research P3	Summer Break	Go For It! P4-P5
<ul style="list-style-type: none"> <li>• Self Assessment</li> <li>• Attend Mock-Interview sessions</li> <li>• Prepare CV &amp; Motivation letters</li> <li>• Do Informational interviews</li> <li>• Interview preparation with Peers</li> <li>• Apply for Summer Jobs</li> </ul>	<ul style="list-style-type: none"> <li>• Networking</li> <li>• More Research</li> <li>• Just CHILL!</li> <li>• More Informational interviews (especially with the firms not coming on campus)</li> </ul>	<p style="text-align: center;"><b>INTERNSHIP</b></p> <ul style="list-style-type: none"> <li>• More Informational Interviews (at the location of the summer project)</li> <li>• Networking</li> </ul>	<ul style="list-style-type: none"> <li>• Attend company presentations</li> <li>• Company Case-interview sessions (e.g., the BCG Case workshop and/or the Bain "Crack The Case" workshop)</li> <li>• Interview preparation with Peers</li> <li>• Consult job postings</li> <li>• On-campus recruitment</li> </ul>

### September promotion

Self Assessment P1	Prepare CV & Network P2	Networking P3	Go For It! P4-P5
<ul style="list-style-type: none"> <li>• Career Orientation</li> <li>• Self Assessment</li> <li>• Counseling/Advising sessions</li> <li>• CHILL!</li> </ul>	<ul style="list-style-type: none"> <li>• Prepare CV and Motivation letters</li> <li>• Networking</li> <li>• Informational Interviews</li> </ul>	<ul style="list-style-type: none"> <li>• Research Consulting Sectors &amp; Companies</li> <li>• Networking</li> <li>• Interview Preparation</li> <li>• More Informational interviews</li> </ul>	<ul style="list-style-type: none"> <li>• Attend company presentations</li> <li>• Company Case-interview sessions (e.g., the BCG Case workshop and/or the Bain "Crack The Case" workshop)</li> <li>• Interview preparation with Peers</li> <li>• Consult job postings</li> <li>• On-campus recruitment</li> </ul>

Figure 1: Timeline of the Consulting Job search process

Source: INSEAD Career Services

## **3. Consulting industry: history, structure and global trends**

### **3.1 History**

Management consulting (sometimes also called strategy consulting) refers both to the practice of helping companies to improve performance through analysis of existing business problems and development of future plans, and to the firms that specialize in this sort of consulting. Management consulting may involve the identification and cross-fertilization of best practices, analytical techniques, change management and coaching skills, technology implementations, strategy development or even the simple advantage of an outsider's perspective. Management consultants generally bring formal frameworks or methodologies to identify problems or suggest more effective or efficient ways of performing business tasks.

Management consulting grew with the rise of management as a unique field of study. The first management consulting firm was Arthur D. Little, founded in the late 1890s by the MIT professor of the same name. Though Arthur D. Little later became a general management consultancy, it originally specialized in technical research. Booz Allen Hamilton was founded as a management consultancy by Edwin G. Booz, a graduate of the Kellogg School of Management at Northwestern University, in 1914, and was the first to serve both industry and government clients. The first pure management consulting company was McKinsey & Company. McKinsey was founded in Chicago during 1926 by James O. McKinsey, but the modern McKinsey was shaped by Marvin Bower, who believed that management consultancies should adhere to the same high professional standards as lawyers and doctors. McKinsey is credited with being the first to hire newly minted MBAs from top schools to staff its projects vs. hiring older industry personnel. Andrew T. Kearney, an original McKinsey partner, broke off and started A.T. Kearney in 1937.

After World War II, a number of new management consulting firms formed, most notably the Boston Consulting Group (BCG), founded in 1963, which brought a rigorous analytical approach to the study of management and strategy. Work done at BCG, Booz Allen Hamilton, McKinsey and the Harvard Business School during the 1960s and 70s developed the tools and approaches that would define the new field of strategic management, setting the groundwork for many consulting firms to follow. Another major player of more recent fame is Bain & Company, whose innovative focus on shareholder wealth (including its successful private equity business) set it apart from its older brethren. Also significant was the development of consulting arms by both accounting firms (such as Accenture of the now defunct Arthur Andersen) and global IT services companies (such as IBM). Though not as focused on strategy or the executive agenda, these consulting businesses were well-funded and often arrived on client sites in force.

The current trend in the market is a clear segmentation of management consulting firms. Bain, BCG and McKinsey retain their strong strategy focus, with pure strategy houses such as L.E.K., Marakon and OC&C competing effectively in this high-end market. Many other generalist management consultancies such as Accenture are broadening their offering to include high volume, lower margin work such as system integration. There is a relatively

unclear line between management consulting and other consulting practices, such as Information Technology consulting.

Management Consulting is becoming more prevalent in non-business related fields as well. As the need for professional and specialized advice grows, other institutions such as governments, quasi-governments and not-for-profit agencies are turning to the same managerial principles that have helped the private sector for years.

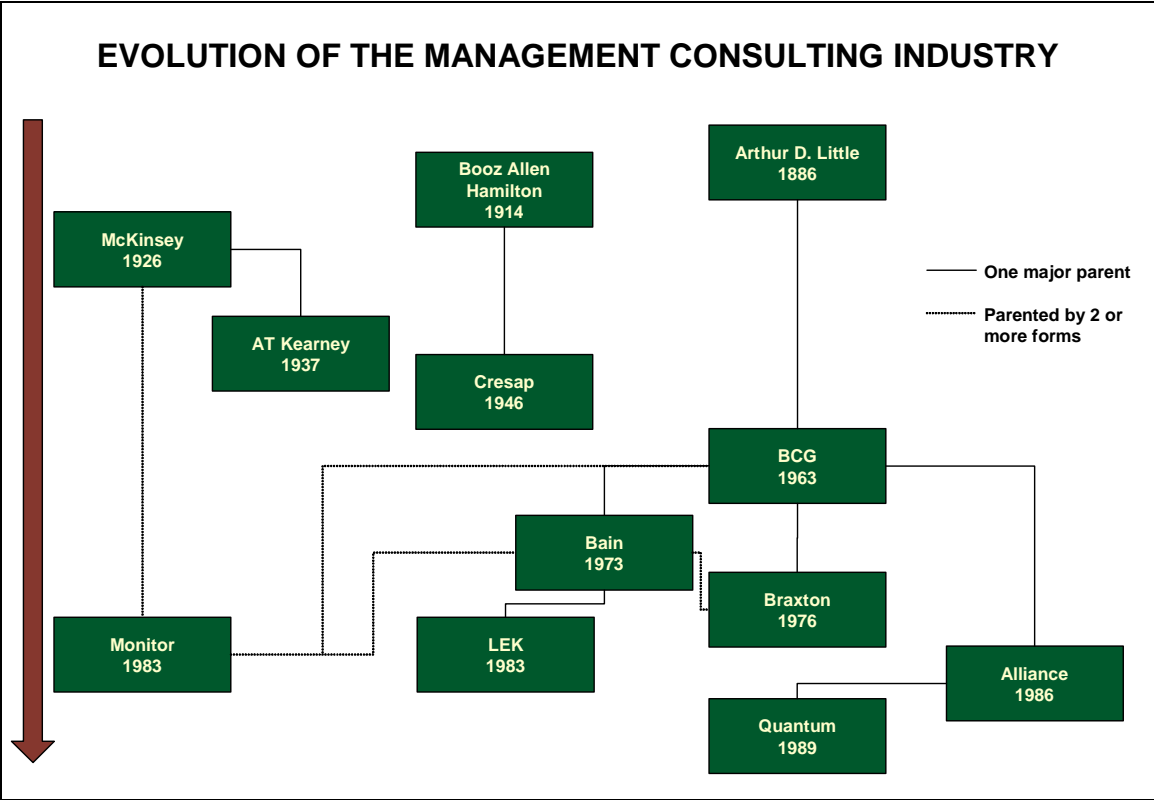


Figure 2: Evolution of the Management Consulting industry  
 Source: [www.wikipedia.com](http://www.wikipedia.com); McKinsey; BCG

### 3.2 Structure

Consulting firms are segmented according to their focus and their size, as illustrated in the matrix from figure 3. Although neither exhaustive nor fully accurate, this matrix representation shows the best known companies in each category and approximate values of size and earnings per consultant (as in 2003).

Most MBA graduates are hired by the so-called Global Strategy firms. The bulk of these firms' work consists of providing strategic and operational advice to executives in the top companies.



So-called Global Operations/IT firms typically take on larger projects and design, implement and manage their clients' needs very closely. These consulting projects require larger teams, working closely with the clients. People who give value to the implementation phase and the operational process could prefer this kind of environment.

Furthermore, there are firms that specialize along industries and/or functional lines. Although often smaller, these firms may have impressive reputations, compete equally with the most well-known firms, and make similar levels of earnings per consultants. They are usually mentioned as consulting boutiques.

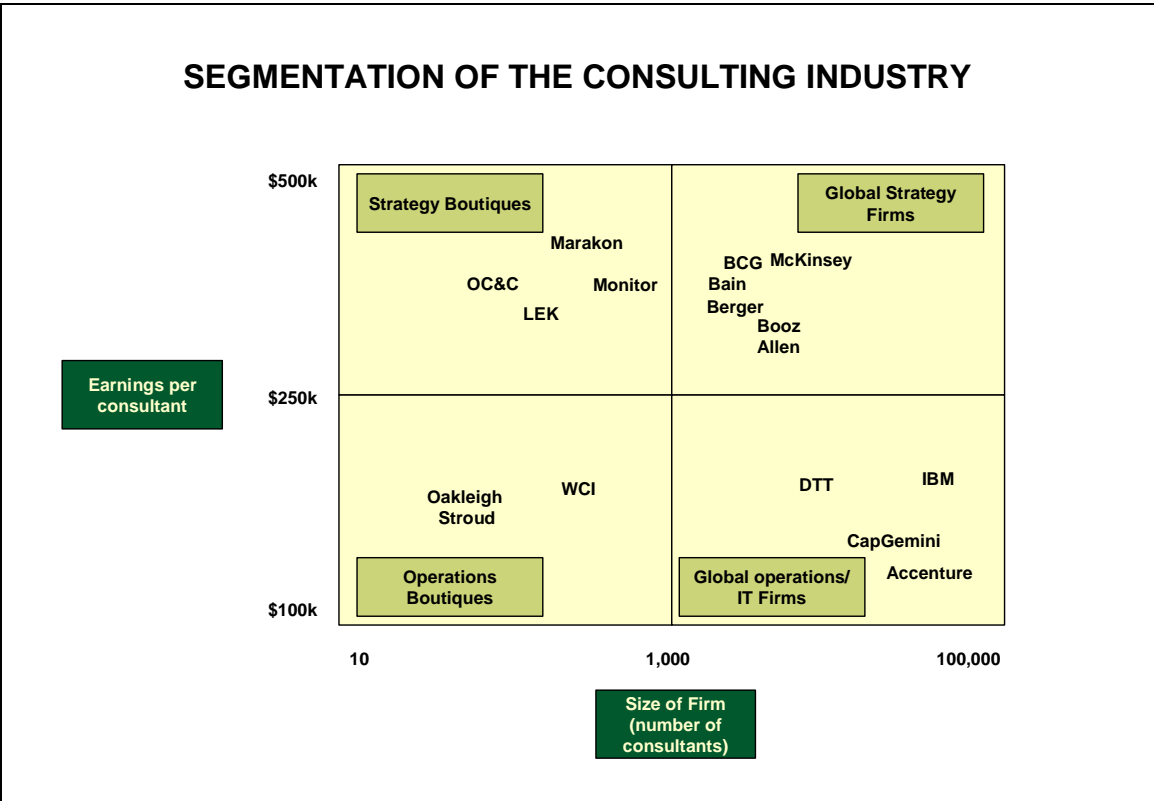


Figure 3: Structure / segmentation of the consulting industry  
 Source: [www.ADD-Resources.com](http://www.ADD-Resources.com)

Here below are some differences between a generalist consulting firm and a specialized boutique:

**Generalist firms:**

- Provide the whole range of management consulting services (strategy, operations, marketing, finance, organizational redesign, etc.) to all industries, across a wide geographical range
- Typically larger firms, with long track record and substantial accumulated knowledge base

- Usually multi-regional office array, covering both developed and high-growth emerging markets
- Often structured around industry and/or function practices, to better leverage personal experience

### **Specialized firms and boutiques**

- Typically smaller firms, usually founded by ex-partners from larger generalist consultancies
- Structured around in-depth expertise in and knowledge of either specific functions (strategy, marketing, finance, etc.) or industry
- Smaller, both in terms of number of employees and geographical spread
- Usually more focused on developed markets, where such in-depth niche services are in demand

## **3.3 Global trends**

In the late 1990s, aggressive penetration of emerging markets, globalization, privatization and the new Information Technology industry drove growth in the consulting industry, with established firms growing as fast as 20% p.a. and with new players emerging in the marketplace. There was a huge demand for services and consulting firms were hiring MBAs aggressively on campus.

After this boom period, the growth stalled for a couple of years in the early 2000s. Earlier, the consulting industry was expected to do as well in good economic conditions, as in bad ones. As the ultimate service industry, Consulting depends heavily on the prospects of large corporations. In good economic conditions, consultants can advise their clients on growth strategies, investment projects and due diligences. In bad economic conditions, clients need advice on down-sizing, cost cutting and disinvestments. However, the rough economy of 2001 and 2002 introduced a lot of uncertainty for the consulting firms' clients, who reacted to the economical downturn by postponing major decisions. This resulted in a sharp decline for the industry: many younger and smaller firms had to withdraw and major players had to downscale their recruiting efforts.

From 2004 onwards, the consulting industry recovered growth and firms are now recruiting again and aggressively. At present, most offices are working at full capacity and the outlook for the sector as a whole is very positive. Firms are competing more among each other and with the Investment Banks for the best candidates.

The consulting industry has a very interesting value proposition for a recent MBA graduate: the outlook for the industry is good and looks stable, salaries and bonuses are highly competitive, there is almost no beach time in most firms, and the work is interesting, diverse and enriching.

As we are entering an ever increasingly complex and global world, some clear trends are emerging for the management consulting firms:

- **Specialization**. Clients are more demanding and ask for consultants specialized in the industry or topic. The major global strategy firms do not want to lose their generalist scope and the ability of their consultants to work across industries. However, they have now more structured organizations across industries and functional lines in order to deal with the increased sophistication of their clients and to successfully compete with specialized firms.
- **Implementation**. Clients ask for a greater focus on implementation rather than only theoretical recommendations or strategic plans. This causes increasing competition among firms in different segments of the consulting industry, but is also an opportunity for consulting firms to develop long-term relationships with their clients.
- **Pay for performance and Measurable Business Results (MBRs)**. Especially during the dot-com boom, some firms agreed on partial/full equity payment. Clients demand more tangible results and pay according to a performance measure (e.g. cost savings in procurement optimization projects).
- **New geographies**. The market for Consulting is growing extremely rapidly in China, Russia and Middle East (Abu Dhabi, Dubai). Markets such as Latin America and India are also growing very fast. Major firms are heavily investing in these geographies, opening or expanding offices. They compete aggressively to recruit the candidates who have a connection with these regions or possess the right language skills (Mandarin, Russian, Arabic, etc.).
- **Fragmented markets**. In some markets, a large number of former employees start their own small consulting firms. For example, in China, this trend has led to a very fragmented market, with hundreds of small and medium-sized firms.

## 4. Profiles of Consulting firms

The objective of this chapter is to share general information on some of the Consulting firms that recruit INSEAD graduates on a regular basis. It is mostly based on public information and on the feedback from ex-consultants currently studying at INSEAD. We had direct input from BCG, McKinsey and Roland Berger regarding their company's profiles.

This exercise is imperfect by nature, since it is difficult to describe the cultures of so many companies and analyze all the opportunities they can offer. However, we do hope it will help INSEAD students to increase their knowledge of the different Consulting firms on the market.

### 4.1 Accenture

Accenture became public in April 2001, listed on the New York Stock Exchange. It has more than 146,000 employees in 49 countries, including approximately 4,500 senior executives.

Initially called Andersen Consulting, Accenture was formally established in 1989 when a group of partners from the Consulting division of the various Arthur Andersen firms around the world formed a new organization focused on consulting and technology services related to managing large-scale systems integration and enhancing business processes.

Accenture is a global management consulting, technology services and outsourcing company, identifying new business and technology trends and developing solutions to help clients around the world enter new markets, increase revenues in existing markets, improve operational performance, and deliver products and services more effectively and efficiently.

Accenture has been an important INSEAD employer over past years and is a regular presence in the on-campus recruiting events, both in Europe and Asia.

Source: [www.accenture.com](http://www.accenture.com)

### 4.2 Arthur D. Little

Arthur D. Little is a global management consulting firm, with over 1,000 staff members and offices in 30 countries worldwide. It was founded in 1886 and is the world's first management consulting firm. It combines industry knowledge, functional experience and technology skills to help clients grow and create value.

In its assignments, Arthur D. Little combines experience in a range of industries and expertise in various functional areas to help organizations reach their goals. The company's approach is collaborative and respectful of clients' insight and experience. The involvement of clients' employees is considered a strong prerequisite for durable improvements.

Arthur D. Little was an important INSEAD employer last year and is a regular presence in the on-campus recruiting events.

Source: [www.adlittle.com](http://www.adlittle.com)

### **4.3 Bain & Company**

Bain is a global management consulting firm with over 2,400 consultants worldwide, across 33 offices in 21 countries.

Bain was founded in 1973 by an ex-consultant of the Boston Consulting Group. Since its foundation, one aspect that sets the company apart from other leading consulting firms is its innovative approach to shareholder wealth. As a consequence, Bain developed a strong practice in providing consulting services for Private Equity clients.

Part of the projects in the Private Equity sector also comes from the spun-off company Bain Capital. Bain Capital is a private investment firm with over \$25 billion in assets under management. Bain Capital's family of funds includes private equity, venture capital, public equity and leveraged debt assets. Bain Capital is independent of Bain, but consultants can be temporarily transferred from Bain to Bain Capital.

Bain's consultants are generalists and work in different industries and functions. In most regions, they work on one assignment at a time. Yet, in the North American offices, consultants have usually two projects to focus on.

