Structured Approach to Cases

Neal Shah Tanay Shah

Agenda

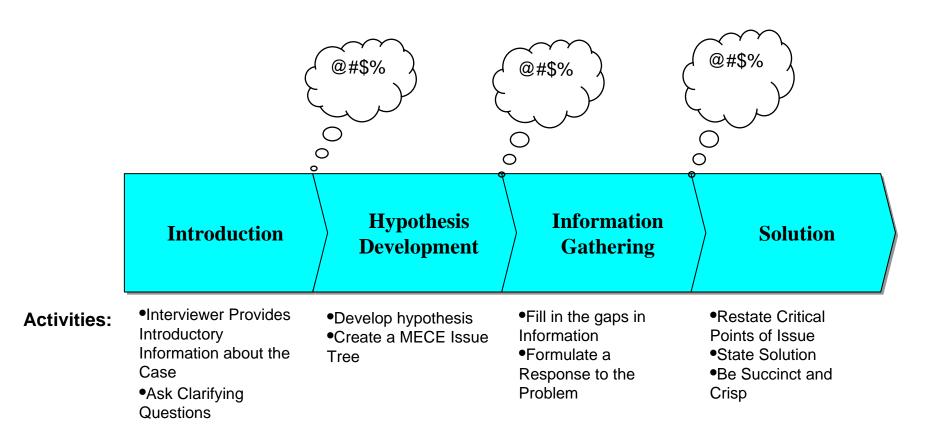
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The Case Interview Roadmap, MECE, & Logical Breakdown

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Sample Case

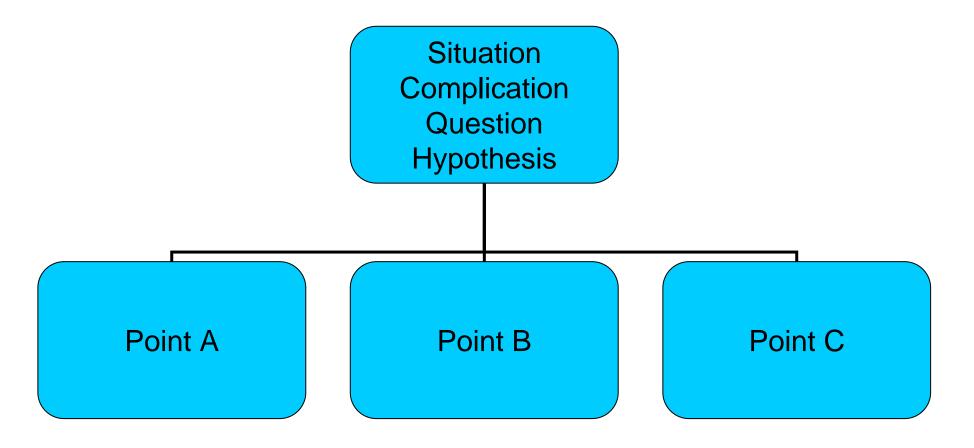
Case Interview Roadmap: The Flow of a Case Interview



>Transition Statements Between the Phases Will Help Your Interviewer Understand You

Remember Minto¹ – The Pyramid Principle

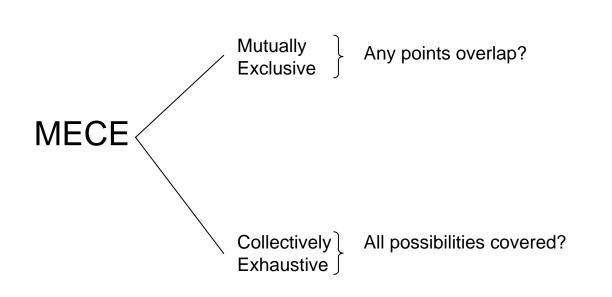
- Structured communication is a very important part of case interviews.
- Combined with strong logical reasoning will prove your abilities for a case



>Summarize the situation, complication, and question to be answered in the beginning

¹ Minto, Barbara. <u>The Minto Pyramid Principle: Logic in Writing, Thinking and Problem Solving</u>. Minto International, London 1996.

