

A word to consulting job applicants...

Dear Friends,

Who we are- We are a team of MBAs and industry practitioners focused on providing job interviewing tools to top business school students.

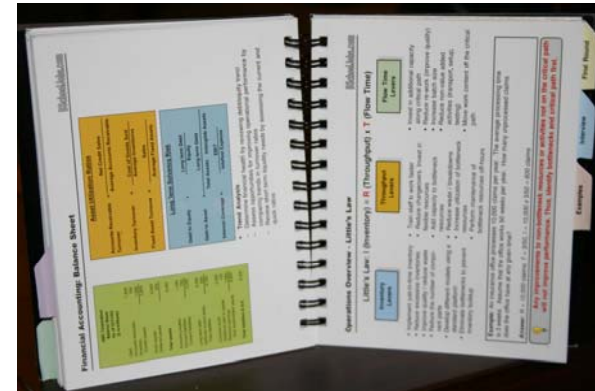
What we offer – Our consulting guide is a compact, comprehensive resource for case preparation. It includes:

- A review of business concepts/frameworks presented visually
- Sections on interpreting graphs and charts – increasingly used in case interviews
- Tips on improving your public math skills essential for cases
- Sample types and examples of fit questions and how to tackle them
- How to crack 2nd round interviews, off the wall questions, group interviews etc.
- Loads of case examples and sample structures to approach them
- Sample interview question-answer conversations to illustrate how to begin a case interview
- Special topics and issues to keep in mind for different industries commonly encountered in case interviews
- How to close strongly – tips on leaving a lasting impression

In the following pages, we are delighted to offer you free samples from our guide. We hope you will find these useful. If you want to know more about the product, please visit <http://www.bschoolejobs.com>

Sincerely,

The team at BSchoolJobs.com



Fit Interviews – General and Communication Questions

- ▶ **Well organized and hard-hitting answers to fit questions can really make you stand out from the crowd. So don't just focus on the case interview - practice the fit too!**

1. General

- Tell me about yourself
- Walk me through your resume
- Why consulting? Why this firm?
- Why did you choose to go to [this school]?
- What do you like to do for fun? What is your favorite book?
- What are three qualities your parents (friends) would use to describe you?
- How have these traits impacted your professional career?
- What is your most significant accomplishment?
- What distinguishes you from the other candidates ?
- What is the one thing you want me to remember about you?
- Tell me about a time where you set your goals too high (too low)
- Who do (did) you look up to professionally and why?
- Which classes have you enjoyed most and why?
- Tell me about a time you failed at something

2. Communication

- Tell me about a time where you had
 - to persuade someone to do something they didn't want to do
 - a disagreement with your boss and how you handled it
 - a disagreement with a member of your team and how you handled it
 - to Influence someone without having authority over them

Facts and Figures That You Should Know

Common Facts

- US population: 280 million, but use 250 - 300 million to make the math easier (2002 estimate)
- US average household size: 2.5 people
- Age groups:
 - Baby boomers: Born between 1946 and 1964
 - Generation X: Born between 1965 and 1975
 - Generation Y: Born between 1976 and 1981
- US average life expectancy: approximately 77 years
- US average household income: approximately \$28,000
- US unemployment rate: 5.8% (2002 estimate)
- Worldwide population: approximately 6.3 billion people (2002 estimate)
- China population: approximately 1.3 billion people (2002 estimate)
- US inflation rate has averaged 2-3% for the last two decades

GDP / GNP

- Gross Domestic (National) Product is an estimate of the economic productivity or output of a country
 - US GDP: \$10.45 trillion (2002 estimate)
- GDP per capita is the GDP divided by the population of a country
 - US GDP per capita: \$37,300 (2002 estimate)