Alumni refer to the work-hard, play-hard culture and the tight bonding among colleagues, in and out of office. They point out that the company business culture is very result-oriented and non-academic. As for other major consulting firms, allocation of consultants takes usually place on a country wide basis. There are opportunities to ask for a temporarily transfer to another office (usually for a six-month period) or to work on projects outside the home country.

Bain is one of the most important INSEAD employers and has an active presence in on-campus events, both in Europe and Asia.

Source: [www.bain.com](http://www.bain.com); INSEAD alumni

### **4.4 Booz Allen Hamilton**

Booz Allen Hamilton is a leading global consulting firm integrating the full range of consulting capabilities. It was founded in 1914 and employs more than 17,000 people. The firm is privately held by approximately 250 partners and had annual revenues of US\$ 3.3 billion in 2005. Booz Allen Hamilton positions itself as offering a deep understanding of both strategy and technology. Its motto reflects its pragmatism: “work with clients to deliver results that endure”.

Booz Allen Hamilton helps leading corporations, government and other public agencies, emerging growth companies, and institutions. It offers and integrates the full range of consulting capabilities: strategy, operations, organization and change, and information technology.

The company splits its operations into Worldwide Commercial Business and Worldwide Technology Business:

- Worldwide Commercial Business: Works with the world's leading corporations on their global and local strategies. Major areas of expertise include Strategy, Organization, Operations, Systems and Technology. Booz Allen Hamilton serves 70 of the world's largest companies, over 400 of the Fortune 500 companies.
- Worldwide Technology Business: Works with most Western governmental agencies, and with institutions and governmental organizations worldwide, providing a broad range of management consulting, engineering, information technology, and systems development/integration services. Main clients are US governmental agencies (US Army, Air Force and Ministry of Defense and Transportation agencies)

INSEAD Alumni are very enthusiastic about the company's culture. They describe it as fun to work in, very diverse and intellectually challenging. They are very keen on social activities organized by the offices, as well as on the flexible work models emerging (e.g. part-time working for men and women).

The company operates with a single profit and loss account and its worldwide practices are organized at the worldwide level, in order to create incentives to form project teams with the best expertise from different offices. In practice, it results on more international exposure and experience for the consultants, with as downside more travel days.

In Europe and the Middle East, INSEAD has a strong reputation within Booz Allen Hamilton. There are almost 100 alumni registered on our alumni directory currently working for the firm. They have indicated that Booz Allen Hamilton has a strong focus on INSEAD as a recruiting target.

Source: [www.boozallen.com](http://www.boozallen.com), INSEAD alumni

## 4.5 The Boston Consulting Group (BCG)

BCG was founded in 1963 by Bruce D. Henderson. Since its inception, BCG has grown from Boston to a total of 61 offices in 36 countries (with 13 offices opened since 1999) and approximately 2,900 consulting staff. The core of BCG's work has been summarized as the "virtuous circle of insight, impact, and trust". It focuses on helping clients achieve sustainable competitive advantage.

In BCG's view, best practices, benchmarks and off-the-shelf tools are rarely sufficient to create lasting value. Instead, each assignment consists in working with the client towards a tailored solution, accounting for the unique set of opportunities and constraints of the specific situation/background. For a newly hired MBA holder, this in practice means having the satisfaction and excitement of helping a client break new ground: "I use BCG to see the

unseen” as says one of its clients' CEO. The low consultants-to-partners ratio and continuous training programs stimulate the out-of-the-box thinking. Working closely with the client is a key factor to bring impact into projects, learn how to lead, and not just analyze.

As a result of its direct casework done with clients and intensive analyses within competence practices, BCG has been pivotal in establishing that the sources of competitive advantage can be systematically explored and applied. Beyond classics such as the Experience Curve, Growth-Share Matrix or the Time-based Competition theories, 24 books published since 2000 by BCG further contribute to changing how business is done.

BCG alumni believe that one of BCG's key differentiating factors is its people. Clients' surveys characterize BCGers as inspired by “refreshing consultant humility... the first to collaborate and deliver real change”. 90% of BCG clients would choose to work with BCG again.

Ultimately, "the BCG-way" is something that applicants will judge for themselves. Job interviews are, like many things at BCG, very individualistic. The interviewer will describe a situation he / she personally encountered at work in the form of a small case study. Cases are not drawn from central databases.

BCG generally encourages young MBA graduates to start as generalists. Many of them start their consulting life – if they wish so - with projects in the industry of their pre-MBA job and have therefore the satisfaction to leverage their previous experience, while learning a brand new job. Typically 20% of BCG consultants serve on social projects across community, urban development, health/social services, nature and arts.

Consultants have opportunities to gain further international exposure, either by choosing to work on projects outside the home office, or by asking for a temporary 1-year, or definitive, transfer to another office. Generally, knowledge of the local language of the chosen BCG office is required.

INSEAD ranks as one of the favorite MBAs at BCG. The dedicated INSEAD recruiting team is composed almost exclusively of INSEAD alumni who simply enjoy keeping strong links with the INSEAD community. BCG is actively seeking to recruit for all regions. The long list of INSEAD alumni includes numerous senior officers, especially in Europe. Career prospects are wide open and range from rising within the firm, to joining client businesses while joining a strong and successful alumni network.

Source: BCG, INSEAD alumni

## **4.6 L.E.K Consulting**

L.E.K has 450 consultants across 16 offices worldwide and competes for projects with the top-tier players of the consulting industry. L.E.K. is the second largest strategy consultancy practice in Britain, after McKinsey. Most of its current business is in Europe and the U.S. The firm has recently opened new offices in Asia and is currently concentrating on growing business there as well as expanding in Europe and the U.S.

L.E.K engages in rigorous fact based analyses, plain speak, and a fresh perspective (they always start from scratch while other firms can use set templates). A high degree of Partners' time commitment and thorough analysis of various available options are some of the reasons why clients choose L.E.K over other firms.

L.E.K works on a 50-50 model in the London office (which means that each consultant splits his or her time equally between two projects), while in the U.S. it follows a 100% staffing model. The typical engagement can last from anywhere between 2 weeks (for a due diligence type of assignment) to a few months.

L.E.K does a lot of work related to M&A and Private Equity transactions. As a result, many L.E.K consultants end up working with Private Equity companies and Investment Banks after leaving the firm. Other consultants leave the firm to join other Consulting firms, strategy groups within large business houses, and general management assignments – all in senior level management positions.

According to an INSEAD alumnus, the people, the size of the firm, and a culture of client service and delivery is what distinguishes L.E.K from other consulting firms.

At the last count, 6 out of 20 partners in the London office are INSEAD alumni. To top that there are a number of people at the Managerial and Consultant level who have studied at INSEAD.

Source: [www.lek.com](http://www.lek.com); INSEAD alumni

#### **4.7 Marakon Associates**

Founded in 1978, Marakon is a 'big small' firm in the Consulting industry. It has around 300 consultants globally across six offices: New York, London, Zurich, Singapore, Chicago and San Francisco. Clients across Asia and Australia are served from the Singapore office and clients from both Britain and Continental Europe from the London office. The new Zurich office works with clients in continental Europe. Marakon is clearly focused on Value Creation by working closely with the CEOs, other corporate executives and business unit leaders across Fortune 500 companies.

Marakon started its activities helping business leaders to identify where value was being created and destroyed within their business portfolios. It pioneered performance measures such as economic profit and warranted equity value, which incorporate a charge for the capital employed in the businesses. This new approach, called "Value-Based Portfolio Management", was very innovative in the late 70s. It became a great platform for Marakon to develop its U.S. business through the early 1980s. As Marakon grew from a specialist boutique to a leading strategy advisor, it built a network of offices in the U.S., Europe and Asia that enables to serve the needs of global companies.

Marakon develops expertise in what it takes to create exceptional value over time. It is organized along the following Practice Areas: Strategy, Execution, Organic Growth, Growth through Acquisition, Productivity, Leadership & Organization and Managing for Value.



Marakon's small size and unique methodology of collaborating with clients means that it is able to develop richer client relationships at the highest levels, and to engage on issues that drive their performance and long term value. Due to the methodology and nature of projects, consultants typically work on one project at a time. This collaborative methodology also means that project durations tend to be longer compared to the rest of the industry (up to 4 – 6 months in some cases).

A smaller global organization like Marakon has some implication. First, it allows to have higher chances of getting international assignments, if the consultant so desires. Then, a smaller team at the office level results in consultants getting to know their colleagues on a personal level. There is a strong emphasis on people development: a structured development plan is done for each consultant and supplemented by regular training sessions.

Source: [www.marakon.com](http://www.marakon.com); INSEAD alumni

## 4.8 McKinsey & Company

Founded in 1926 by James O. McKinsey, McKinsey has grown into a global partnership with over 6,000 consultants in more than 80 offices in more than 40 countries around the world. McKinsey serves more than 70% of Fortune magazine's most admired companies. It serves governments in more than 35 countries and conducts 150 pro bono engagements each year. Clients come to McKinsey for advice on their most critical issues – when they have major strategic, operational or organizational challenges.

The firm is comprised of a global network of offices and practices led by a partnership group. Therefore, it is not tied to earnings pressures or to increasing returns to shareholders. A strict professional code of ethics includes putting clients' interests ahead of McKinsey's, upholding absolute integrity, keeping client information confidential, telling the truth as they see it, and delivering the best to the client in a cost-effective manner.

McKinsey is very effective in concentrating the global knowledge and expertise on the topics of interest to their clients. It has also a loyal and important alumni community. As an example, 150 McKinsey alumni have become CEOs of companies with more than one billion dollars in annual revenues.

McKinsey is a non-hierarchical organization, where knowledge, insight and the quality of ideas trump seniority. It is a merit-based organization, where advancement and recognition is based on the merit of the individual's contribution. There is various training programs available and an ongoing, frequent review process tied to a strict "up or out" policy.

McKinsey has long been INSEAD's largest recruiter and more than 70 partners and 400 consultants are INSEAD alumni. There is a dedicated recruiting team for INSEAD students, which centralizes all INSEAD recruiting activities on behalf of the global offices & practices. There is also a dedicated website for INSEAD students, which provides detail on events, activities and application process.

McKinsey typically recruits for generalist Associate positions, but also Associates for specific functional practices namely Business Technology, Marketing & Sales, Operations and Corporate Finance. In most offices, consultants are required to speak the local language. While the majority of Associates do work as "generalists", with growing seniority – after consultants have been given the chance to explore multiple industries and functions – specialization is a natural progression. Overall, the firm has a culture of enabling consultants to determine their own career path, and maintains that with its broad reach across industries, functions and geographies. McKinsey also runs a relatively small summer internship program at INSEAD.

When hiring, McKinsey seek individuals with leadership potential, integrity, a sharp analytical mind, creativity and the ability to work with people at all levels in an organization.

Source: [www.mckinsey.com](http://www.mckinsey.com), recruiting materials and INSEAD alumni

## 4.9 Mercer Management Consulting

Mercer Management Consulting is one of the consulting arms of Mercer Inc., a subsidiary of Marsh & McLennan Companies. It employs approximately 1,100 consultants in 26 offices across the Americas, Europe, Asia, and the Middle East. Mercer is able to enhance the value it delivers to clients by leveraging the resources of its parent, Marsh & McLennan Companies (MMC), and its sister companies such as Marsh Inc., the world's leading risk and insurance services firm, and Putnam Investments, a recognized leader in investment management

Mercer was born in 1992 when the parent company Marsh & McLennan merged two of its consulting subsidiaries, Temple Barker & Sloane and Strategic Planning Associates. Recently, Mercer acquired DiamondCluster International's operations in Continental Europe, Middle East and South America.

Mercer Management Consulting positions itself as a premier corporate strategy and operations firm, and helps leading enterprises develop, build, and operate strong businesses that deliver sustained shareholder value growth. Key areas in the Mercer's approach to creating value are Business Design Innovation, Customer and Brand Strategy, Operational Excellence, Organizational Transformation and Portfolio Strategy.

Consultants describe the environment at Mercer as very relaxed, non hierarchical, and fun. Each consultant works on one project at a time. In the U.S., as for many consulting firms, consultants tend to travel four days a week and work in the office on Fridays. Mercer's U.S. offices are the largest, but Mercer has also offices in Europe and some presence in Asia.

INSEAD has a strong reputation within Mercer, despite the limited number of graduates in the U.S. offices. In the past few years, the INSEAD US alumni association has done a great job in creating brand awareness in the U.S. With the Wharton alliance, INSEAD's name becomes better known.

Mercer does have off-cycle hiring. It usually brings in people by recommendation and by initiative. It seems that Mercer prefers candidates who have some consulting background.

Source: [www.mercermc.com](http://www.mercermc.com); INSEAD alumni

## 4.10 Roland Berger Strategy Consultants

Founded in 1967, Roland Berger Strategy Consultants has grown to become one of the world's leading strategy consultancy firms. With 32 offices in 23 countries, Roland Berger operates successfully in the global market. In 2005, the 1700 consultants generated approximately EUR 530 million in sales. The strategy consultancy is an independent partnership, owned solely by its currently 120 Partners.

Roland Berger supports leading international corporations, non-profit organizations and public institutions in all management issues – ranging from strategic alignment and introducing new business models and processes, to organizational structures and IT strategy.

Roland Berger is based on global Competence Centers that are organized along functional and industry lines. This allows offering tailor-made solutions devised by interdisciplinary teams of experts drawn from different Competence Centers. Roland Berger's consulting advice boosts the value of their clients' companies - with creative strategies that work.

The company's culture can be characterized by both its team and entrepreneurial spirit. Working at Roland Berger will allow you to meet and work with smart but pragmatic and not arrogant people. Your advancement at Roland Berger will be based on a meritocracy basis; even if the company does not apply an up-or-out policy and allows its employees to develop at their own pace. This experience will rapidly allow you to take responsibility in projects and be exposed to senior managers.

Roland Berger is currently recruiting for all its offices. Please note that the local language is mandatory for the application to a specific office but German is not a requirement outside of Germany/Switzerland/Austria. The recruitment process will start on-campus with a first round of 2 interviews followed by 1 or 2 round(s) at your chosen office.

INSEAD has a very strong reputation within Roland Berger as the company sponsors the INSEAD chair of Business and Technology and Roland Berger himself is a member of the Board of INSEAD.

Source: Roland Berger, INSEAD alumni

## 4.11 Others

Other consulting firms recruiting at INSEAD in 2005 are:

- A. T. Kearney
- Copenhagen Consulting Company
- Corporate Value Associates
- Diamond Management & Technology Consultants, Inc. (formerly DiamondCluster International)
- Gradus Management Consultants
- KPMG
- Monitor Company
- OC&C Strategy Consultants
- PA Consulting
- PricewaterhouseCoopers
- PRTM
- RSM Robson Rhodes Consulting
- Spectrum Strategy Consultants
- Strategic Decisions Group
- Theron Consulting
- Value Partners
- XP Consulting

## 5. The Consulting job

### 5.1 Career development paths

Career paths in the consulting firms are very fast and allow professionals to have quick access to Partner positions or to access senior positions in the industry when leaving the firm. Typically, for the major consulting firms, time length between Associate/Consultant and Partner positions is 6 to 7 years.

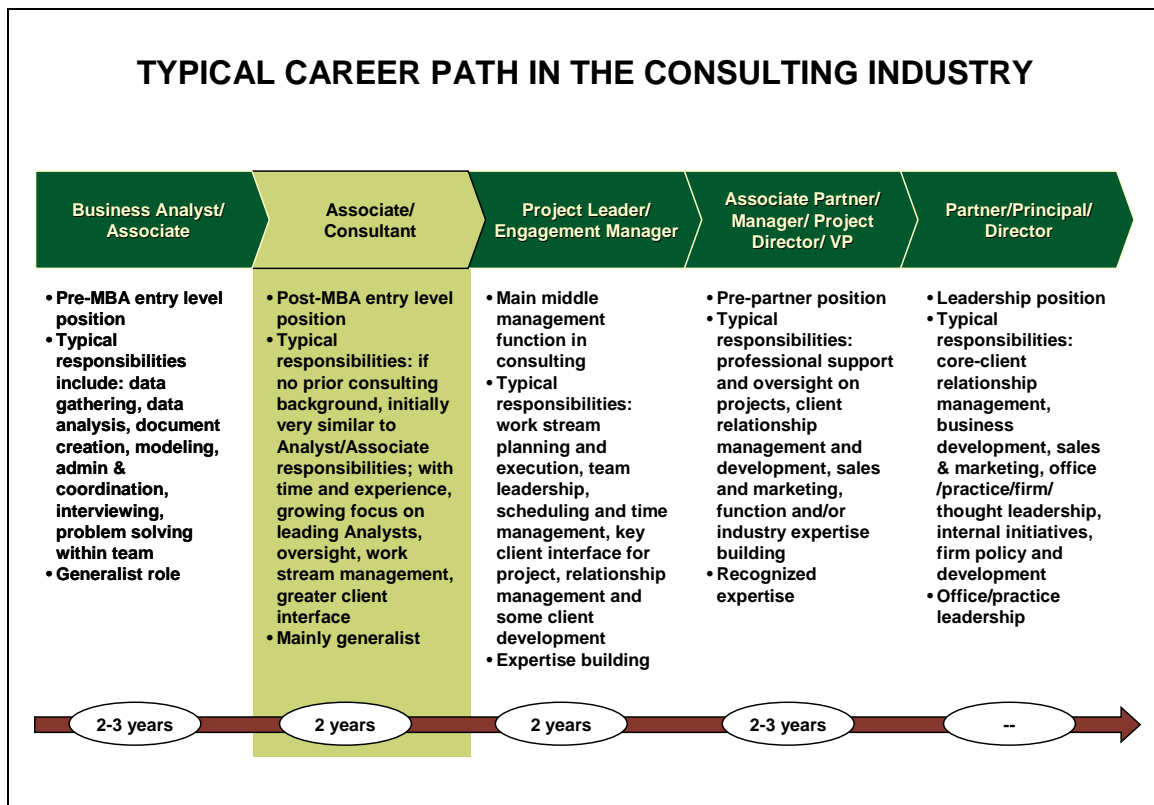


Figure 4: Typical career path in the Consulting industry

### 5.2 Processes: staffing, promotions, opportunities

Generally, project staffing is preference-based, but with some external constraints. The firm will staff you where possible in a given moment and minimize your "on the beach" time. Therefore, pure luck (i.e. having the right opportunities at the right time) plays a major role, before you acquire expertise and generate demand from the managers/project leaders' side.