The Importance of Mutually Exclusive Collectively Exhaustive



Example

Making a Meal:

- Select meal
- Buy ingredients
- Prepare

Watch Types:

- Analog
- Digital
- Automatic
- Wind Up

Reasons to acquire a competitor:

- Complimentary customer base
- Superior technology
- Digestible size

➤ Being MECE Builds Logic Into your Response, and Helps Drive Logical Communication

MECE Exercise

Which Belong to a MECE Grouping?

1. St. Louis

7. Panama City

2. Philadelphia

8. Seattle

3. Amazon

9. Santiago

4. Sierra Nevada

10. Mississippi

5. Bogotá

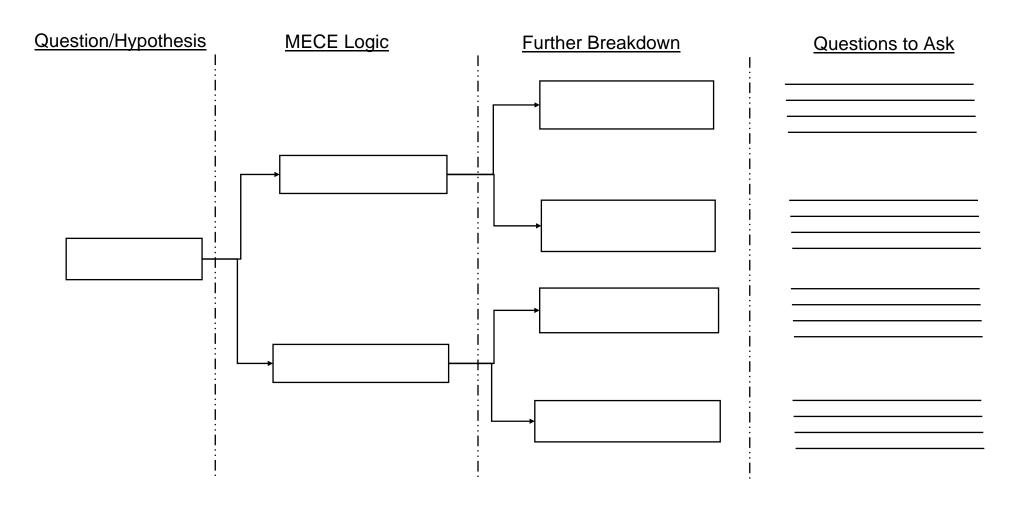
11. Andes

6. Calgary

12. NYC

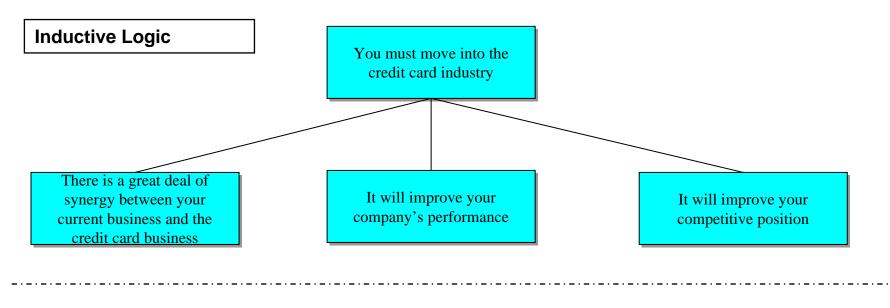
Build Out Your Issue Tree

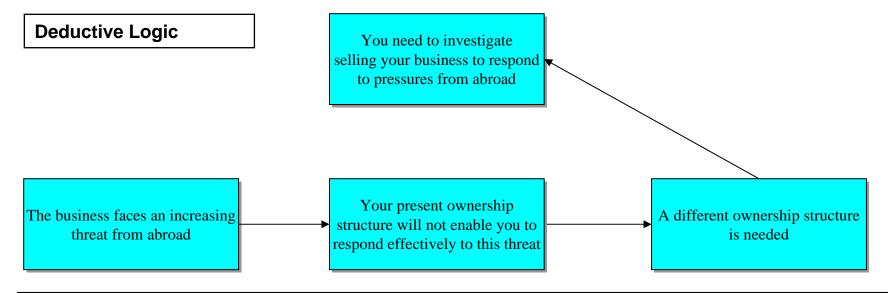
•The next step is to build a MECE Issue Tree



