Structured Approach to Cases

Neal Shah
Tanay Shah
Hypothesis driven problem solving

Agenda

1. The Case Interview Roadmap, MECE, & Logical Breakdown

2. Sample Case
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Case Interview Roadmap: The Flow of a Case Interview

Activities:
- Interviewer Provides Introductory Information about the Case
- Ask Clarifying Questions
- Develop hypothesis
- Create a MECE Issue Tree
- Fill in the gaps in Information
- Formulate a Response to the Problem
- Restate Critical Points of Issue
- State Solution
- Be Succinct and Crisp

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

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The Importance of Mutually Exclusive Collectively Exhaustive

**MECE**

- Mutually Exclusive
  - Any points overlap?
- Collectively Exhaustive
  - All possibilities covered?

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**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**
Which Belong to a MECE Grouping?

1. St. Louis
2. Philadelphia
3. Amazon
4. Sierra Nevada
5. Bogotá
6. Calgary
7. Panama City
8. Seattle
9. Santiago
10. Mississippi
11. Andes
12. NYC
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Build Out Your Issue Tree

• The next step is to build a MECE Issue Tree

破下 the issue into logical categories and begin asking questions
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Finish the Case By Tying Together Findings with Logic

**Inductive Logic**

You must move into the credit card industry

- There is a great deal of synergy between your current business and the credit card business
- It will improve your company’s performance
- It will improve your competitive position

**Deductive Logic**

You need to investigate selling your business to respond to pressures from abroad

- The business faces an increasing threat from abroad
- Your present ownership structure will not enable you to respond effectively to this threat
- A different ownership structure is needed

➤ Always close with reviewing the situation, complication, question, hypothesis, and highlights that led to the answer.
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Case Interview Roadmap: The Flow of a Case Interview

- **Introduction**
  - Interviewer Provides Introductory Information about the Case
  - Ask Clarifying Questions

- **Hypothesis Development**
  - Develop Hypothesis
  - Create a MECE Issue Tree

- **Information Gathering**
  - Fill in the gaps in Information
  - Formulate a Response to the Problem

- **Solution**
  - Restate Critical Points of Issue
  - State Solution
  - Be Succinct and Crisp

Activities:
- **Situation**
- **Complication**
- **Question**

- **State Hypothesis**
- **State MECE Logic Breakdown**
- **State Desire to Begin Filling in Information Gaps**

- **State Solution**
  - Then prepare to provide a brief revisit of the case

➢ Transition Statements Between the Phases Will Help Your Interviewer Understand You
Sample Case
Practice Makes Perfect
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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**

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Drug Co.’s operating margins are lower than 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?
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Walgreen's is more profitable than Drug Co.

Walgreens

- COGS: 73.0%
- SGA: 21.3%
- EBIT: 5.7%

Drug Co.

- COGS: 76.5%
- SGA: 21.0%
- EBIT: 2.5%
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General merchandise has the best margin

Product Mix

Walgreens

<table>
<thead>
<tr>
<th>Product Type</th>
<th>Percentage</th>
<th>Gross Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>General merchandise</td>
<td>50.0</td>
<td>39%</td>
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Drug Co.

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Walgreen's sells more per store

Sales per store

<table>
<thead>
<tr>
<th>Store</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Walgreens</td>
<td>8,184,199</td>
</tr>
<tr>
<td>Drug Co</td>
<td>6,450,500</td>
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27% increase in sales per store
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Walgreen's sells more per square foot

Sales per square foot

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<tr>
<td><strong>Walgreens</strong></td>
<td>677</td>
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42% increase for Walgreens.
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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?
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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?
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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
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### Important Points to Remember

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