Therefore, especially initially, you must manage your luck:

- Network - up, down and sideways
- Identify what interests you

- Consider your willingness for in-town / out-of-town engagements.

At the beginning of your career as a consultant:

- Try to identify and get to know good "teachers" and mentors. They will facilitate your integration in the firm
- Get exposure to a variety of engagements: industries you are interested in or you want to know better. In many management consulting firms, assignments' diversity is highly valued and important for the development of a consultant. If you are specialized in one given sector, make sure you don't focus too early in a single industry and explore different sectors

After a first few projects, choose a sector/function and develop your personal interest, knowledge and network in this area:

- Focus on true personal interests
- Formulate mid to long-term plans
- Identify and connect with mentors, they are important in your career evolution and on staffing choices for the long-run
- Think about long-term networking with clients
- Keep in mind exit opportunities if you do not wish to stay in consulting all your career long

Regarding geography, staffing in major consulting firms takes usually place on a country-wide basis. In this case, the amount of traveling depends to a large extent on the country's size and the concentration of industries and services in a given city. In Germany, for example, consultants tend to travel more than in other European countries, as the industries and the financial services players are spread out across the country. For some firms, staffing takes place on an international level, to leverage competences on a given industry or functional practice.

In many cases, the major consulting firms give consultants the possibility to have additional international exposure if they wish so, either by promoting temporary transfers across offices or by supporting the participation in international projects.

The management consulting career has a very fast career track, as showed in figure 4. Average compensations in top consulting firms are above Industry, particularly after the first years, and comparable to Investment Banking positions. The Consulting industry career is also quite stable, much less volatile than Finance positions. As a final point, bonuses recovered after the 2001-2002 economical downturn and are significant, especially after reaching Project Leader/ Manager positions and onwards.

Furthermore, you can find several exit opportunities after some years as a management consultant. Clients commonly make very good offers for consultants to join their firms, this being one of the main reasons of the high turnover rate in the management consulting industry. Starting a career in a management consulting firm opens many possibilities. Consultants are very well perceived in the market and adapt easily to different positions.

### 5.3 The everyday work – key tasks

In their everyday work, consultants are expected to gather information using efficiently all resources available, generate hypotheses to solve the relevant issues, perform quantitative analyses, manage team processes, communicate results and recommendations in an effective way and build good client relationships at all levels. There is no typical project but rather a very diverse set of tasks. Consultants "do what needs to be done" for the success of the project and the success of the team, both internally and externally with the client's team. As an illustration, a set of key tasks are listed here below:

#### Information gathering

- Perform interviews (clients / internal / external)
- Synthesize research reports, market research, previous work done by firm in this area, public sources, etc.

#### Problem-solving

- Understand client's overall problem and identify the issues relevant to the problem
- Plan analytical steps to solve issues
- Generate hypothesis, prioritizes analysis and test arguments

#### Quantitative analyses

- Perform financial and operational modeling, business plan scenarios, statistical analyses (e.g. market segmentation)
- Synthesize quantitative results and build recommendations

#### Team management

- Design, organize, prepare and staff clients' meetings
- Present findings and expose arguments
- Facilitate discussions, incorporate inputs and validate recommendations/hypotheses

#### Process management

- Design the work stream process: working calendar, milestones, resources needed
- Validate and facilitate the work stream process, both internally within the project team and externally with client's team

#### Client presentation

- Prepare written documents (slides and reports)
- Communicate findings and recommendations to clients (e.g. formal presentations)

#### Client relationship management

- Manage day-to-day relationship throughout project at all levels and build long-term relationship after the project
- Assist in subsequent drafting of proposals

Source: INSEAD Alumni

## 6. Networking with Consulting firms - Why and how?

A good start to the job search is to conduct several informational interviews with employees of companies that you are interested in. The goal of these interviews is to increase your understanding of this company, to make a better decision as whether to apply and will serve as a good preparation for the application process.

Informational interviews are useful to

- Learn what the company values in its employees
- Gain insight in the process of recruiting
- Evaluate how your skills and interests fit with a particular career or business.
- Learn about the working environment and office specific culture

Remember, the sooner you can get contact with the firms you are interested in, the better. It is a great opportunity to clarify your thoughts, understand which firms you would consider working for and get used to the contact with potential interviewers.

Don't hesitate to get back to the INSEAD Consulting Club should you need any help to set up informational interviews.

### 6.1 Tips for informational interviews

Contacting people to interview

- Try to set up informational interviews with INSEAD alumni (1-5 years out of INSEAD) as they can relate to you more easily than an INSEAD student and are usually more willing to give you a hand. The INSEAD Alumni database is easy to use and can be exploited to contact alumni
- Clearly indicate where you got the person's name
- Make it clear from first contact that you are not contacting for a job, but rather to gain further insight into the company as part of your research on the industry

Preparing for the interview

- To make best use of your interview time, know in advance what questions you are going to ask. Examples of questions:
  - What is a week on this job really like?
  - What do you like about your job? What do you dislike about it?
  - Is your job typical of others in this field / for this company?
  - What is the corporate culture like at the company, and at the particular office?
  - Which firms do you think are your toughest competitors in your local market, and how do they differ from your company?
  - How do you stay current in your knowledge?
  - What kind of experience or training is required?
  - What are employers looking for (in terms of skills, education and experience)?
  - What is the potential for advancement?
  - What are current job prospects like?



### Conducting the interview

- The person with whom you are meeting might be a valuable contact. So, even though this is not a job interview, you want to make a good impression. Some pieces of advice:
  - Dress professionally
  - Take notes
  - Stick to the time limit that you agreed on when you set up the interview
  - Ask for a business card for your records
  - Thank the person for taking the time to meet with you

### Following up

- Don't forget to send a thank-you note. A business card will contain the information you need to be sure the note is delivered to the recipient

## 7. Cover letter and CV preparation

### 7.1 Goal of your cover letter and CV

Before starting your cover letter and CV, remember the four following basic questions:

1. What is the purpose of this letter?
2. Why should the company in question consider you?
3. Why does this company interest you?
4. What action do you want the reader to take next?

The answer for the last answer is straight forward: the goal of your cover letter and CV is to get an interview. You are not going to prove your qualities as a consultant yet; this is tested in the interviews. The target of your cover letter and CV is to attract the attention of the people working in the recruiting process.

Regarding the cover letter, recruiters will look for two aspects. First, they will try to assess the candidates' motivation, either by their knowledge about the company or by the description of their experience while they attend companies' presentations. The cover letter has to be short in order to be read: it is useless to re-copy extensively your main achievements or qualities, which are better described in the CV. Secondly, the recruiters will look for the offices you are applying for, not only to coordinate the interviewing process but also to match your preferences with the system's needs. Generally, the knowledge of the local language of the office of choice is required. You must contact the Recruiting Coordinators to check for exceptions.

In the CV, you communicate your achievements and the skills that you have and are useful and transferable to the consulting business (especially if you were not working in the consulting industry before).

Key skills to focus on are:

- Leadership and impact: proven track record of “making things happen”, leading people in complex challenges and achieving substantial results
- Quantitative skills: comfort with numbers and ability to meet numerical challenges
- Analytics and problem solving: logic-based problem structuring, analysis and synthesis capabilities
- Communication: ability to effectively convey messages both orally and in writing, especially in high-stress situations
- Teamwork: Ability to function well in a team setting, both as a team-member and as a team-leader

For each one of the skills mentioned above, your CV should demonstrate the use of these skills.

#### Leadership and impact

- Track record, advancement path, development curve
- Increasing responsibilities over time, number of people managed
- Unusual/outstanding responsibilities and challenges

- Results and achievements – preferably concrete quantifiable impact (\$\$\$, time etc.)

#### Quantitative skills

- Quantitative background, past accomplishments (academics, awards), GMAT
- Number-related functions/activities/responsibilities performed

#### Analytics and problem solving

- Analysis-focused or related activities, functions and responsibilities
- Problem-solving track record, e.g. specific problem-solving tasks you were in charge of or involved in – including the result (preferably successful...)
- Specific problem-solving initiatives you have self-started and concluded successfully (impact)

#### Communication

- Previous communication roles, responsibilities and achievements
- Accumulated communication-related experience, e.g. preparing, writing, editing and/or presenting written and oral communications

#### Teamwork

- Teamwork history: number of people you've worked with and how that grew over time
- Functioning in various team-oriented structures (team-member, leader etc.), development curve (time and number of people)
- Successfully coordinating cross-functional/organizational efforts

## **7.2 Tips for cover letters and CVs**

### **Cover letter**

- Do not copy letters or pieces of letters from sample sources. Recruiters do recognize them easily
- Do not exceed one page for the cover letter
- Most cover letters follow a simple structure, with ideally one paragraph for each of the questions mentioned in the point 7.1
- Do not use any fluffy or generic statements about yourself or your experiences (e.g. excellent interpersonal skills, team player) unless you can back them up with tangible examples
- Do not use generic statements about the company you are applying to (e.g. leading firm, excellent reputation, blue-chip Company, etc.). For one, this also applies to most of their competitors. For another, this shows that you have not done your homework to identify why you really want to join the company
- Get your cover letter read by at least two other people to check for spelling mistakes, grammatical errors and ease of reading
- Use informational interviews rather than company presentations and websites to find out what is really different about each firm, and why you would be a good fit

## CV

- Leverage MBA Career Services CV sessions to get feedback both from Career Services and from your peers
- Use the MBA Career Services one-on-one CV sessions to polish up your résumé.
- Think carefully about which of the three typical CV formats (Chronological, Skill-Based or Hybrid) you should use – there is no one “right answer” for everyone
- Look at a few dozen other résumés– what can make you stand out?
- Ask your peers (especially those with prior consulting background) to review your CV before submission

## 7.3 Sample cover letters

### Sample cover letter 1

INSEAD  
Boulevard Constance  
77305 Fontainebleau  
France

*INSEAD Recruiting Manager*  
*Company Name*  
*Dear Name,*

I am writing in order to express my interest and enthusiasm in applying for an *Associate* position at *Recruiting Company Name*. As I informed you last week, I was unable to attend either the presentation or the dinner on date. However, my brief chat with *x* last week was both informative and inspiring.

I came to INSEAD after spending six years in a fast-paced, highly entrepreneurial metal trading and processing company, *Company Name*. The experience was extraordinarily rewarding, affording me the opportunity to establish, build, and manage two companies in the challenging environment of the Former Soviet Union. With full managerial, commercial, and financial responsibility for these two subsidiaries, I faced a remarkable range of challenges and rapidly developed my personal and professional skills. I decided to apply to INSEAD in order to continue this process while receiving the theoretical framework for all that I had been doing during my time at *Company Name*.

The ideal environment for me to pursue this development further is in management consulting. *Recruiting Company Name's* prestige and reputation are unparalleled. However, what was decisive in convincing me to apply for a position is the many people I have met from the company; extreme intelligence, strong ambition, intellectual integrity, and insatiable curiosity are common to all.

I believe that both my strong academic background and my professional accomplishments attest the fact that I possess the analytical abilities, interpersonal skills, motivation, and business acumen to make a strong contribution to *Recruiting Company Name*.

I would greatly appreciate the opportunity to interview later this month for a position in *Office 1, Office 2, or Office 3*.

If I can be of any assistance in the meantime, please do not hesitate to contact me.

Sincerely Yours,  
*Name*

## Sample cover letter 2

*Dear Sir or Madam,*

I am currently enrolled in INSEAD's MBA Programme, and will complete my degree in December of this year. As a result of my prior education and work experience in research, I am interested in pursuing a career in Consulting, and particularly with the *Recruiting Company's Place Office*.

After nearly four years at *Company Name*, I feel I am extremely well-suited for a demanding career solving key business issues for global managers. I have combined financial acumen, leadership, and project management skills and reached a level of success rare for someone entering the firm at a junior level. In the spring of 2003, I became one of only two people in my Associate class of 25 to be asked to stay on at the firm, and was promoted to an Analyst position.

Early on, as I demonstrated my skills and tenacity to my team, I was entrusted with numerous important responsibilities and frequently interacted with senior executives at the firm to present my research and conclusions. My strong reputation has followed me even outside of the bounds of employment, and I continue to be consulted by *Company Name's* senior management regarding current issues at the firm even while I am pursuing my MBA studies.

My superior undergraduate education at the *School Name* gives me an advantage given its formal and rigorous business and financial training. While at INSEAD, I am building on my prior financial experience and increasing my management skill set.

Although my experience has been in Investment Management, my current focus is Consulting. I have enjoyed and learned a great deal through my research work, but I am much more interested at this point in my career to develop my strategy and management skills. I believe that my previous work experience coupled with my general management MBA give me an important skill-base that can be successfully applied in this environment.

I would specifically like to be considered for the *Office 1*, with a backup choice in the *Office 2*.

I have included my résumé for your review, and please do not hesitate to contact me if you require further information from me.

Sincerely Yours,  
*Name*

### Sample cover letter 3

*Dear Name,*

Currently in the process of completing my MBA degree at INSEAD, I had the pleasure to meet your team at your on-campus presentation. Having followed your company and been influenced by your diligent, collaborative, and practical style to provide sustainable and non-conventional solutions for the customers, I am convinced that *Recruiting Company Name* will be the ideal workplace for my background, competencies, and values, both professionally and personally.

The meeting with the partners and other *Recruiting Company Name's* consultants at the dinner reinforced my belief that your company commits to provide its members an international and stimulating environment, diversified business contexts, unique learning and skill development opportunities, and a progressive career track. I therefore decided to apply for the *Senior Consultant* position at *Recruiting Company Name*.

My personal, academic and professional pursuits have allowed me to develop a solid band of analytical, strategic, problem-solving and people skills, which make me a good candidate for your company. I am Chinese, living in Europe (EC citizen), and have been responsible for the strategic planning and business development for *Company Name* in Europe, one of the biggest Japanese multinational companies. Such a complex environment has helped me to be a dedicated, open, self-aware, interesting and interested person. It also fostered my ability to thrive in high-pressure situations, to embrace new challenges, and to assimilate quickly and flexibly different cultural and business contexts.

After INSEAD MBA, it is my aim to go on to a successful Consulting career by combining and extending my skills and learning into a management position with more explicit project management and business development requirements. It is my determination to work with a committed team to achieve the goal of creating value.

Thanks to the above-mentioned attributes and my personal determination and motivation, I am convinced that I would prove a valuable contribution to *Recruiting Company Name*. I look forward to your response to the above and the attached CV, and sincerely hope to meet with your recruitment team in the near future to explore potential mutual interest.

Yours truly,  
*Name*

## 8. Interviews

### 8.1 Why case interviews?

Case interviews are in fact an excellent indicator of how good you will be as a consultant, both in terms of your problem-solving skills and your personality. That's why management consulting firms use them!

Case interviews are the cornerstone of the recruiting process in the consulting industry. Because it is an exercise in problem solving, the case is not about finding the right or wrong answer, but rather about the method you use to derive your answer. It is about the questions you raise, the assumptions you make, the issues you identify, the areas of exploration you prioritize, the frameworks you use, the creativity involved, the logical solution you recommend, and the confidence and poise you present.

Many times, tough problem-solving questions are asked face-to-face by consulting clients, under pressure, with the expectations of receiving some answers. The case is usually a business situation that replicates this situation, where your client is facing a difficult problem with the company/product/competitors or is thinking of a new opportunity to explore and asks you for help to address the issue.

### 8.2 Case interview tips

First advice: practice! And start practicing early. Most students don't ace their case naturally. You don't have to do all the cases you can find but the process is much easier if you do a couple of them before interviews are scheduled. This takes practice.

#### Preparation tips

- Do some research on the firm (Internet, database resources in library)
- Prepare with the help of case simulations or mock interviews
- Read the financial newspapers, know what's going on. Search for some new ideas: McKinsey Quarterly, HBR
- Remind your High School Maths. You are expected to make quick calculations on the paper. Consultants love back-of-the-envelope analyses
- Make some market sizing exercises. What is the size of the UK DVD rental market? How many gear boxes are there in France? How many golf balls in Japan?

#### General interview tips

- Be prepared
- Demonstrate that you did your homework
- Mention one of the articles you read, or compare sales figures of the company with your previous employer
- Know the business stories and incorporate them in your interview
- Have a point of view



- Clearly voice your opinion and be prepared to defend your point of view
- Practice answering behavioral questions

### Case interview tips

- Stay calm, take time to think
- Ask questions, especially intelligent ones
- Show sincere enthusiasm – answers driven by intellectual curiosity and energy, not by a rigid focus on impressing the interviewer
- Define issues and hypotheses
- Be creative – do not rely on just "bookish frameworks" or industry jargon. Use Porter only if it really helps you. Use the entrepreneur/dad's business approach
- Accept guidance and clues
- Be causal in your analyses
- Try to quantify - demonstrate your analytical skills
- Take notes, sketch and draw
- Think aloud
- Drive to potential actions for the client
- Do not "Boil the Ocean"
- Be prepared to ask something intelligent at the end

## HOW TO SUCCESSFULLY APPROACH A CASE

Follow a logical structure - follow these five steps to generate a hypothesis and supporting arguments

- ① Listen carefully to the situation and the question
- ② Firmly establish your understanding of the case
- ③ Create an approach that focuses on critical issues and guides your analysis
  - Structure/Framework
  - Prioritize issues you want to address
  - Identify key information you need
- ④ Analyze the problem
  - Ask focused questions
  - Evaluate situation
  - Draw conclusions
- ⑤ Clearly summarize your final analysis and conclusions
  - Think out loud so that the interviewer understands the direction of your thinking. You may also want to write down your findings and assumptions
  - Remember, there is no "right" way of doing a case; nor is there a single answer. If you have demonstrated the way you think, you have done all you can to "crack the case"

**Attitude**

- Interact with the interviewer. The case should be a dialogue, not a monologue
- Pace yourself. It's important to not rush to conclusions
- And perhaps most important, relax and have fun

Figure 6: Five steps for a successful approach to a case  
Source: BCG

### 8.3 The interview process

The interview process depends on the consulting firm but usually has two or three phases, with two to three interviews in each. In some cases or for some firms, final interviews with Partners of the recruiting office can be set up.

What do the interviewers tend to evaluate?