> Breakdown the issue into logical categories and begin asking questions

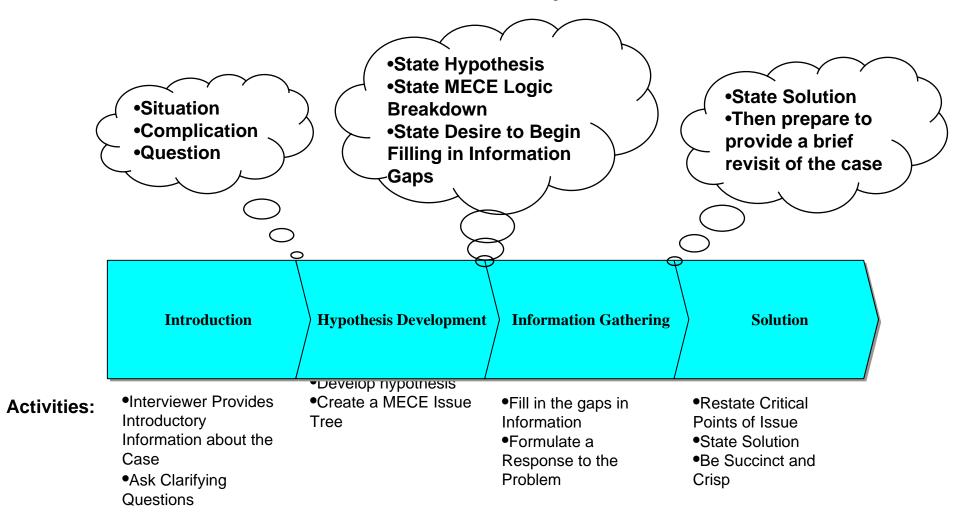
Finish the Case By Tying Together Findings with Logic





Always close with reviewing the situation, complication, question, hypothesis, and highlights that led to the answer.

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Sample Case

Practice Makes Perfect

Drug Co. has hired xxx Consulting Company

Situation

- Drug Co. is a privately held retail drug store chain located in the Northeast
- •Drug Co. has 40 locations
- Drug Co.'s business model is to be located in smaller towns where competition may be limited
- Drug Co. also differentiates itself by offering compounding service
- We are hired to identify problem(s) and recommend solution(s)

Complication

- Private equity company recently purchased Drug Co. and is exploring options to create value; would like to exit within 3-5 years
- Drug Co. lags against its chief competitor, Walgreen's, in terms of operating margin (5.7% versus 2.5%)



Key Questions

Hypothesis tree

Drug Co.'s operating margins are lower that Walgreen's as a result of poor operations and lower revenue

Drug Co. generates less revenue per location, per square foot

- Store specs?
 - –Size of store
 - -Hours of operation
- Product mix?
 - Prescription versus general merchandise
 - Brand prescriptions versus generic
 - Compounding as a % of prescription
- •Locations?
 - –Do Drug Co.'s locations hurt the business?
 - -Traffic at a Walgreen's versus Drug Co.