Interest Rates / Risk Premium

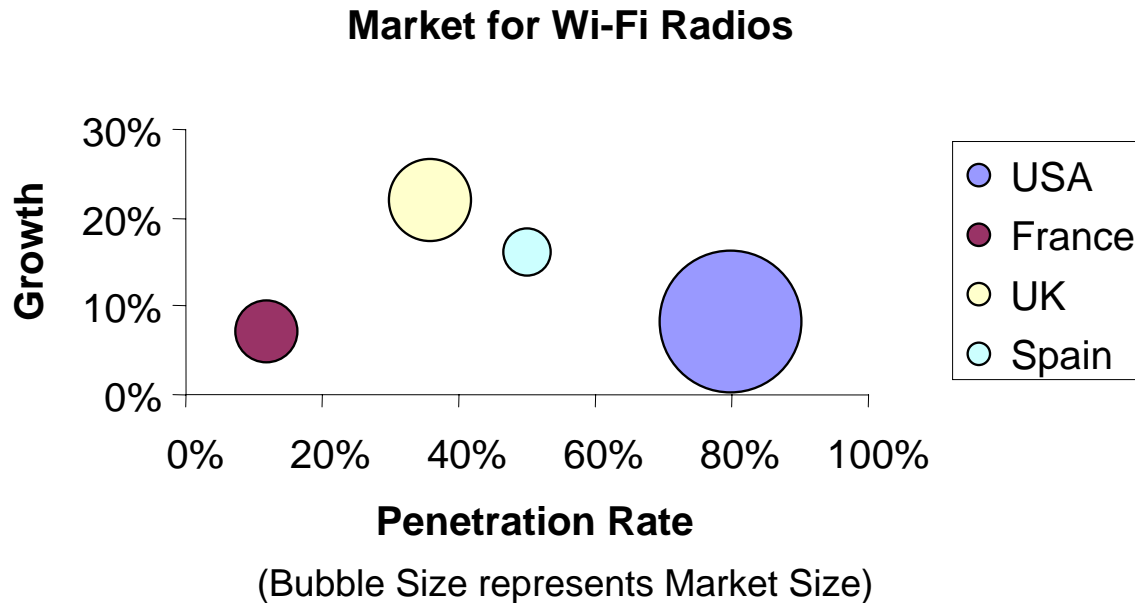
- Check the *Wall Street Journal* for relative short-term and long-term treasury bill interest rates as a guide for determining the risk-free rate to use in generating a discount rate using the CAPM
- The historical long-run average risk premium for use in the CAPM is approximately 7%



You should memorize similar facts and figures for any non-US offices to which you are applying

Interpreting Bubble Charts

- ▶ **Bubble charts are constructed to represent three dimensions on a two-dimensional graph, with the size of the bubble representing the third dimension.**



Example Interpretation:

The key point here is that there are tradeoffs between market size, market penetration and growth potential

Example Question: Your client wants to invest in Wi-Fi Radios. What markets should they target?

- *The US market, while largest, is saturated due to high penetration and low future growth rates*
- *The UK market is most attractive for future growth since it is the second largest, has only 35% penetration, and is growing rapidly. Spain is growing too but may be too small to be interesting.*
- *We would want to understand the competitive landscape in the UK and our strengths relative to our competitors before making further investments*

Industry Analysis – Porter’s Five Forces

► **The level of competition within and the attractiveness of an industry can be predicted by evaluating five horizontal and vertical market pressures**

Suppliers have bargaining power when:

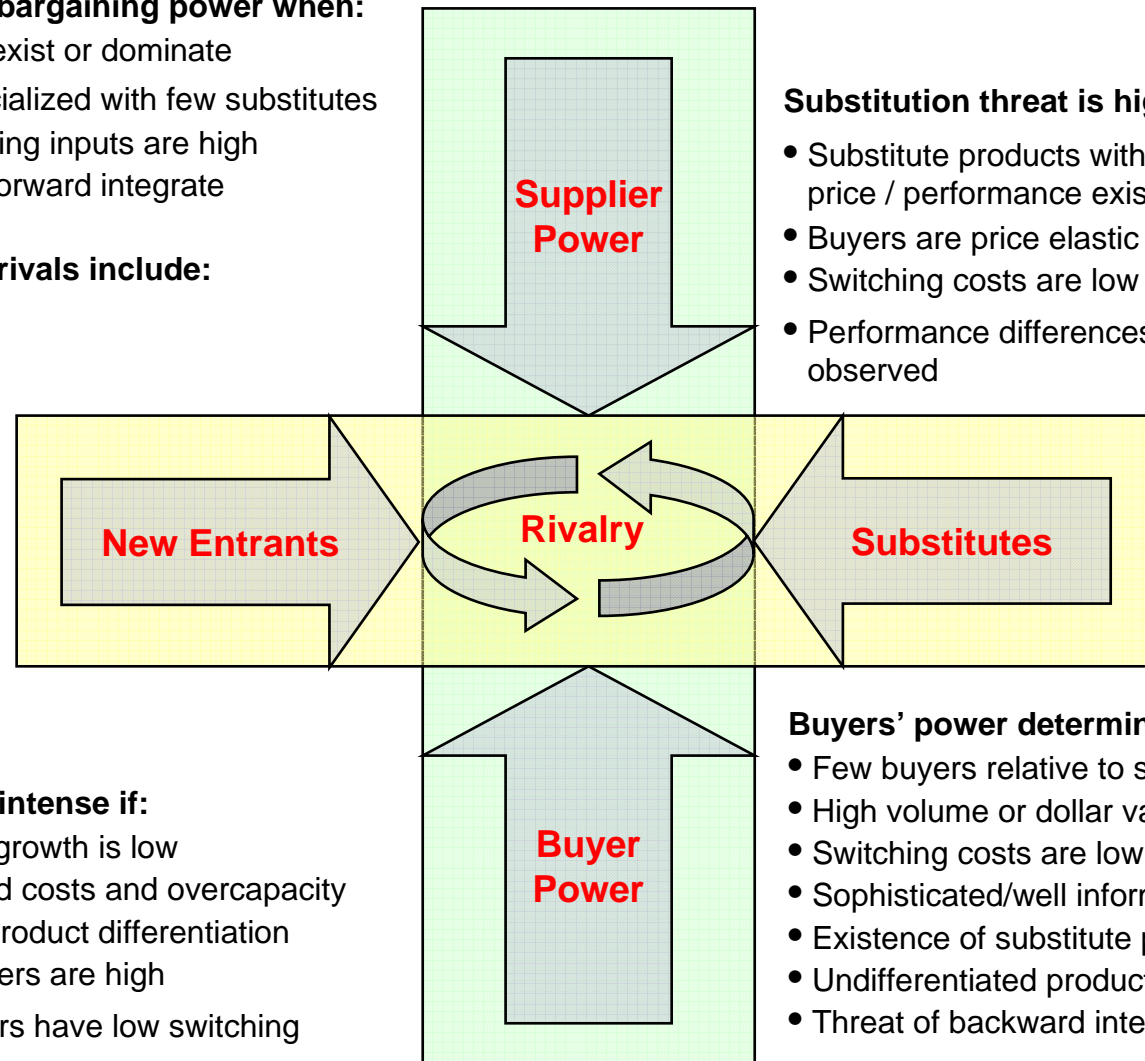
- Few suppliers exist or dominate
- Inputs are specialized with few substitutes
- Costs of switching inputs are high
- Suppliers can forward integrate