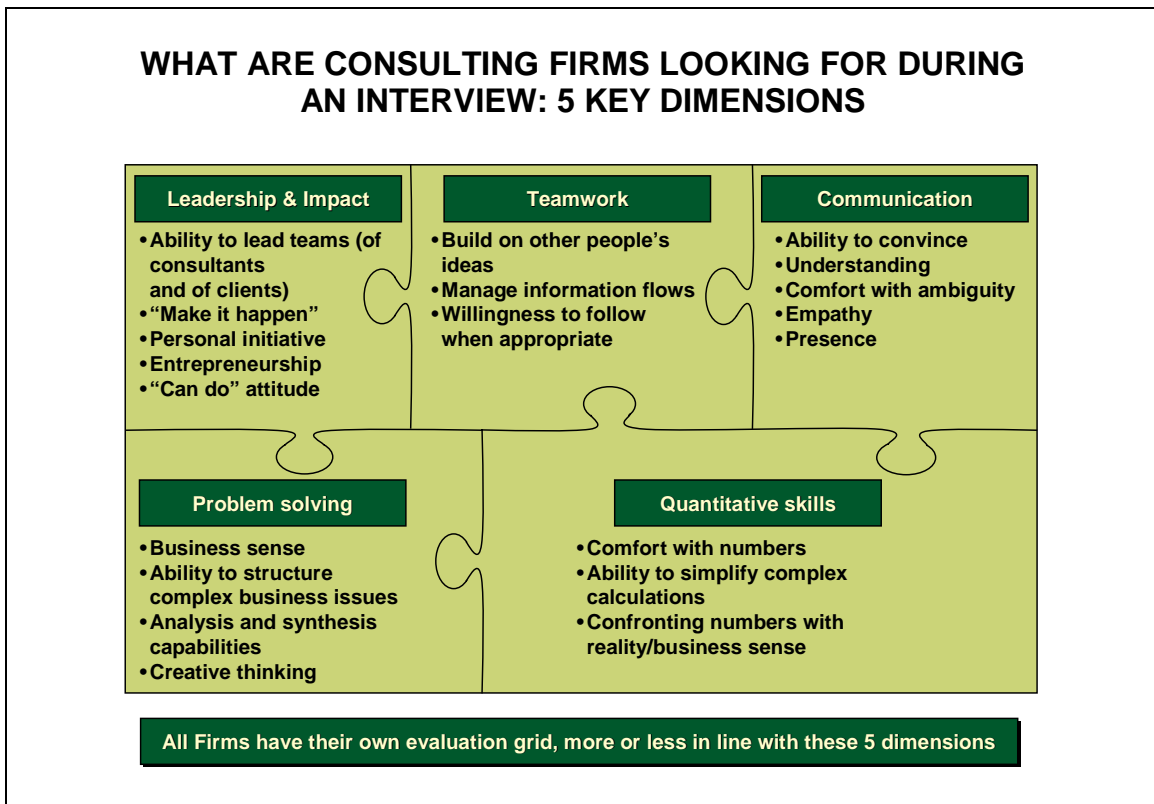


Figure 5: Five key dimensions for evaluating consulting interviews

Source: BCG

**Structure:**

- Does the candidate have/follow a structure while tackling the problem?
- Is the structure relevant to the case being analyzed?
- Does the candidate have a structure that is both concise and flexible?

**Quantitative/analytical ability:**

- Is the candidate comfortable with numbers?
- Does she break down ambiguous problems systematically?

**Issues/Prioritizations:**

- Does the candidate quickly identify a list of issues that are most relevant to the business problem?

- Can she prioritize/organize the issues or is it more like a laundry list?

**Energy/Presence:**

- Is she comfortable with the case or is there a sense of “oh no, not this kind of problem”?
- If the candidate gets stuck on a particular issue, does she recover gracefully?

**Fit:**

- This depends on the firm

We list below what is considered to be potential characteristics that some popular management consulting firms look for, according to a survey made in the US (Source: Chicago GSB). This is not intended to be complete but is rather the informal feedback of former MBAs.

**Bain & Company:**

Hypothesis driven – the candidate should quickly analyze facts and make a hypothesis. She should then drill down to see if the hypothesis is true or should be modified. Finally it is very important that she gives actionable recommendation.

**Booz Allen Hamilton:**

Booz Allen Hamilton is big on microeconomic concepts  $MR = MC$ , supply/demand etc. It tends to evaluate the candidates on their micro skills. Candidates should also definitely ask questions to understand industry/business trends (this is true for all firms, but with Booz Allen Hamilton you get dinged if you forget this part).

**Boston Consulting Group:**

Intellectual curiosity and prioritization of issues - while the candidates should be structured, they should demonstrate out-of-the-box thinking.

**McKinsey & Company:**

Big picture, Big picture, Big picture. It evaluates the candidates on numbers, but it is vital that they lay out all the issues systematically. The issues should be mutually exclusive and collectively exhaustive (MECE). Candidates should never rush into a hypothesis or probe details (quite different from Bain or BCG, for example)

## 8.4 Prepare yourself for the interviews!

The interview is not only about the case. Usually, there is an open discussion beforehand when the candidates can discuss their motivations and talk about their prior experiences. This can take around 10 minutes. So, a last piece of advice... Come with your story! What you were doing, why you went to INSEAD, what you want to do now, etc.

For example, if a candidate has a previous experience in an industry and wants to move to Consulting, the interviewer will probably ask if the candidate wants to work as a consultant in

that industry or if he/she wants to try different industries. Usually, any consistent answer is good but providing no answer indicates that you are not sure of your motivations and goals.

In conclusion, prepare a plan for your career and be able to present it to your interviewer. You do not necessarily need to say that you dream of being a partner, but you should be able to convey your motivation, explain why Consulting makes sense for you and show you have thought out how you can leverage your skills and experience for this new position.

At the end of the case, you will also have the occasion to ask some questions. Take this opportunity to know more about the firm and about your interviewer. Some of the questions from chapter 6.1 can help you.

Regarding the case exercise itself, we hope that the cases presented in this book will give you a flavor of how cases can and should be tackled. We believe that the proposed solutions are very useful to get into the consultant's way of solving business problems.

Consulting companies are available to organize mock interviews, with employees or alumni currently studying on campus or with consultants of the office you want to join. Don't hesitate to ask your peers with consulting experience for help. Consulting firms also organize "Crack the Case" sessions. Attend the interview sessions which are organized, prepare them well and ask and give actionable feedback to your peers.

If you need to be advised on how to practice for the interviews of a given consulting firm, contact the firm's Recruiting Coordinator. They will give you more specific information and guide you on how to best prepare. In case you need further help, contact us!

## 9. Case examples

### 9.1 Discount retailer case (BCG)

#### Step 1: Actively listen to the case

Your client is the largest discount retailer in Canada, with 500 stores spread throughout the country. Let's call it CanadaCo. For several years running, CanadaCo has surpassed the second-largest Canadian retailer (300 stores) in both relative market share and profitability. However, the largest discount retailer in the United States, USCo, has just bought out CanadaCo's competition and is planning to convert all 300 stores to USCo stores. The CEO of CanadaCo is quite perturbed by this turn of events, and asks you the following questions: Should I be worried? How should I react? How would you advise the CEO?

#### Step 2: Establish understanding of the case

*So, the client, CanadaCo, is facing competition in Canada from a U.S. competitor. Our task is to evaluate the extent of the threat and advise the client on a strategy. Before I can advise the CEO I need some more information about the situation. First of all, I'm not sure I understand what a discount retailer is!*

A discount retailer sells a large variety of consumer goods at discounted prices, generally carrying everything from housewares and appliances to clothing. Kmart, Woolworth, and Wal-Mart are prime examples in the U.S.

#### Step 3: Set up the framework

*Oh, I see. Then I think it makes sense to structure the problem this way: First, let's understand the competition in the Canadian market and how CanadaCo has become the market leader. Then let's look at the U.S. to understand how USCo has achieved its position. At the end, we can merge the two discussions to understand whether USCo's strength in the U.S. is transferable to the Canadian market.*

That sounds fine. Let's start, then, with the Canadian discount retail market. What would you like to know?

#### Step 4: Evaluate the case using the framework

*Are CanadaCo's 500 stores close to the competition's 300 stores, or do they serve different geographic areas?*

The stores are located in similar geographic regions. In fact, you might even see a CanadaCo store on one corner, and the competition on the very next corner.

*Do CanadaCo and the competition sell a similar product mix?*

Yes. CanadaCo's stores tend to have a wider variety of brand names, but by and large, the product mix is similar.

*Are CanadaCo's prices significantly lower than the competition's?*

No. For certain items CanadaCo is less expensive, and for others the competition is less expensive, but the average price level is similar.

*Is CanadaCo more profitable just because it has more stores, or does it have higher profits per store?*

It actually has higher profits than the competition on a per-store basis.

*Well, higher profits could be the result of lower costs or higher revenues. Are the higher per-store profits due to lower costs than the competition's or the result of higher per-store sales?*

CanadaCo's cost structure isn't any lower than the competition's. Its higher per-store profits are due to higher per-store sales.

*Is that because it has bigger stores?*

No. CanadaCo's average store size is approximately the same as that of the competition.

*If they're selling similar products at similar prices in similarly-sized stores in similar locations, why are CanadaCo's per-store sales higher than the competition's?*

It's your job to figure that out!

*Is CanadaCo better managed than the competition?*

I don't know that CanadaCo as a company is necessarily better managed, but I can tell you that its management model for individual stores is significantly different.

*How so?*

The competitor's stores are centrally owned by the company, while CanadaCo uses a franchise model in which each individual store is owned and managed by a franchisee that has invested in the store and retains part of the profit.

*In that case, I would guess that the CanadaCo stores are probably better managed, since the individual storeowners have a greater incentive to maximize profit.*

You are exactly right. It turns out that CanadaCo's higher sales are due primarily to a significantly higher level of customer service. The stores are cleaner, more attractive, better stocked, and so on. The company discovered this through a series of customer surveys last year. I think you've sufficiently covered the Canadian market-let's move now to a discussion of the U.S. market.

*How many stores does USCo own in the U.S., and how many does the second-largest discount retailer own?*

USCo owns 4,000 stores and the second-largest competitor owns approximately 1,000 stores.

*Are USCo stores bigger than those of the typical discount retailer in the U.S.?*

Yes. USCo stores average 200,000 square feet, whereas the typical discount retail store is approximately 100,000 square feet.

*Those numbers suggest that USCo should be selling roughly eight times the volume of the nearest U.S. competitor!*

Close. USCo's sales are approximately \$5 billion, whereas the nearest competitor sells about \$1 billion worth of merchandise.

*I would think that sales of that size give USCo significant clout with suppliers. Does it have a lower cost of goods than the competition?*

In fact, its cost of goods is approximately 15 percent less than that of the competition.

*So it probably has lower prices.*

Right again. Its prices are on average about ten percent lower than those of the competition.

*So it seems that USCo has been so successful primarily because it has lower prices than its competitors.*

That's partly right. Its success probably also has something to do with a larger selection of products, given the larger average store size.

*How did USCo get so much bigger than the competition?*

It started by building superstores in rural markets served mainly by mom-and-pop stores and small discount retailers. USCo bet that people would be willing to buy from it, and it was right. As it grew and developed more clout with suppliers, it began to buy out other discount retailers and convert their stores to the USCo format.

*So whenever USCo buys out a competing store, it also physically expands it?*

Not necessarily. Sometimes it does, but when I said it converts it to the USCo format, I meant that it carries the same brands at prices that are on average ten percent lower than the competition's.

*What criteria does USCo use in deciding whether it should physically expand a store it's just bought out?*

It depends on a lot of factors, such as the size of the existing store, local market competition, local real estate costs, and so on, but I don't think we need to go into that here.

*Well, I thought it might be relevant in terms of predicting what it will do with the 300 stores that it bought in Canada.*

Let's just assume that it doesn't plan to expand the Canadian stores beyond their current size.

*OK. I think I've learned enough about USCo. I'd like to ask a few questions about USCo's ability to succeed in the Canadian market. Does USCo have a strong brand name in Canada?*

No. Although members of the Canadian business community are certainly familiar with the company because of its U.S. success, the Canadian consumer is basically unaware of USCo's existence.

*Does CanadaCo carry products similar to USCo's, or does the Canadian consumer expect different products and brands than the U.S. discount retail consumer?*

The two companies carry similar products, although the CanadaCo stores lean more heavily toward Canadian suppliers.

*How much volume does CanadaCo actually sell?*

About \$750 million worth of goods annually.

*Is there any reason to think that the costs of doing business for USCo will be higher in the Canadian market?*

Can you be more specific?

*I mean, for example, are labor or leasing costs higher in Canada than in the U.S.?*

Canada does have significantly higher labor costs, and I'm not sure about the costs of leasing space. What are you driving at?

*I was thinking that if there were a higher cost of doing business in Canada, perhaps USCo would have to charge higher prices than it does in the U.S. to cover its costs.*

That's probably true, but remember, CanadaCo must also cope with the same high labor costs. Can you think of additional costs incurred by USCo's Canadian operations that would not be incurred by CanadaCo?

*USCo might incur higher distribution costs than CanadaCo because it will have to ship product from its U.S. warehouses up to Canada.*

You are partially right. CanadaCo has the advantage in distribution costs, since its network spans less geographic area and it gets more products from Canadian suppliers. However, since CanadaCo continues to get a good deal of products from the U.S., the actual advantage to CanadaCo is not great—only about two percent of overall costs.

*All this suggests that USCo will be able to retain a significant price advantage over CanadaCo's stores: if not ten percent, then at least seven to eight percent.*

I would agree with that conclusion.



## Step 5: Summarize and make recommendations

*I would tell the CEO the following: In the near term, you might be safe. Your stores have a much stronger brand name in Canada than USCo's, and they seem to be well managed. However, as consumers get used to seeing prices that are consistently seven to eight percent less at USCo, they will realize that shopping at USCo means significant savings over the course of the year. Although some consumers will remain loyal out of habit or because of your high level of service, it is reasonable to expect the discount shopper to shop where prices are lowest. Moreover, over time your brand-name advantage will erode as USCo becomes more familiar to Canadian consumers. You certainly have to worry about losing significant share to USCo stores in the long term. You should probably do something about it now, before it's too late.*

Can you suggest possible strategies for CanadaCo?

*Maybe it can find ways to cut costs and make the organization more efficient, so it can keep prices low even if its cost of goods is higher.*

Anything else?

*It might consider instituting something like a frequent shopper program, where consumers accumulate points that entitle them to future discounts on merchandise.*

What might be a potential problem with that?

*Well, it might not be that cost-effective, since it would be rewarding a significant number of shoppers who would have continued to shop there anyway.*

Any other suggestions?

*CanadaCo might want to prepare a marketing or advertising campaign that highlights its high level of service. It might even institute a CanadaCo Service Guarantee that surpasses any guarantees offered by USCo.*

Assuming the only way to keep customers is through competitive pricing, is there anything CanadaCo can do to appear competitive to the consumer?

*It might want to consider offering fewer product lines, so that it can consolidate its buying power and negotiate prices with suppliers that are competitive with USCo's. It might lose some customers who want the variety of products that USCo has, but it may be able to retain the customer who is buying a limited array of items and is just looking for the best price.*

All of your suggestions are interesting, and you would want to analyze the advantages and disadvantages of each in more detail before making any recommendations to the CEO.

## Additional Case Questions

By the time you've gone through the case interview example and the interactive case you probably will have developed a good idea of what a case interview is all about. The best way to prepare for a case interview is to practice a few. Ask a friend or career counselor to give you a case using the sample business problems below.

1. A German luxury car manufacturer is interested in entering the sport-utility vehicle market (for example, Jeep Cherokee) after noticing that the market has grown dramatically worldwide in the past two years. How would you advise the manufacturer? What does it need to know before making an entry decision? If it chooses to enter, what might a viable strategy be?
2. A North American manufacturer/retailer of high-end glassware experienced a dramatic decline in same-store sales at its retail outlets last year. How would you begin to assess the reasons for the decline? Using your analysis as a basis, what strategy would you recommend for the manufacturer?
3. A large public utility formerly had a monopoly in the British electricity market. Now that the market has been deregulated, small power-generation companies have already captured a five percent share from the utility by offering to provide large businesses in the U.K. with their own in-house power-generation capabilities. The CEO of the utility wants to understand whether this trend will continue and how she can prevent further loss of share. How would you answer her question?
4. A U.S.-based pharmaceutical company that focuses on discovering, developing, and selling drugs for the treatment of cancer has been experiencing flat growth and is interested in expanding into new businesses. In view of the growth and profitability of stand-alone cancer treatment centers in the U.S., the company is considering establishing and operating similar centers in China. This would be the company's first foray into the cancer treatment center business. How would you evaluate the attractiveness of the opportunity?
5. The Swiss Ski Association has been petitioned by an international snowboarding club to permit snowboarding on the ski slopes within its jurisdiction. (Assume that the association currently forbids snowboarding on all Swiss ski slopes.) If the association is interested in maximizing profits, how should it respond to the petition? What factors would the answer depend upon?

## **9.2 Medical software industry case (BCG)**

### **Step 1: Actively listen to the case**

Your client is GenCo, a large, international, diversified company with a health care division that produces a wide variety of medical instruments and related services. Five years ago, it expanded into the health care software industry by purchasing MedCount, which markets administrative systems to large U.S. hospitals. These systems are designed primarily for back-office functions; they are not designed for managing patients or providing other physician and technical support. Since it was purchased, the software division has failed to deliver the growth needed to justify the multiple GenCo paid for it. GenCo feels it has already squeezed margins as much as possible, and now is looking for new sales opportunities. MedCount turned to BCG to help identify potential ways to increase revenues. How would you approach this problem?

## Step 2: Establish your understanding of the case

*First, let me make sure I understand the problem. The parent company produces medical devices and services, but before the acquisition was not involved in health care software. The company it purchased, MedCount, sells only administrative systems software to large hospitals. It is now looking for opportunities to increase revenues.*

That is correct.

*Could I take a moment to jot down a few thoughts?*

Sure, that would be fine.

## Step 3: Set up the framework

*I would suggest using the following framework: First, I'd want to understand the market size and growth rates for MedCount's market and related software markets. Next, I would like to explore the competition and their market shares. Third, I would like to examine customer requirements and then, given those external conditions, look at the division's capabilities to understand how well prepared it is to meet the needs of the marketplace.*

That sounds fine. So what do you want to know about the market?

## Step 4: Evaluate the case using the framework

*Well, the first hurdle would be to identify the markets the company would be interested in. Besides administration systems, what other types of medical software systems do large hospitals purchase?*

There are many software systems, but for the sake of time, the team focused on three primary markets: administration systems, patient administration, and physician support systems.