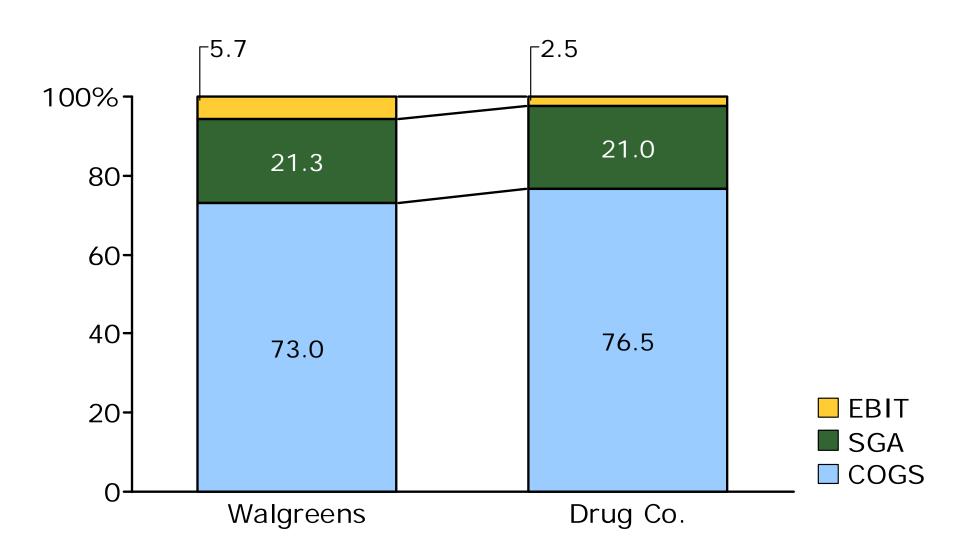
Drug Co.'s operations are not as efficient as Walgreen's

- COGS?
 - –Does Walgreen's have an advantage due to buying power?
 - -How does product mix affect COGS?
 - -Pricing?
- Fixed costs
 - -Rent Is Drug Co. cheaper as a result of location?
 - –Wages and salaries?
 - –Size of locations?
 - –Number of employees?
- Variable costs?

What's happening in the market?

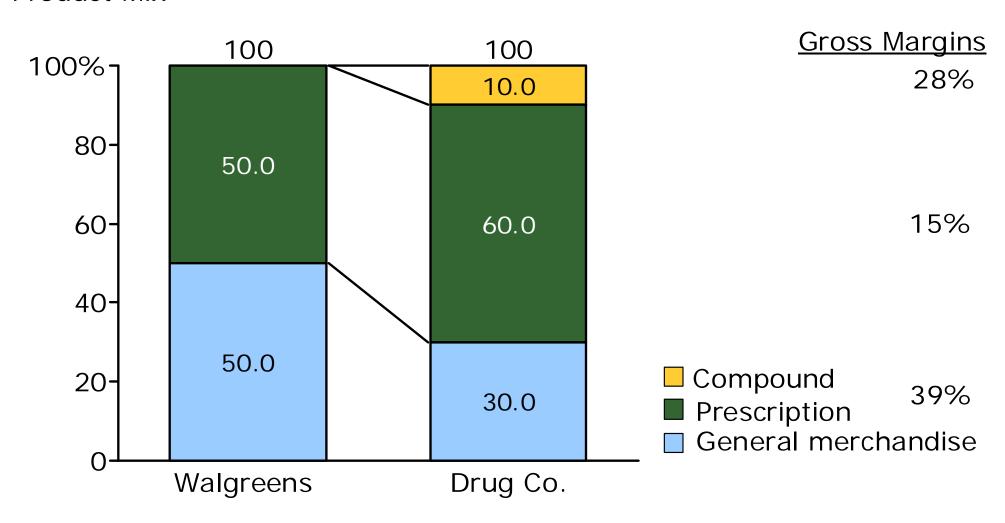
- Regulatory changes?
- •Industry trends?
 - -Consolidation?
 - –Diversification of product base?
- Competitors?
 - -Walgreen's
 - -Eckerd?
- Substitutes?

Walgreen's is more profitable than Drug Co.