*What do those systems do?*

Patient administration includes systems like admissions and tracking. Physician support systems are more specialized, for individual physician procedures.

*I would like to know how large each market is and how fast each is growing. I would use secondary sources such as press releases, analyst reports, and published market studies, to obtain this information.*

Great! That is what we did during the market study. Our information revealed the following market sizes and growth rates.

	Administration	Patient administration	Physician support
Market size (\$M)	1,500	1,000	1,200
Growth rate	5%	5%	12%

*From a size and growth perspective, physician support systems look like a very attractive market. I'd like to know a little about the customers themselves. The client is currently targeting large hospitals. Approximately what percentage of the market do they represent?*

We were unable to get an exact breakdown, but we know that these hospitals make up the vast majority of the total medical software market.

*That would make sense, since the more sophisticated procedures at a hospital might necessitate more advanced software solutions. I know that there have been a lot of changes in the industry as a result of managed care. I don't know much about the industry, so I would want to look at market studies and press clippings to get a better sense of the hospital market in general and any technology or software trends more specifically.*

Okay. Let's say that you did that and were presented with this summary of market trends:

- Consolidation in the industry, with three to four large hospital networks dominating 45 percent of the market
- Cost controls instituted, particularly as these large hospital networks acquire smaller hospitals (centralization of functions being a key cost issue)
- Many hospitals seeking to consolidate their vendor base
- With regard to technology, many hospitals upgrading their older systems

*If hospitals are consolidating vendors, perhaps our client has an advantage in being part of a larger medical company. Maybe the client could also gain some advantages by expanding into other software segments. Are the people responsible for purchasing software at the hospital the same for all three segments?*

Like all things, it differs by hospital, but the larger hospital networks have tried to consolidate their purchasing not only within but also across hospitals.

*Is the decision maker for medical software the same as for medical instrumentation and devices?*

In some cases, the head of purchasing influences both decisions, but the person who makes the final choice is different. Software decisions are usually made by the hospital IT function, and those for instrumentation by the medical staff.

*I think I have a pretty good understanding of the market for now. Let's look at competition next. We could identify all the competitors and build up the market shares using a combination of public data and estimates.*

Well, let's assume that you don't have an infinite amount of time to look at all the competitors. You can only look at the top five competitors in each market. You are given the following data:

Administration Systems	Sales (\$M)	Growth (%)
MedCount	700	4%
HCS Software Systems	100	7%
Morningside Software	80	3%
Admin Systems Solutions	70	2%
HTI Software	50	15%

Patient Administration	Sales (\$M)	Growth (%)
HTI	300	5%
Registration Software Solutions	240	4%
Signup Software	60	3%
HCS Software Systems	30	16%
Patient Software	20	-1%

Physician Support	Sales (\$M)	Growth (%)
HCS Software Systems	150	16%
Physician Support Systems	100	11%
Medical Technology Inc	25	18%
HTI	20	32%
MedSys	5	15%

*Very interesting. The first thing I would note from the data is that the market concentrations are very different. In administrative systems, the top five competitors control 66 percent of the market and in patient administration, they control 65 percent. But in the physician support market, they control only 25 percent.*

*I would want to know what gross margins look like in each of these markets as well. I might turn to analyst reports and look at competitors' financial statements to deduce whether they are making money in each market.*

Gross margins vary, of course, but the analyst reports have margins of 25 to 30 percent for administrative systems and for patient administration. For physician support, the margins tend to be higher, more like 45 to 50 percent.

*I see that two competitors, HTI and HCS Software Systems, have very large revenue growth in all three sectors, although they each dominate one. I would want to look at their financials, annual reports, and press releases to find out a bit more about their strategy in each of these areas.*

You'd find that they recently entered these non-core markets. Why might they have done that?

*Perhaps, like our client, each had a strong position in its own segment, HTI in patient administration and HCS Software Systems in physician support. Maybe they too decided to branch out into the other segments to find additional growth.*

That is a very good hypothesis. Let's say there is evidence in the sources you consult that supports your assertion.

*Well, if that were true, these two companies could be a threat not only in the other two segments, but also in our client's segment, administrative systems. It looks as if the client is slowly losing market share in its segment, since it is growing more slowly than its market.*

Good observation.

*The market and competitor trends could also suggest that the client may want to enter these other markets. In particular, the physician support market looks attractive; given it has high growth and lack of a dominant competitor. The higher gross margins may provide attractive returns on the necessary investment in software development. However, the patient administration market may also be attractive. Although it is more concentrated and offers lower margins than physician support, the client may be able to enter this segment with a smaller up-front investment. Given the trend toward upgrading existing computer systems, it may be important for MedCount to have a product offering in each of the three market segments. That should not be too difficult, since the company is already in the software industry.*

Perhaps, but you should think a little more closely about these types of software. Are all software systems alike?

*Well, let me think about that for a moment. I suspect patient administration would have relatively low entry barriers. From your earlier description, these systems appear to be pretty basic, dealing primarily with admissions and patient tracking. However, the entry barriers in physician support might be higher, since these systems are more complex and there are probably multiple systems for the various physician procedures. I guess it would be harder to get into those types of systems.*

That would make sense.

*Since the company might want to go into only some of the segments, I would want to know how important it is to have products in all three segments. Do we know if the competitors are marketing their products as a bundle?*

How might you find that out?

*Since it would be difficult to talk to a competitor directly, I would probably target a competitor's customer, particularly one that just converted from our client's software.*

Let's say you get an interview with a customer that recently switched to HTI. You discover that the competitor was offering it a better pricing deal and service for software products in all three segments.

*How were MedCount's software and service perceived in relation to those of competitors?*

The customer thought that its administrative systems were adequate, "the old standby," but not stellar.

*Were there any other key reasons it switched from MedCount's system?*

When it decided to upgrade its systems, it tried to contact MedCount, but could never get a representative to describe its options.

*Interesting. How did HTI perform?*

The HTI representative had heard that the company was considering switching software vendors and provided a sales representative to pitch HTI's administrative product the next day.

*It definitely sounds as if there was a problem with the sales function and that customer relations need to be improved, particularly for the larger hospital chains. There also seems to be an advantage from both a marketing and sales perspective in having multiple software products. I would want to confirm those views by doing further interviews.*

Let's say further interviews support those assumptions.

*Since we have already looked at the external conditions, I would like to move on to the client itself. I'd like to know more about its marketing and selling organization as well as its software development skills.*

*So far, we know that our client offers administrative software and that there may be a problem with sales and marketing. Could you tell me a little about the marketing department?*

The marketing department is organized regionally. Teams are assigned to hospitals within each state or geographic region, such as New England.

*That could explain some of the problems with MedCount's marketing and sales. If hospital purchasing is centralized, the marketing organization may be outdated. Does the company have any teams dedicated to the four or five biggest hospital networks?*

No, there are no dedicated teams. They talked about doing that for a while, but it conflicted with the regional structure it had in place.

*With regard to software, does the company feel it has any strengths or weaknesses?*

It feels that their administrative product is very strong ("best of breed") and is the dominant technology. Also, the product is modular in design, which allows for easier upgrades. Although the company has never branched out into other market segments, the software developers believe that certain modules could be used to build the foundation for other administrative software programs. The company feels customer support is also an area in which it excels.

## **Step 5: Summarize and make recommendations**

*Let's start with our client's market. The client dominates the administrative software market, which is fairly large but growing slowly, and the company appears to be slowly losing market share. Patient administration is also growing relatively slowly. Both markets are relatively concentrated and appear to offer lower margins than physician support. The physician support market is large and less concentrated, and could potentially provide higher margins, but would require a larger investment. The hospital market itself is becoming more concentrated and is pushing to consolidate vendors. The purchasing agent is often the same for the three types of software.*

*Looking at our client's competitors, two, HTI and HCS Software Systems, appear to be particularly threatening. Each has a dominant position in one segment and is branching out into other areas. They appear to be marketing their products and services as a bundle and are using service as a key point of differentiation.*

*The client offers only one type of system and appears to have some weaknesses in its marketing organization, particularly in marketing to the larger hospital networks, which offer the most promising market opportunities.*

How would you recommend proceeding?

*The first priority should be to fix the marketing organization, particularly for the large hospital networks. MedCount will have trouble expanding into new markets if it can't defend its current position and shore up its existing customer relationships. There should be a team dedicated to each of the major chains. The client should also look at improving customer tracking so that it is clear when its customers are going to upgrade. There should also be clear contacts so that the customer can easily keep in touch with MedCount.*

*Next, I would recommend that the client explore entering the other market segments by leveraging its dominant position in administrative systems. At first glance, patient administration does not appear to be very attractive, with slow growth, low margins, and large, dominant competitors. There appears to be some advantage, however, in having products across the product range. I would recommend that we interview some of MedCount's existing customers to better understand their needs and future IT requirements. If the customer base is interested in one software provider for both back-office administration and patient administration functions, this segment looks promising.*

*If the client does decide to enter this market, it should look at the lowest-cost method of entry, either developing a product internally or acquiring a competitor. The modular design of its existing administrative software suggests internal development of the patient administration product may be the way to go, but we would need a more thorough comparison of the internal development and acquisition options, including both cost and time to market. I think that physician support offers our client an exciting growth opportunity, given its high margins, high growth, and fragmented competition. I would definitely think about an acquisition strategy, since the client may lack the technical capabilities to enter this specialized market. I would recommend going for one of the larger companies, as that would give the client a stronger position. Smaller companies would probably not offer an important enough position in the market. More research would be needed, however, for us to better understand the intricacies of the market and each potential acquisition.*

Those are very interesting conclusions. Thank you.

### **9.3 Jet fighter manufacturing case (BCG)**

#### **Step 1: Actively listen to the case**

Your client is a U.S. defense contractor that manufactures the Mohawk Light Fighter Jet for the British Royal Air Force. The company has produced the \$20 million fighter jet for the past 12 years. The British government has decided to put the contract out to bid, however, and to win the program, the client's purchasing agents have estimated, the company will need to cut its costs by 5 percent. It has asked BCG to help it reduce costs.

#### **Step 1: Establish understanding of the case**

*Let me first clarify the question. The client manufactures a \$20 million jet and, because of competitive forces, has to reduce its cost by 5 percent. Is BCG's role also to verify the purchasing department's estimate?*

No, you can assume that the purchasing estimate is correct. BCG's role is to find the cost savings to meet that estimate.

*Could I take a few minutes to think about the case?*



Sure, please do so.

### Step 2: Set up the framework

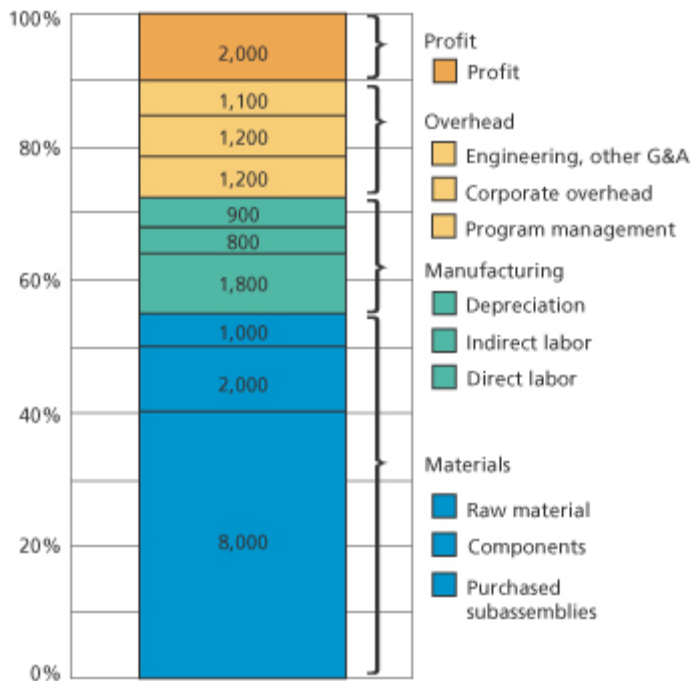
*First, I would like to understand the cost structure of the jet to see what we should look at first. Next, I would like to look at major factors driving the costs we are targeting. Finally, I would like to explore potential ideas to reduce cost.*

That sounds like a very logical approach. Let's proceed.

### Step 3: Evaluate the case using the framework

*Because the time for the interview is limited, I think we should try to identify those areas most responsible for the cost of the jet.*

Time is limited on real projects as well, so I think that would be a good idea! You have the following cost information for the jet. How would you interpret it?



*The major cost driver for the jet appears to be purchased materials. Within manufacturing, direct labor is a fairly large component of cost, as are program management and corporate overhead within overhead. I think we would want to concentrate most on materials, however, since that's where most of the costs can be found.*

That sounds like a good place to start. Where would you look within materials?

*I see that materials are broken down into purchased subassemblies, components, and raw materials. I understand what raw materials would be, but what would be the difference between components and subassemblies?*

A subassembly functions on its own. An example is the pilot night vision system. A component is a smaller part, such as a part of the engine.

*I know that governmental agencies often have very strict guidelines about purchasing that could affect the cost of materials.*

For the sake of this case, you can assume that the British Ministry of Defense, MOD, allows "commercial off-the-shelf" purchases, which means that the client is free to purchase from whomever it wants, as long as it can ensure that the parts meet MOD quality guidelines.

*I see that purchased subassemblies comprise more than 70 percent of materials. How many suppliers are there for these subassemblies?*

There are seven suppliers of major subassemblies that go into the fighter jet.

*That seems like a relatively small number. Are there more suppliers that are qualified to do this type of work?*

The manufacture of these parts requires a substantial investment in R&D, engineering, and infrastructure. It would be very costly for new suppliers to make the required investment, particularly if the client is trying to reduce the price it pays to the subassembly manufacturers.

*Since there are only a few subassembly suppliers, and the investment hurdle would preclude bringing in competing manufacturers, it would be difficult to reduce the price paid. Perhaps we should look elsewhere for savings.*

But remember, if your client loses the contract, it will lose its customer unless it is teamed with the competing bidder. Even then, if the competitor is underbidding your client, there will be even less room for it to profit.

*Perhaps it would have an incentive to reduce its costs in order to maintain the contract. Are the majority of its costs in materials as well?*

How could you find that out?

*I would want to interview the purchasing and engineering personnel of the different subcontractors in order to understand their cost structures. If we had a better understanding of their economics, our client might be able to reduce cost across the board, allowing it to compete more effectively for the contract without killing everyone's margins.*

Let's say that purchased materials average approximately 70 percent of the price paid to most of the manufacturers.

*If the cost of subassemblies represents 40 percent of the jet cost and 70 percent of that is purchased materials, total purchased materials would be approximately 28 percent of the cost for subassemblies. Purchases of raw*

*materials and components represent another 15 percent, for a total of around 43 percent of the cost of the jet. If our client could reduce the cost of raw materials by 20 percent, it could reduce the cost of the jet by more than 8 percent, more than enough to offset the 5 percent reduction it would need to win the contract.*

That sounds reasonable, but 20 percent is a very lofty goal. How would you go about doing that?

*First, I would look at the number of suppliers. Are there a large number of suppliers to the subassembly manufacturers?*

The client estimates that there are approximately 125 suppliers of raw materials and components among the manufacturers of the subassemblies and itself.

*Well, that sounds like a large number of suppliers. Of course, they could be providing very specialized materials to the subassembly manufacturers. Are these suppliers providing customized or more commodity products?*

About 80 percent of these products are commodities, such as sheet metal and wire harnesses. Even some of the electronics, such as printed wire boards and circuitry, are fairly generic.

*That sounds promising, but I would need to know whether these commodities are interchangeable, so that our client could concentrate spending with fewer suppliers. Are there many commonalities among the parts used by the different subassembly manufacturers? We could talk to their engineers and look at the designs and bills of material to determine how much overlap there is.*

Let's say that you did this and discovered that approximately 30 percent of the cost of raw materials is from similar materials used across the subassembly manufacturers.

*It seems safe to assume that the client would need more commonality to be successful in concentrating its purchasing and reducing costs. Do the engineers believe that the percentage of overlap could be increased if the designs were modified?*

They believe they could increase that percentage substantially, particularly with basic materials such as screws and sheet metal, but also in other more customized areas.

*That's great news, but we would still need to know whether the subcontractors are using the same suppliers. We could analyze the number of suppliers for each of the areas of overlap.*

Good suggestion. Although there are some common suppliers, the analysis indicates that the subassembly manufacturers tend to use different suppliers.

## **Step 5: Summarize and make recommendations**

*Our client needs to reduce costs by 5 percent. The largest area of opportunity appears to be in purchased materials, the majority of which comprise subassemblies manufactured by seven subcontractors. By looking at its purchases in total, the client can target approximately 40 percent of costs. To achieve the 5 percent cost reduction, it would need to reduce costs by 15 to 20 percent. It could try to do that by increasing commonality in the design of the subassemblies and components and by shifting volume to a smaller number of suppliers.*

Considering that the majority of the raw materials and components are purchased commodities, do you think the 15-20 percent cost reduction is achievable?

*Well, I know that commodities typically have lower margins than more customized products. I suspect it may be challenging to hit the client's savings target by focusing only on these purchases. But since raw materials and components represent about 40 percent of costs and there is an opportunity to concentrate purchasing, I think we should start here.*

Where else could you look for savings?

*If I look back at the cost data on the jet, direct labor is another large cost component. As a contingency, we could look into that area as well. I've read that other companies use outsourcing to lower their manufacturing costs—perhaps our client could do the same. For example, it might want to increase its use of purchased subassemblies and reduce the amount of direct manufacturing it does. Of course this would work only if it could drive direct labor costs below the offsetting cost of these subassemblies. The client will be working closely with the subassembly suppliers to implement its purchasing initiative. This may give it an opportunity to explore the suppliers' capabilities at the same time.*

That's an interesting suggestion. How would you recommend the company pursue both of the initiatives you have discussed?

*I would look first to combine purchases across the subassembly suppliers with our client's purchases. I suspect that the client and the subassembly suppliers will need to share a great deal of information, including engineering drawings and specifications, with potential suppliers of the raw materials and components. The Internet could prove to be a very effective medium for forming a single "virtual" purchasing department to consolidate both the flow of information and purchase orders across the companies. Our client might also want to use a bidding system for those materials that are true commodities.*

*Next, I would turn to the engineering departments and form cross-company teams to look for areas in which to increase commonality of design. At the same time, those teams could explore opportunities to use more purchased subassemblies and decrease the client's direct labor costs.*

That sounds great, and is very similar to a project we did. I would caution you, however, to examine the upfront costs involved in your recommendations, both for the redesign and for the implementation of the purchasing system, before going ahead.

## **9.4 Gas retail case (BCG)**

### **Client**

Your client is the major operator (monopolist) in one of the largest European gas markets. His business includes two major activities:

- Gas sales to households and firms (gas bought from large producers in Russia, Norway, Algeria...)

- Gas transportation from the national border, where it is delivered by the producer, to the end consumers. This implies the existence of a large ensemble of infrastructures: transportation network, distribution network, storage equipment, methane terminals...

Let's discuss the challenges on the natural gas market after market liberalization in Europe.

### **Situation**

Concretely, the market's deregulation means

- The end of the monopoly for the gas sales; the arrival of new competitors
- The preservation of the monopoly on transportation, but under the surveillance of an independent authority that guarantees equal access to all competitors

Your client is at the head of the purchases/sales department. He is in the following situation:

- Today, company market share is 100%
- At a certain point in the next years the market will at once be opened to competition (which is a simplified way of putting it since in reality there will be stages)

### **Client's question**

About the gas sale activity that will be opened to competition

- ⇒ What will be the level of competitive intensity at opening?
- ⇒ What actors are likely to become my competitors?

### **Evaluate the case**

According to you, how many and what types of competitors are likely to enter the market? (Structure)

*I believe I would need to evaluate the market attractiveness (market growth, profitability/margin, risks) and the entry barriers (gas availability, brand). I would need to ask the following questions:*

- *What are the rules of the game/key success factors (access to suppliers, customer intimacy, cost advantages, branding ...)?*
- *How are other players positioned to enter the market?*
- *What are their competitive advantages thanks to synergies with other activities (electricity, services ...)?*

Let us focus on the gas retail sale activity's attractiveness. There are three dimensions you should consider: the natural gas market's growth potential, the profitability of this activity and the risks associated with it.

Let us start with the market's growth potential. What are the market's growth levers? (Structure)

*I would differentiate between firms and households. The key levers by client type would be:*

- *Households: network penetration, share of gas vs. other energies; consumption of gas/household (climate, isolation ...)*
- *Firms: same as households, plus industry growth, productivity, competitiveness with other energy forms*

Given the market's main growth levers for the firms' segment and for the households' segment, do you think that the market will strongly grow, stagnate, or decrease? (Judgment)

*For the households, I would forecast???? the rise of penetration (network extension) but, overall, I think the consumption will decrease due to global warming and to better built houses. For the firms, I think it will decrease, especially in industries that consume a lot of gas (general price and risk issues).*

So what is your conclusion? (Synthesis, So what)

*I think there will be weak or inexistent growth. A new entrant will have to take clients from the major player.*

Can you imagine what a gas retailer's cost structure is? (turnover = 100)? (Synthesis, Structure)

*I believe it would include the energy itself (cost of goods – gas), the infrastructure cost and sales and marketing costs (commercial).*

Here is a simplified cost structure: gas – 50%, infrastructures – 40%, commercial costs – 7% and the margin is around 3%. What cost advantage can a new entrant expect to build for each one of these costs? (Judgment)

*Most probably, there is a small opportunity of differentiation through costs:*

- *Gas is sourced at comparable prices*
- *Infrastructure prices are identical for all competitors*
- *New entrants have to invest rather more in marketing*
- *New entrants are not expected to have a productivity lever and only have a small pricing lever.*

*I would have to check these assumptions.*

Let us put ourselves in the shoes of a household client whose yearly gas invoice amounts to € 500. What is the price reduction potential for a new entrant? Can you give a rough estimate? (Judgment, Rigor)

*If I assume I can reduce commercial/marketing costs by 33% ( $500 \times 7\% \times 33\% = 11.55$ ) and I allow a 50% lower margin ( $500 \times 3\% \times 50\% = 7.5$ ), then a new competitor can reduce the gas price around € 15–20/year ( $11.55+7.5=19$ ). This might allow it to compete with the established client. Marketing costs can be reduced if the new entrant is already established in other energy markets and benefits from scale and known brand name.*

What can we conclude on a new entrant's margin level? (Synthesis)

*Margin will necessarily have to be weak or inexistent to attract clients and draw away from established player.*

Let us now consider the risks borne by our retailer. In order to simplify, let us focus on what is called the climatic risk. The sales volumes will vary a lot depending on the year, whether the winter is cold or not. During a "warm" year, let's suppose that the heating volumes decrease by 10%, that the cost of supply/gas are totally variable, that the commercial costs are totally fixed, that the infrastructure costs are partly flexible, at 70%. What will be our gas retailer's margin? (Structure, Rigor)

*I am basing my analysis on the sales and cost structure of a normal year (turnover = 100). Then I calculate the value of each cost block for a warm year, also the margin and compare with the margin in a normal year.*

	<i>Cold vs. warm</i>
<i>Sales:</i>	<i>100 vs. 90 (-10%)</i>
<hr/>	
<i>Gas:</i>	<i>50 vs. 45 (-10%)</i>
<i>Infrastructure:</i>	<i>40 vs. 38.8 (30% of 40 is variable, makes 12, 10% reduction makes 1.2)</i>
<i>Commercial:</i>	<i>7 stay 7</i>
<i>Total cost:</i>	<i>97 vs. 90.8</i>
<i>Margin:</i>	<i>3 vs. -0.8</i>

*In a warm year, it is more expensive to sell gas, so it is a high risk business.*

What can we deduce from this risk calculation? (Judgment)

*The climatic risk is too high to justify the small margin in a normal year.*

Your first meeting with your client is tomorrow morning. What can you tell him/her to answer his/her question based on the analyses that we have just done together? (Synthesis)

*Well, the market is not that attractive and new entrants are a weak threat.*

Finally, it looks like our major player does not have to worry; the gas retailer activity's attractiveness is so weak that one would have to be stupid to venture in it at its opening! But why would it be a big mistake to tell our client not to worry? (Creativity)

*We are not working on the right strategic segment: the gas retail sale segment is not independent of the electricity sale and services, as soon as the monopoly disappears. We have been influenced by the client's historical view.*

In fact there is a bias in our reasoning from the start. What is it? (Creativity)

*We have looked at the gas market on a stand-alone basis. But we need to take into account that the rules of the game might change and that other energy providers might enter the market. Those providers might offer additional products to the gas client: electricity, oil, services or other products.*

Are there other levers that would enable a player to enter the gas market in a profitable way? (Creativity)

*By offering other energy products or services and products, there can be synergies with the gas supply:*

- *Channel diffusion/ delivery costs*
- *Margins from other services can cover production risk*

*On the other hand, there could be cost synergies on the commercialization:*

- *Client back-offices could combine gas and electricity sales*
- *Brand and client acquisition*

Who could the other new players in the gas market be? (Judgment)

*Potential new players that bring additional value to the client could be major electricity firms, major oil producers and/or major retailers. For the electricity firms, synergies would be mainly based on the commercialization cost synergies, also for retailers. For the oil producers, there are synergies on the supply side.*

What can we finally say to our client? (Judgment)

*The threat is real; the firm's traditional strategic vision must be questioned due to the emergence of the new market conditions and rules of the game. Examples of dangerous players are large power firms, oil producers if they don't have more profitable investments to make and a partnership between a large European energy player and a large retailer.*

## 9.5 Consumer ADSL services cases (BCG)

**The situation is as follows:**

ADSL is a technology that enables the implementation of broadband Internet services via the existing telephony infrastructure. This telephony infrastructure is owned by the incumbent telecom operator in Norway. As in most European countries, the regulator has ruled that new entrants may offer ADSL services, using the existing incumbent-owned telephony infrastructure via MDF access. This means, the new entrant can hire the copper wire from the incumbent operator but has to purchase its own ADSL equipment.

The technical set-up that a new entrant would need in order to establish an ADSL connection basically consists of three elements: MDF access (copper wire), ADSL equipment, Internet uplink capacity (fiber access connecting the ADSL equipment to the Internet).

The costs involved in establishing the technical set-up are given (amounts have been converted to euros):

- MDF access tariff is EUR 12 per line per month, set by the regulator
- Required investments for the ADSL equipment is EUR 120,000 per location, depreciation period of 5 years. For simplicity reasons we assume linear depreciation with no interest costs. In total, there are 250 locations where ADSL equipment could be installed, covering all households in Norway
- Internet uplink capacity is commercially available. Depending on the required end-user speed, costs are on average EUR 2 per end-user per month
- For simplicity reasons, we assume that the consumer ADSL modem is client-owned.

The case interview starts with an open question to test the candidate's ability to apply structure to a problem while a lot of information is still unknown.

Interviewer: Suppose you wanted to assess if a new entrant can run a profitable business in offering consumer ADSL services, how would you approach this?



*Candidate: Let's see, since we are considering a new entrant, who has initially no customers, the company will at first generate loss, and gradually will become more profitable as the number of customers increases. I could make some assumptions on the pace at which the customer base will grow, but rather than making this too complex at the beginning, I would start by calculating some sort of break-even point. I mean, if we never reach break-even, this idea will certainly not fly.*

The structure is the basis for the entire case. A good structure should enable the candidate to systematically solve the case, to set up some easy calculations to verify initial hypotheses, and navigate back and forth through the case. Now, the interviewer asks the candidate to do some easy calculations to see if he/she can apply the structure. This way the interviewer tests if the candidate can combine the elements to a useful outcome (Synthesis), how comfortable the candidate is in doing some basic calculations and if he/she applies sanity checks to the outcome (Rigor).

I: Sounds good, how would you calculate the break-even point?

*C: Hmmm, we know all the costs, but we don't know the revenue, which would be price times number of customers. So I could assume a price and then calculate the number of customers we need. Subsequently, I would need to check if the required number of customers would be a reasonable number. Do we know anything about the price?*

I: We know that the incumbent charges on average EUR 20 per month.

*C: OK, let's assume we could also ask EUR 20 to start with. Later we may need to reconsider this and see if we need to lower the price in order to become more competitive. So let's see if we can calculate this... hmmm, wait, I see we have a lot of information on technical costs, but I don't see anything on personnel costs, is this correct?*

I: Well spotted, we also need an organization and a small marketing budget. The new entrant has done some pre-work and has calculated that an annual budget of EUR 4.8 million would be sufficient to cover the entire country.

*C: OK, then I can calculate the break-even point. Per customer, the new entrant earns EUR 20, of which it uses EUR 14 to cover the expenses for MDF access and the Internet uplink. That means he has EUR 6 per customer per month to cover all other costs. We write off the ADSL equipment in 5 years, so that's EUR 2,000 per month per location. For 250 locations that's EUR 500,000 per month. In addition, we have to cover the organizational costs, which is EUR 400,000 per month. So for break-even we need EUR 900,000/EUR 6=150,000 customers.*

After the basic set-up of the case, the interviewer assesses the candidate's ability to make some basic assumptions in order to get to the next level (Judgment) and play around a little bit with that to see if the candidate can really see through the drivers of the case (Synthesis).

I: OK, so what do you think, is that a realistic number to achieve? Let me add that we have roughly 2 million households in Norway.

*C: Hmm, let's see...at first sight, 150,000 out of 2 million does not seem impossible, but I would like to know a bit more about the market. For instance: is there a lot of growth in the market? How many competitors are there? Can you tell me a bit more about that?*

I: Yes, at the time of this situation, the incumbent operator was still the only provider of ADSL services in Norway, but others have considered entering the market, just as we are doing now. The distribution was as follows: 20% of the households had ADSL services, 20% used Broadband via cable, 50% still used dial-up and 10% had no Internet. We know that these percentages were established in 5 years time. That is: 5 years before no broadband Internet existed. We have no data from in-between years.

*C: OK... so that's a fast growing market. I would say we start focusing on acquiring new customers from the group that is currently using dial-up, since this is the largest group and since it is probably easier to acquire new customers than to persuade customers from our competitors to switch. Now, if we would take a situation for instance 5 years later and if we assume that by then the market has grown again with roughly the same amount, the ADSL market increases from 20% to 40%, which means 400,000 new households will subscribe to ADSL. We would be competing for these clients, against the incumbent operator, and maybe some other new entrants as you mentioned. So... let's say the incumbent operator gets at least a 50% share of that, since it has a strong presence in the market already. Let's assume we would be competing against 1 or 2 other competitors, that means we could get 17–25% share of the new customers, or ~70,000–100,000 in total. So it seems that it won't be possible to reach break-even from new customers only. We could also have a look at the existing customers, both ADSL and cable customers. But then I would need to know how likely it is that they would switch?*

I: OK, that is something you may want to investigate. But what would be your upfront judgment on this?"

*C: I can imagine that customers would want to switch if they are very unsatisfied with the current service, or if the new entrant would offer a much lower price. Do we know anything about customer satisfaction?*

I: Most customers are very satisfied, the service is very reliable.

*C: OK, so let's look at lowering the price. For instance a 10% discount.... Hmm... but that would mean we also would need more customers to reach break-even. A 10% discount means we drop from EUR 20 to EUR 18 contributing EUR 4 per customer instead of EUR 6 to the fixed costs. So we would need 225,000 customers in this case. Even if we could get a greater share from new customers, I still think it would be unrealistic to assume we could persuade a large number of customers to switch for a EUR 2 discount, particularly if they are satisfied with the current service. In addition, there's the risk that our competitors would lower their prices too. Concluding, I would say this is a risky business to step into.*

When the basics of the case have been cracked, the interviewer would finally test if the candidate is able to assess the problem from different angles and if he/she can come up with alternative solutions (Creativity). If the case runs smoothly and there's time left, the candidate can even quantify part of these alternative solutions.

I: I agree. The way we have been looking at it, the business case looks very challenging indeed. But let's spend a minute to see if we can come up with some creative ideas here. Could you think of some ideas that would make this business case more attractive?

*C: I was struck by the negative effect a slight price decrease has. So, I was thinking: could we somehow increase the price? Of course, this can only be justified by offering better service. Would it be possible to increase the speed, for instance?*

I: Yes, technically this would be possible. You would need to make sure that you buy enough capacity on the Internet uplink. Let's assume the speed you can offer is directly proportional to the capacity you buy and the costs associated with it.

*C: OK, so doubling the speed would increase the cost per subscriber by EUR 2 per month, while we could probably charge a much higher tariff, maybe EUR 30 or so. If we could diversify our offering, and if part of the customers subscribe to the premium packages, this would certainly improve the case. Furthermore, I am considering offering additional services, like telephony or even video services if that's possible. Of course we would need to make a separate business case for that, but since EUR 12 out of the 20 we charge is spent on MDF access, any other service we can offer, which re-uses this asset, would greatly improve the case. I mean, we would spread our largest cost component across multiple services.*

I: OK, sounds like these ideas are worth investigating. Anything else you can think of?

*C: What about starting in a limited number of regions, instead of covering the entire country from the start? Is the number of customers per location equal across the country?*

I: Good point! The area of each region is more or less the same, which means...

*C: You have a huge variation in the number of households per location. If we pick the high density areas, for instance the Oslo area, plus some other larger cities, we can perhaps reach 50% of the households through, I don't know, maybe only 20% of the locations and thus only 20% of the ADSL equipment cost. That would make a difference.*

I: You're absolutely right, and you know, looking back this is exactly what new entrants have done when entering the ADSL market: start in high density areas, offer higher speeds at premium prices, in particular to small and medium-sized enterprises, and – at a later stage – expand the service by offering additional services.

## **9.6 Call center case (BCG)**

### **The case interview**

There is a company, let's say a travel agency, that sets up a centralized call center where all incoming phone calls from all branches are diverted to. Shortly after setting up the call center, the travel agency is virtually unreachable because of the large amount of phone calls received.

Before answering any questions, the candidate should check if he/she completely understands the problem stated. The candidate can ask additional questions if the problem is not completely clear.

The first question tests the candidate's creativity and ability to come up with more than one idea, at the same time it tests the use of a structure, which helps coming up with more ideas. First, the candidate should think of main causes, and then specify these main causes in more detailed possibilities.

Interviewer: What could cause the overload of the call center?

*Candidate: I believe there could be different types of reasons:*

*Caused by supply*

- *Lack of call center agents (by sickness, by poor planning)*
- *Poor organization of the call center (unstructured call-diverting)*

*Caused by technical difficulties*

- *Calls are not transferred to the centralized call center*

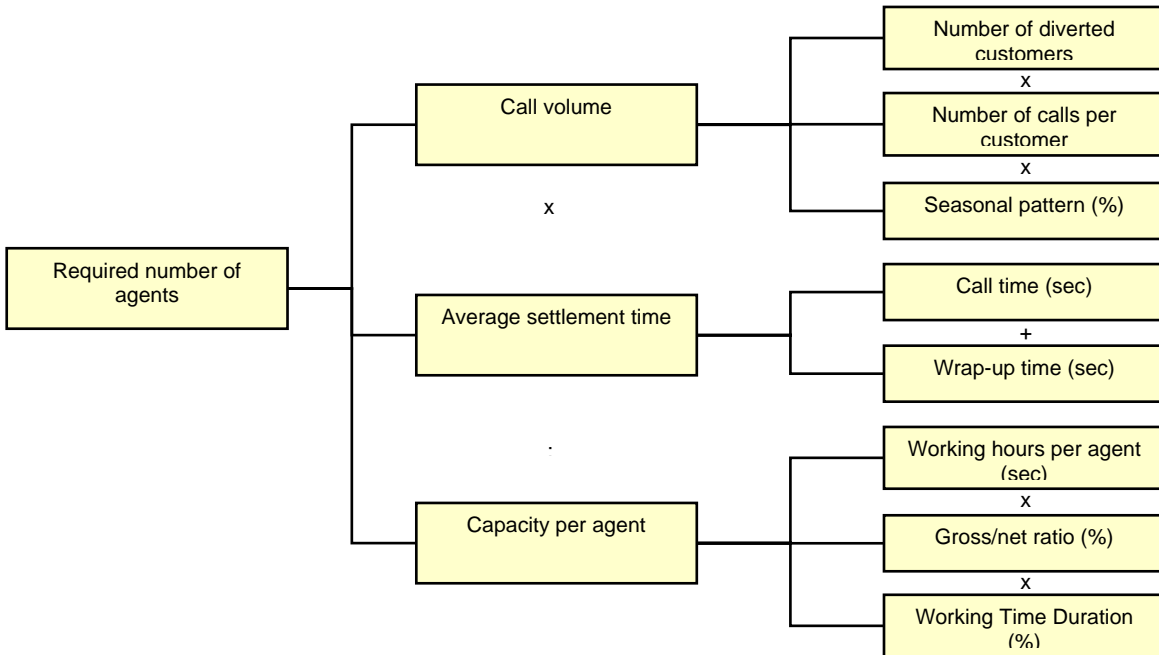
*Caused by demand*

- *Peak in client demand (more calls than expected due to international affairs, high-season, bad weather...)*

I: Let us assume that the overload in the call center is not caused by technical problems or by peaks in demand, but is solely caused by the fact that the amount of required agents does not match the number of agents in the center. How would you calculate the required number of call center agents needed to fix the problem?