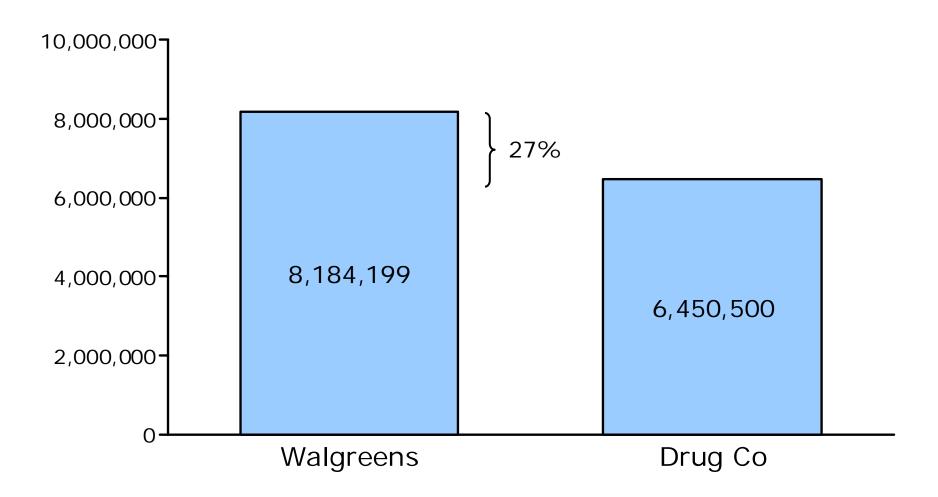
General merchandise has the best margin

Product Mix



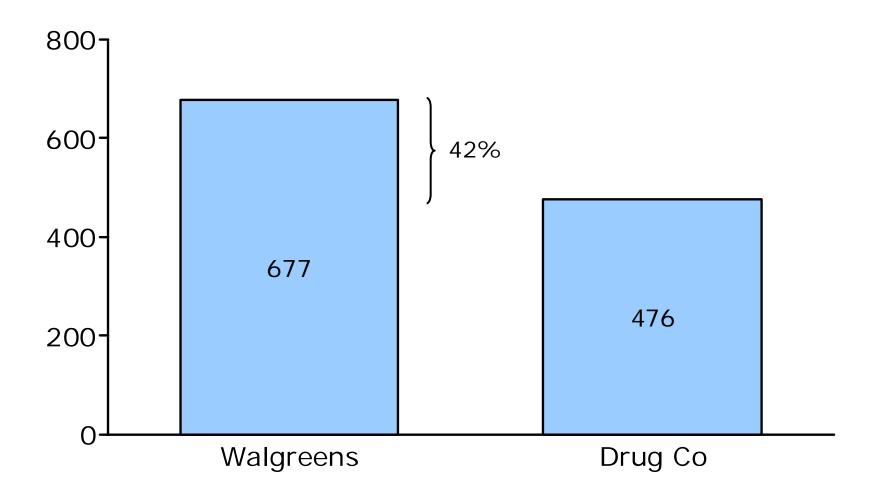
Walgreen's sells more per store

Sales per store



Walgreen's sells more per square foot

Sales per square foot



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Key Questions

- Do locations have anything to do with the revenues?
- •What does product mix do to the operating margins? More specifically, to the gross margins?
- Does Walgreen's have any cost advantage when it comes to suppliers as a result of volume?

Hypothesis tree

Walgreen's lower COGS combined with more revenue drives higher operating margins compared to Drug Co.

Product mix?

- Prescription versus general merchandise
- Brand prescriptions versus generic
- Compounding as a % of prescription

Store locations and layout?

- Demographics
 - -Population?
 - –Average income?
- Traffic?
- Proximity to competitors?
- •Store layout?

Buying power/suppliers?

- •Same suppliers?
- Volume discounts?
- Collaborative planning?Vendor managed inventor?

Important Points

- 1. Practice, Practice, Practice
- 2. Approach the Case Methodically
- 3.Learning and Understanding Frameworks only Provides Basic Business Knowledge, and is Only a Baseline Never Directly Reference a Framework
- 4.Effective Communication of your Methodical Approach to the Case and the Answer will Differentiate You
- 5. Keep the Case Roadmap in Mind

Important Points to Remember

- Practice, Practice, Practice
- 2 Approach the Case Methodically
- Learning and Understanding Frameworks only Provides You with Basic Business Knowledge. This is only a baseline. Never directly reference a framework.
- Effective Communication of your Methodical Approach and Answer to the Case will Differentiate You.
- **5** Keep the Case Interview Roadmap in Mind