For this question, it is important to set up a good structure to tackle it. Not a general structure, but one tailored to this specific situation. This is one of the main things the interviewer tests with this question: can the candidate set up a good structure, tailored to the problem. Furthermore, the interviewer tests if the candidate understands the problem and has some (business) judgment (e.g. in this case: a call center agent is not productive 8 hours per day).

A possible answer could be as shown in the next figure:



This answer first divides the required number of agents in volume of calls, average time spent on a call and capacity per agent. The next step would be to divide these three main parts into smaller parts. For the volume of calls, the first important driver is the amount of diverted customers. Furthermore, customers can call up more than once; this is called the average number of calls per customer. The third driver of the volume of calls is the seasonal pattern. The average time spent on a call is simply the duration of the call and the time needed by the agent to wrap up the call (e.g. enter information in a computer).

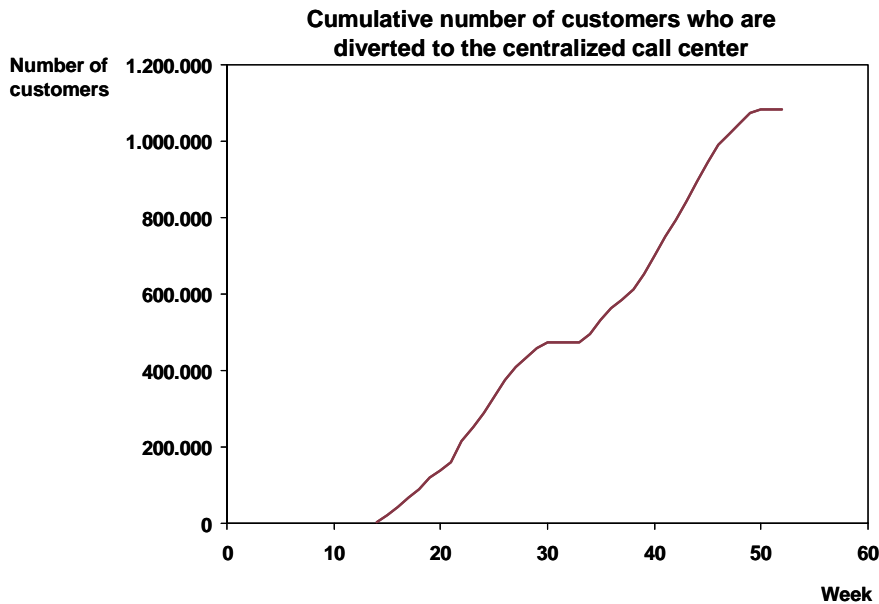
The capacity per agent starts of course with the working hours per agent, but an agent is not 100% productive. There are several ways to define the productivity, in this example the productivity is split up in two parts. The first is gross versus net working hours due to lunch breaks etc. The second is "working time duration", this is the percentage of the time the agent actually is busy with a phone call. An agent can be busier during prime time and less during other hours of the day.

There is now a clear structure to show what drives the amount of agents needed, and therewith a way to calculate the required amount of agents.

I: How many agents are required in week 20?

Most case interviews have some computation in them. To solve it, the candidate will have to figure out the numbers for all parts of the "driver-tree" to compute the required number of agents. There are several ways to figure out the numbers. First of all, an interviewer might give the candidate some data to start with, and he/she will have to pick out the numbers to use in the calculation. Secondly, the candidate can ask the interviewer for data, and thirdly the candidate can make assumptions using common sense. The candidate should always clearly state when he/she is making an assumption and how he/she comes up with it.

In this case interview, the following data is given by the interviewer:



Note: At the moment of set-up of the call center, the graph starts with 0.

From this graph, the candidate can deduct the cumulative number of diverted customers in week 20: approximately 140.000 customers. So in week 20, there are 140.000 clients "in the database of the call center". To calculate the required number of agents, other data in the driver-tree is needed, and the candidate will have to figure it out. He/she can start off with asking the interviewer for data, but it's always best to make assumptions and test these with the interviewer. For example: "I assume that on average, a client has contact with an agent of the call center twice per year, so the average number of calls per customer is 2". And: "I wonder if there are many more calls in week 20 versus the other weeks of the year, for now I assume the seasonal pattern to be 0%". The candidate then calculates the calls' volume:  $140.000 / 52 * 2 + 0\% =$  approximately 5.400 calls in week 20.

To determine the average settlement time, the candidate can ask the interviewer for information. The interviewer may either tell the candidate to make an assumption, or give the numbers. In this case, these are given: "Monitoring talk- and wrap-up-time gave an average call time of 240 seconds and an average wrap-up-time of 60 seconds per call". This information gives the candidate the average settlement time:  $240 + 60$  seconds = 5 minutes =  $1/12$  hour.

The last driver is the capacity per agent. The candidate can assume that the number of hours an agent works is 40 per week. To determine the gross/net ratio, the candidate could ask the interviewer, though he/she could also easily make an assumption on own experience: "I assume that of the 8 hours worked in a day, approximately 1.5 hour is lost to lunch and other breaks. This makes the gross/net ratio  $\sim 80\%$  ( $(8-1.5)/8 = 81\%$ ). The last number to figure out is the working time duration, this is a hard number to guess without knowledge of call centers, but the candidate could still give it a try. The candidate should then ask the interviewer if the

assumption is more or less right. From experience, the number is ~50%. This gives the capacity of an agent per week:  $40 * 80\% * 50\% = 16$  hours per week.

Now, the candidate has all numbers to calculate the amount of agents needed in week 20. The candidate should not forget to use the same units for all parts of the equation (all in seconds, hours, or weeks) and not make any unnecessary mistakes. In this case, the number of agents needed in week 20 is:  $5.400 \text{ calls} * 1/12 \text{ hours per call} / 16 \text{ hours per week} = 28.1$ , so either 28 or 29 agents are needed.

I: There are no additional trained call center agents available. What other ways can you think of to help the travel agency with its telephone problem?

It is stated that the amount of required agents does not match the number of agents in the center. However, since there are no additional trained call center agents available, the candidate has to find ways to decrease the amount of agents needed.

This question will test if the candidate really grasps the problem and if he/she uses his/her structure in the right way. Looking again at the structure, the answer is clear: There are three levers to decrease the amount of agents needed:

1. Reduce the call volume
2. Reduce the average settlement time
3. Increase the capacity per agent

To determine specific solutions, the candidate needs creativity and understanding of the problem.

On the first lever:

- Stop diverting the calls from branches to call center (and divert back)
- Insert a computer-based menu which answers the most frequently asked questions

A possible solution to the second lever is:

- Reduce the wrap-up time by monitoring it, determine the most common wrap-up actions and shorten these actions where possible. For example introduction of a computer application that helps the agents with the standard wrap-up actions such as "sending a brochure"

For the third lever, a possible solution would be:

- Align planning of agents with actual demand for agents by mobilizing more agents during peaks in client demand and less during a low. This solution can be for example achieved by stimulating the agents to work part-time.

## 9.7 Supermarket deli turnaround case (BCG)

### Questions and Facts

#### 1. Client's deli financials

See Exhibit 1

#### 2. Overall industry/ customers

Deli meat category has been flat to slightly declining recently. Prepared foods category has been growing at roughly 10% per year as people have less time to cook at home.

#### 3. Competitors

Increasing competition from deli departments of other supermarkets, discounters, etc. – e.g., expanding product lines, increasing advertising. Also competes with fast food restaurants in prepared foods category.

#### 4. Client's product mix and recent events

Mix has remained constant, with the exception of two products introduced a couple of years ago – BBQ chicken wings and “made to order” sandwiches. Both products have been a major boost to prepared foods revenue.

#### 5. Info on new products

BBQ wings are similar to the chicken wings the company already sells, although they take a little longer to fry and are tossed in BBQ sauce after frying. “Made to order” sandwiches is client's response to Subway, etc. – for two hours during lunchtime and two hours during dinnertime, one employee's sole task is to make sandwiches to order for customers.

#### 6. Financials of new products

Revenues for each product are \$40M annually. Costs are not broken down at the product level. See Exhibit 2.



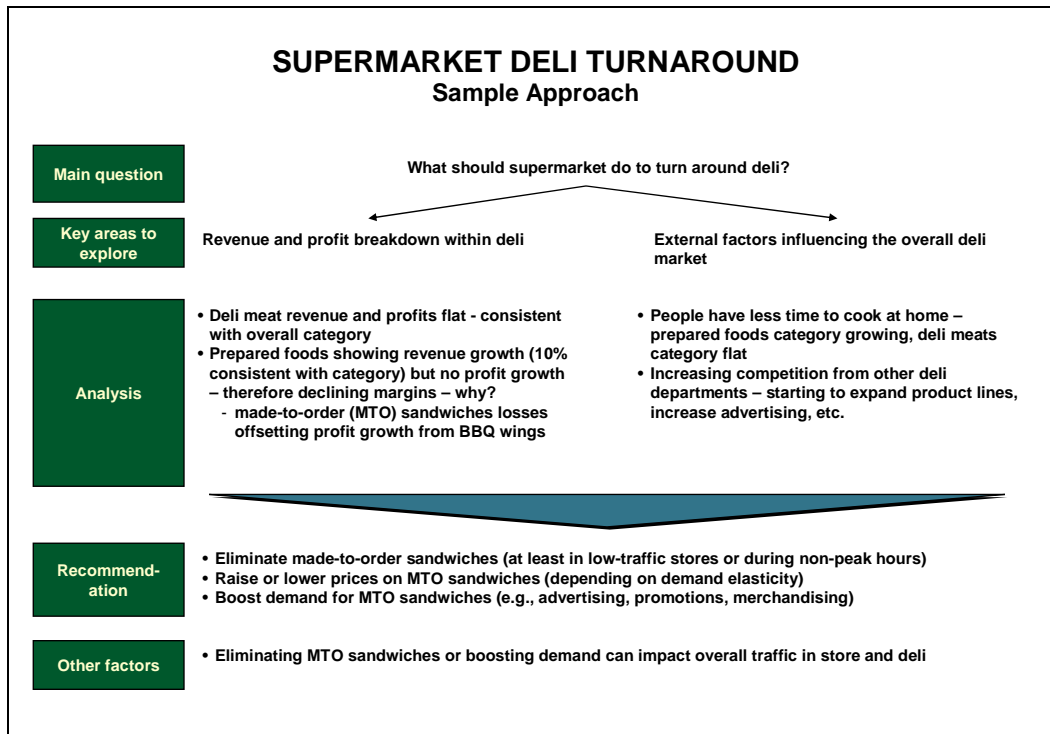
**SUPERMARKET DELI TURNAROUND**  
Exhibit 1

		\$M		
		2002	2003	2004
Deli meats	Revenues	260	255	260
	COGS	160	155	160
Prepared foods	Revenues	360	400	440
	COGS	190	230	270
Overall	Revenues	620	655	700
	COGS	350	385	430
	Gross margin	270	270	270

**SUPERMARKET DELI TURNAROUND**  
Exhibit 2

BBQ wings		"Made-to-order" sandwiches	
Price	\$5 for 20 pieces	Price	\$4 per sandwich
Total material cost	\$0.10 per piece	Avg. sales/store	20 sandwiches per day
Prep time	15 minutes per batch of 200	Total material cost	\$2 per sandwich
Employee cost	\$20 per hour (fully loaded)	Employee cost	\$20 per hour (fully loaded)
Total COGS	<span style="border: 1px solid black; padding: 2px;">\$2.50</span> per 20 pieces	Dedicated hours	4 hours per day
Margin	<span style="border: 1px solid black; padding: 2px;">\$2.50</span> per 20 pieces	Revenue	<span style="border: 1px solid black; padding: 2px;">\$80</span> per store per day
		Total COGS	<span style="border: 1px solid black; padding: 2px;">\$120</span> per store per day
		Margin	<span style="border: 1px solid black; padding: 2px;">\$(40)</span> per store per day

Note: Boxes indicate figures that should be calculated by the interviewee



## Framework and Analysis

There are three main questions asked to the candidate:

- Which part of the business is responsible for the lack of profit growth – deli meats, prepared foods, or both?
- Is the lack of profit growth caused by flat revenues, increasing costs, or both?
- What is causing the flat revenues or increasing costs (and what should the client do)?

Based on Exhibit 1, the candidate will see that gross margins for both business lines are flat. Furthermore, deli meat sales have been basically flat while prepared foods sales have been growing at 10%.

The candidate should recognize that the client’s deli meat and prepared food sales have been growing at about the category averages; therefore, revenues are not the main issue here. Deli meat COGS have been more or less flat, mirroring sales. However, despite robust growth in prepared food sales, prepared food profits have been flat, implying deteriorating margins.

At this point, the candidate is asked for some potential reasons for deteriorating margins (e.g., change in product/sales mix, rising material costs, rising labor costs).

If the candidate asks about changes in product mix, the interviewer informs him/her about the BBQ chicken wings and the “made to order” sandwiches. The candidate should be suspicious at this point and ask to learn more about these products.

By doing a back-of-the-envelope analysis of product profitability (based on data in Exhibit 2), the candidate can find that BBQ wings have a 50% margin, indicating that they are not a problem. On the other hand, he/she will find that the client is losing a lot of money on the “made to order” sandwich concept.

The candidate is then asked for recommendations, which could include:

- 1) Eliminating the “made to order” sandwich
- 2) Restricting the “made to order” sandwich to busier stores or during busier times of the day (e.g., lunch hours only)
- 3) Raising or lowering prices (to either increase profit per sale or units sold – will depend on demand elasticity)
- 4) Boost demand (through increased advertising, promotions, better merchandising, etc.).

The candidate can also consider the second-order effects of eliminating the product or boosting sales (the effect on traffic in the deli and the overall store).

## 9.8 China outsourcing case (BCG)

### Problem set-up

The client is a national manufacturer of plastic consumer products that are sold in a variety of retail formats, including supermarkets, discounters, club stores, and dollar stores. The company has three main product lines: 1) freezer bags, 2) plastic plates and utensils, and 3) specialty plates and utensils.

The CEO has been reading for some time about American companies outsourcing their production overseas to low-cost countries such as China. She wonders whether this makes sense for her company as well. It worries her that none of her main competitors have established foreign production capabilities; on the other hand, this could be a tremendous opportunity to gain a competitive advantage.

We have been asked to help the client understand the benefits and risks of moving its production capabilities to China and to provide a recommendation.

### Question and Facts

All three product lines have similar cost structures and savings (see Exhibit 1)

#### 1. Freezer bags

Plastic bags are used mainly to store food items in freezers. According to customers, top purchase criterion is quality, since low quality bags will result in food spoilage. Client is #3 in category, with 200 million lbs. sold. The category leader has a strong brand and strong innovation.

## 2. Plastic plates and utensils

Disposable plates and utensils; intended for single/limited use. According to customers, top purchase criterion is price. Client is #2 in category, with 300 million lbs. sold. Client is at cost parity with category leader but has a weaker brand.

## 3. Specialty plates and utensils

Plastic plates and utensils produced for specific retailers, customized to their design specs. According to customers, top purchase criterion is style/design. Because many products are new and untested, demand is highly variable. Client is #1 in category, with 100 million lbs. sold. No strong competitors.

## 4. Current client production capabilities

All products are made in a single factory in Ohio. The factory is at capacity and the company is considering building or acquiring a nearby facility.

## 5. Chinese production options

Client has no previous experience in building and managing a factory overseas. Client has met with several Chinese manufacturing partners and has done initial product testing.

All three product lines have similar cost structures and savings (Exhibit 1).

Quality: lower quality on freezer bags, equal quality on plastic plates and utensils (both regular and specialty).

Lead time: need 3-4 weeks of additional lead time for each product line for transportation from China to U.S. distribution center.

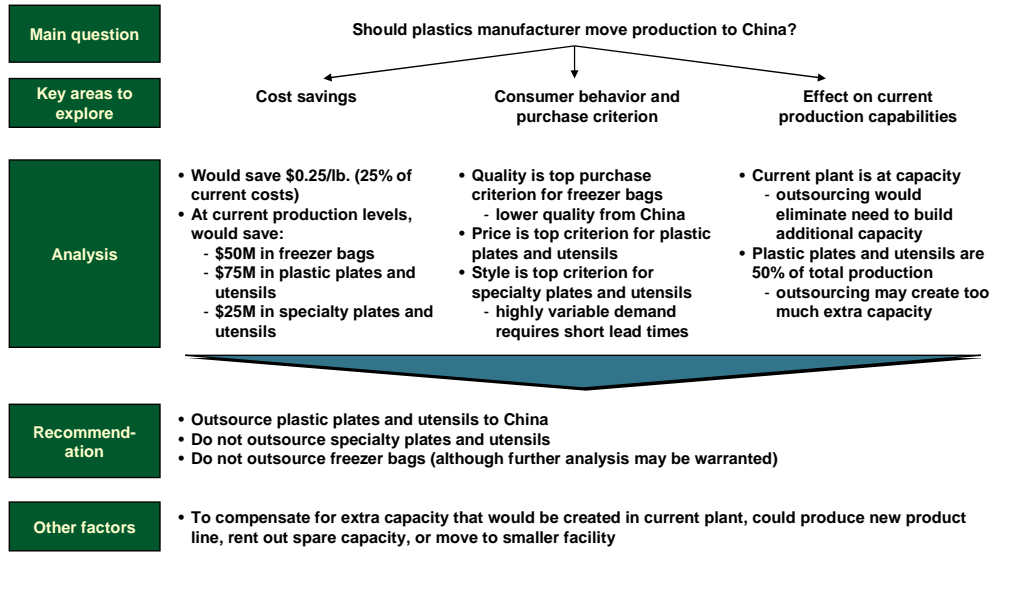
## 6. Chinese market, current client presence

All three categories are relatively underdeveloped but growing, dominated by local manufacturers. Client does not currently have any sales in China, although a few of their U.S. customers (e.g., Wal-Mart) do have presence there.

## CHINA OUTSOURCING OPPORTUNITY Exhibit 1

Costs	Costs in U.S. (\$/lb.)	Costs in China relative to U.S.	Costs in China (\$/lb.)
<b>Labor</b>	0.30	8% of wage rate 80% of productivity	
<b>Material</b>			
• Plastic resin	0.30	80%	
• Other material (incl. packaging)	0.20	75%	
<b>Variable overhead</b>	0.05	140%	
<b>Fixed overhead</b>	0.10	60%	
<b>Transportation</b>			
• China to U.S. distribution center	N/A	\$6K to ship 40K lbs.	
• U.S. distribution center to customer	0.05	Same	
<b>Total</b>	1.00		

## CHINA OUTSOURCING OPPORTUNITY Sample Approach



## Framework and Analysis

The candidate should start with a brief overview of the potential benefits and risks of outsourcing to China. The main benefit is lower costs, mostly driven by inexpensive labor. A secondary benefit is a possible springboard into the emerging Chinese (and other Asian) market. Risks include lower labor productivity, possible quality issues, longer lead times, additional transportation costs, and potential communication/coordination issues. The candidate can be asked about the ramifications of longer lead times – they include greater carrying costs, higher cycle and safety stock, greater forecast error, and less responsiveness to demand.

There are three main questions asked to the candidate:

- How much cheaper is producing in China?
- What do consumers value and how would outsourcing affect those criteria?
- What are the client's current production capabilities and how would outsourcing part/all of their production affect the remainder?

First, the candidate should size the opportunity – is this a \$5 million or a \$500 million opportunity? By solving for the last column in Exhibit 1, the candidate will find that the client would save \$0.25/lb. (25% of current costs) by outsourcing to China. Given current production levels, the client would save \$50 million by outsourcing freezer bags, \$75 million by outsourcing plastic plates and utensils, and \$25 million by outsourcing specialty plates and utensils. Two notes: 1) costs may increase if the Chinese Yuan rises versus the dollar and 2) these estimates do not include a profit margin for the Chinese outsourcing partner.

The candidate should also recognize that cost savings alone are not sufficient to make a decision. It is important to understand how an outsourced product will affect sales. The candidate should suggest market research to understand consumer behavior.

Freezer bags: since customers' top purchase criterion is quality and outsourcing would produce lower quality bags, the candidate should raise a red flag here. A more sophisticated recommendation would be to conduct market research to see the impact on sales of the lower quality bag at lower prices – even though quality is more important than price, the magnitude of a price change may override the drop in product quality.

Plastic plates and utensils: the top purchase criterion here is price, which makes this product line an attractive outsourcing opportunity. The candidate can be asked what the client should do with the cost savings – potential recommendations include dropping price to steal share, investing to defend its position in case competitors begin outsourcing (e.g., brand, innovation, customer service), and milking the product line as a cash cow.

Specialty plates and utensils: the highly variable and unpredictable demand for these products means that shorter lead times are critical in order to adjust production quickly. Longer lead times will result in greater forecast errors, higher safety/cycle stock, and more unsold inventory and/or out-of-stocks. Therefore, specialty plates and utensils should not be outsourced.

An analysis of customer purchase behavior indicates that plastic plates and utensils should be outsourced, specialty plates and utensils should not be, and freezer bags probably should not be. The final step is to understand the impact of outsourcing on the client’s current production capabilities. For example, will it lead to plant closings (resulting in closing costs and possible negative publicity)? Will it lead to underutilization of current facilities?

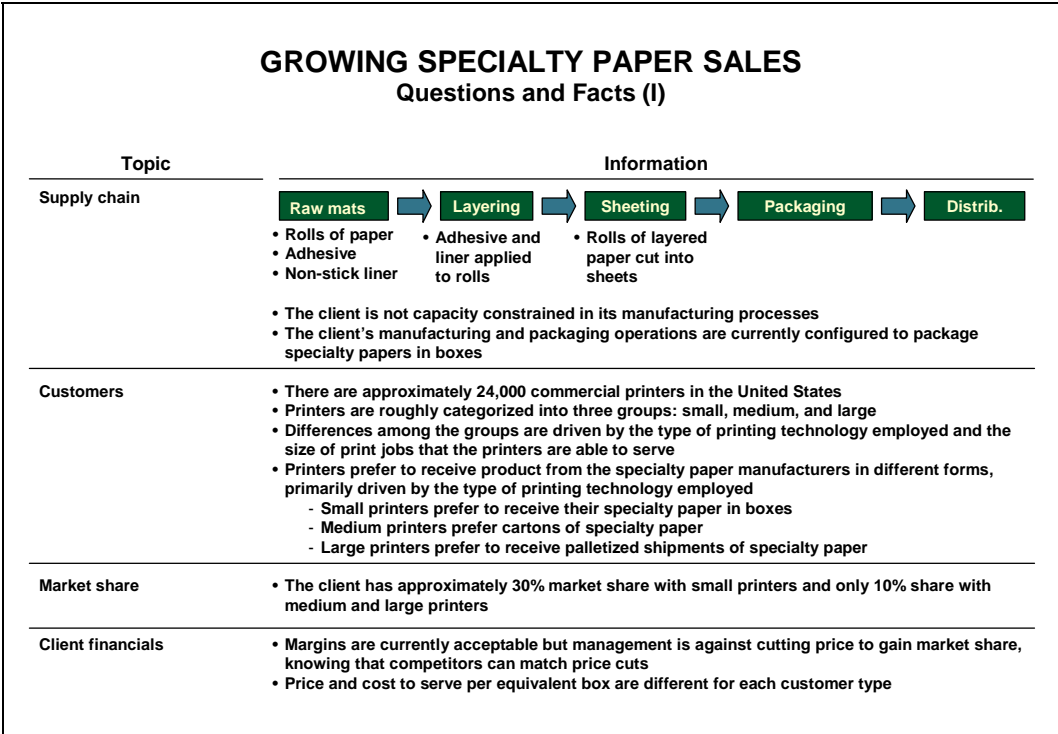
Since the current plant is already near capacity, moving plastic plates and utensils offshore would actually save the client from investing in new facilities. However, since that product line makes up 50% of total production (in terms of lbs.), removing it may create too much extra capacity in the current plant for the two remaining lines. To compensate, the client could produce a new product line, rent out the extra capacity, or move to a smaller plant.

### 9.9 Specialty paper sales case (BCG)

#### Problem set-up

Your client is a leading manufacturer of specialty papers sold to commercial printers. The client produces self-adhesive sheeted papers that are ultimately used in a variety of labeling applications – including the labeling of consumer goods and the printing of self-adhesive signs.

Your client’s operations are profitable, but the business has failed to grow over the past few years. The client would like to invest in the business and you have been asked to identify opportunities for growth.



**GROWING SPECIALTY PAPER SALES**  
**Questions and Facts (II)**

	All figures are per equivalent box		
	Small (boxes)	Medium (carton)	Large (pallets)
Price to printer	20.00	18.00	15.00
Materials	5.50	5.50	5.50
Coating	1.00	1.00	1.00
Sheeting	0.50	0.50	0.50
Packaging (direct costs)	3.00	2.00	1.00
Gross profit(\$ per equivalent box)	10.00	9.00	7.00
Number of printers	20,000	3,000	1,000
Annual usage (number of equivalent boxes)	100	500	3,000
Total potential profit pool (\$)	20,000,000	13,500,000	21,000,000

**Framework and Analysis**

The problem set-up indicates that the client wants to invest in this business. Investment can take many forms including expansion of manufacturing operations and capacity, expansion of customer-facing activities, and acquisition of competitors. It is interesting to note that this is currently a profitable, no-growth business for the client. Investment decisions cannot be made unless the management team (and the candidate) understands the market conditions as well as the client’s internal capabilities

This case does not lend itself well to traditional “case solution structures”. A strong initial response is to list a set of internal and external factors that must be understood and evaluated. Ultimately, the candidate should decide whether investment is warranted, and if so, where.

Strong hypotheses might include:

- Assuming the client is not capacity constrained, there are likely groups of customers that represent opportunities for profitable growth
- Depending upon the current go-to-market strategy, the client may need to re-evaluate the way that it is configured to serve existing and potential customers

The client can expand its packaging operations to better serve medium or large customers, but not both. Client economics and cost to serve each customer group are shown on Exhibit 1. For simplicity, taxes and depreciation are ignored and SG&A is assumed to be fixed.



The candidate should recognize that a comprehensive solution evaluates the required investment to serve a particular market segment (packaging line, manufacturing operations, additional SG&A) against the expected return.

The candidate should evaluate the profit pool from serving medium and large customers. This should be based upon an assumption about the size of the market that the client can capture. Assuming the client can match its small printer market share, the client could capture an additional 20% of the medium or the large printer customer segment

The following is given to the candidate:

- Investment and operation of carton packaging line would cost \$675,000 per year
- Investment and operation of the palletizing line would cost \$2,300,000 per year

A logical conclusion would be that an investment in a carton packaging line would be a superior investment compared to the palletizing line

Potential conclusions:

- The carton packaging line is a less-risky investment (requires less up-front capital)
- The solution assumes a static environment. If large printers are growing in number and or usage of specialty paper, this may change the answer
- The investment in a new carton packaging line would need to be evaluated against other potential investments to understand if it is the optimal use of the client's capital

## 9.10 Oil tanker case (Booz Allen Hamilton)

### Step 1: Background and question

My grandfather has just died and left me an oil tanker. I need a valuation for tax purposes, and I have hired you to tell me what it is worth. For your information, there are 3 types of tankers in the world: small, medium, and large. Within these three classes, each tanker is identical to every other. I have just inherited a medium tanker

### Step 2: To be given as a response to student inquiries:

#### Supply-side information

	Small	Medium	Large
Number	100	100	100
Capacity	1 unit	2 units	4 units
Number of trips per year	1	1	1
Operating cost	\$50,000/trip	\$75,000/trip	\$100,000/trip

#### Demand-side information

Scenario I: fixed demand for 500 units of capacity per year (transport costs are a negligible part of total oil-cost structure, and demand is completely inelastic for purposes of this analysis).

Scenario II: fixed demand for 650 units of capacity per year (note: change demand-side scenario to this only if student correctly determines value of tanker under first scenario and if time permits).

The market is highly fragmented and therefore competitive. The discount rate is 10%.

### **Step 3: Solution**

Because the market is competitive, the market price will be the lowest price sufficient to cause enough capacity to enter the industry to serve the fixed demand, and the marginal unit will earn revenue just sufficient to cover its costs.

Clearly, the large tankers have the lowest cost structure, followed by the medium tankers and finally the small tankers. The large tankers can supply 400 units of oil transportation services, the medium tankers 200 units, and the small tankers 100 units.

If demand is fixed at 500 units, then medium tankers will be the marginal capacity, and we can say directly that the market-clearing price will be just sufficient to cover the costs of operating such tankers. So my tanker has no value (or, alternatively, scrap value only).

For completeness, the market-clearing price will be \$37,500 per unit. Large tankers, all of which will be employed, will earn profits of \$50,000 per year and be worth \$500,000. Half of medium tankers will be employed at rates that just cover their costs, while the other half sit idle. Finally, small tankers will not have costs low enough to enter the market and will also be worth zero or scrap value only.

If demand is instead fixed at 650 units, the small tankers will be the marginal capacity and medium tankers will earn profits and have positive value. The equilibrium price will now rise to \$50,000 per unit. Medium tankers will earn \$25,000 per year and be worth \$250,000; large tankers will earn \$100,000 per year and be worth \$1,000,000.

### **Step 4: Discussion**

This case is a business problem that at its core is a relatively simple problem in microeconomics.

Students need not get all the way to a numerical answer for the value of the tanker, and few should be expected to give both answers depending on demand assumptions. Nevertheless, students should first demonstrate a good conceptual framework for determining the tanker's value, and be reasonably creative about asking for the right kind of data to get at least part way to the solution.

Note that both the revenue and cost side of the problem need to be understood in order to reach a valuation.

## 9.11 Video game case (Booz Allen Hamilton)

### Step 1: Background

The CEO of a large, diversified entertainment corporation has asked a team to examine the operations of a subsidiary of his corporation that manufactures video games. Specifically, he needs to know if he should approve a \$200 million capital request for tripling the division's capacity.

### Step 2: Question

You are a member of the team assigned to this project. Assume you and I are at the first team meeting. What are the critical issues we should plan to examine to determine if the industry is an attractive one for the CEO to continue to invest and why?

### Step 3: To be given as a response to student inquiries

The following information may be given if requested by the candidates, though the candidate should focus on identifying issues, not on obtaining more information.

#### Market share

- Division is 3rd largest manufacturer of hardware in industry (10 percent market share)
- Top two producers have 40 and 35 percent market share
- Remainder is divided by small producers
- Division sell to broad range of consumers

#### Sales

- Division sales have increased rapidly over last year from a relatively small base
- Current estimate is annual sales of 500,000 units
- Current estimate of industry hardware sales is 5,000,000 units annually
- Industry growth has been strong though over last few months
- Sales growth has slowed
- Divisions current sales price for the basic unit is \$45 per unit
- Division remains less than 20 percent company sales
- Top two competitors also develop, manufacture and sell software/games though division sells only licensed software
- Industry growth of software continues to increase

#### Cost

- Division estimates current cost is \$30 fully loaded. Requested expansion should reduce the cost by 5 to 7 percent and triple production of the hardware unit
- Top two competitors are estimated to have a 10 to 15 percent cost advantage currently
- Main costs are assembly components and labor

#### Current

- Division estimates much of initial target market (young families) has now purchased the video game hardware

- No large new user segments have been identified

#### Distribution

- Primarily outlets of distribution are top and electronics stores

#### Profitability

- Division currently exceeds corporate return requirements, however, margins have recently been falling

#### Product

- Hardware standards have been established by the industry leaders
- Product features are constantly developed (e.g., new type of remote joy stick), to appeal to segments of the market

### **Step 4: Solution**

Minimum Requirements: the following issues would need to be covered for candidate to have done an acceptable job:

#### 1) What is future market potential?

The candidate needs to question the continuation of overall industry growth. She/he might ask about the saturation of markets, competitive products (home computers), and declining "per capita" usage.

#### 2) What is the competitive outlook?

The candidate should at least recognize the need to examine competitive dynamics. Issue areas might include: concentration of market shares; control of retail channels; and R&D capabilities (rate of new product introductions, etc.).

#### 3) What will be the price/volume relationships in the future?

Issues of prices need to be considered.

Better/Outstanding Answers: **no** bounds on creativity, but better answers would address:

#### Market Potential

- Recognize that there is a relationship between market penetration and growth in new users which, when combined, yields an industry volume estimate
- Address the shifting mix of product purchases, in this case from hardware (player unit) to software
- Seek to look at buyer behavior in key buyer segments, i.e., "fad" potential of product

#### Software

- Recognize technology standards are set by industry leaders. In this situation, the division as a secondary player will have to follow these standards
- Recognize that different distribution needs may exist for different products (in this case, hardware versus software)

### Price/Volume Relationships

- Discuss the effect capacity additions can have on overall industry price/volume relationships and on industry price levels

### Company Ability to Compete

- Should ask what the capacity expansion is designed to do
- Explore the cost position of the client division relative to that of other competitors
- Seek to understand reasons for poor profit performance of division

## **Step 5: Discussion**

The primary issue of the case is to determine if the industry is attractive and, especially, if our client's position in that industry is sustainable. The candidate should identify issues which are necessary for assessing both the industry and our client's position, but should not be expected to solve the problem.

If the candidate begins to discuss too deeply a specific issue, before having covered the key issues overall, he/she will probably be brought back to discuss the industry more broadly by questions such as "what other issues must be examined?"

If the candidate is discussing issues which seem irrelevant to the attractiveness of the industry, he/she may be asked "how will that analysis help to assess the attractiveness of the industry or our client's position?"

## **9.12 Toy manufacturer case**

Your client is the third largest toy manufacturer in Europe and has come to you because their sales have been stagnant or even declining during the last few years. Sales had been rising before. Why are sales like this? How can the client improve the situation? Which elements would you like to analyze?

### **Information to be given as a response to student inquiries:**

- Company is selling traditional toys
- Company segments their market into: pre-school (0-6 years, girls' toys and boys' toys)
- Highest volume products are: plastic toys, dolls and vehicles + action figures
- Industry growth has been flat
- Profit margin is ten to fifteen percent
- Production takes place in Asia
- Company has subsidiaries in main European markets, responsible for sales in these markets. The sales force visits the distributors of the toys, which are mainly supermarkets and department stores on the one hand and dedicated toy shops on the other hand
- Brand image of client is good

### **Question asked:**

Suppose you are in a meeting with this client and the question arises as to how large the toy market really is in Belgium? How would you determine this?

**Suggested answer:**

Let's say that we consider mainly (for this client) the market of 0-14 year old children. There are 10 million people in Belgium, which translates into about 3 million households if you take an average of 3 people per household. Not all households have children, and some have more than one, and so I guessed that there would be about 0.5 children on average in this age category per household, so 1.5 million children.

Then I looked at the gifts they receive and started to enumerate important occasions children at that age get presents from their parents: birthday, Christmas, beginning and end of school, and maybe one more occasion, which gives 5 in total. Then I said that each time the parents would spend 50 euros on average. So this means that each child receives toys for an amount of about 250 euros per year. I then multiplied the 250 euros with the 1.5 million children to find my estimate for the toy market in Belgium of about 375 million euros.

**What would you think could be a reason of the stagnant sales of the client?****Suggested answer:**

The first one that comes to mind is that the client is not strong in the electronic game business, which has been the fastest growing segment over the last decade in the toy industry. The client should consider one of three options: either grow their electronics business themselves, or buy a company that already is specialized in electronic games, or else form a partnership with such a firm.

## 10. Other resources

Appendixes to this document:

- Basic BCG frameworks to approach cases: cost analysis, market analysis, demand analysis, market sizing, analysis of competitive position, make-or-buy analysis (available in the ICC folder)

ICC resources:

- Collection of cases
- Presentations of consulting firms on campus
- Other consulting books

Vault resources (on the Career website):

- Vault Guide to the top 50 consulting firms
- Vault guide to the case interview
- Vault guide to consulting
- WetFeet.com Industry and Company Guides