Substitution threat is high if:

- Substitute products with comparable price / performance exist
- Buyers are price elastic
- Switching costs are low
- Performance differences are easily observed

Entry barriers that deter new rivals include:

- Economies of scale or scope
- Capital requirements
- Sunk Costs
- Customer lock-in
- Access to distribution/suppliers
- Existence of learning curve/ network effects
- Legal or government barriers
- Expected retaliation



Rivalry is intense if:

- Industry growth is low
- High fixed costs and overcapacity
- Lack of product differentiation
- Exit barriers are high
- Customers have low switching costs

Buyers’ power determinants:

- Few buyers relative to sellers
- High volume or dollar value purchasing
- Switching costs are low
- Sophisticated/well informed buyers
- Existence of substitute products
- Undifferentiated products
- Threat of backward integration

The 4 Ps Marketing Framework

► This framework is used to decide a go-to-market strategy for a target customer segment.

Step 1.

Define the Product

- What are the attributes of your product that add the most value to customers?
- What is the product mix?
- Analyze product portfolio (profitability, growth, share)
- Explore cannibalization of existing products



Step 2.

Determine Pricing

- Are you pursuing a 'margin' or 'share' strategy?
- Are customers price sensitive?
- What are comparable products priced at?
- Is pricing high relative to the value of the product provided?
- Will a lower price erode the high quality or exclusive image of your product?
- Will undercutting competitors' prices initiate a price war?



Customer

Step 3.

Determine Distribution (Place)

- What service output demands (service, warranty, bulk breaking, variety, convenience) do various channel options provide?
- How will the product be distributed – retail, reseller, online?
- Do the benefits of multiple channels outweigh the costs of channel conflict?
- Evaluate the strength of each channel option



Step 4.

Set Promotion

- How will you generate awareness and interest among customers? Trial? Repeat?
- What are the key attributes you would like to communicate in your brand?
- What advertising strategy is most effective in reaching your target customers?

Pros and Cons of the Three Main Valuation Methods?

Pros

Cons

Discounted Cash Flow

- Allows detailed company specific analysis and projections
- Easy to incorporate assumptions (e.g., capturing synergies, future restructuring plans)
- Gives a range of values. Firm usually build multiple scenarios (e.g., base, optimistic, pessimistic)

- Needs detailed information and is time consuming
- Valuation can be quite sensitive to assumptions made
- Internally driven rather than market driven

Publicly Traded Comparables

- Easy to generate (takes only five minutes if you have templates)
- Market driven rather than internally driven
- Not many assumptions therefore easy for clients to understand

- Not suitable for conglomerates
- Cannot incorporate company specific issues (e.g., restructuring, new product development)
- May be difficult to find a comparable firm, and that too may be an approximation at best

Precedent Transactions

- Easy to generate
- Market based valuation method so has more buy in
- Incorporates control premium and synergies

- Difficult to find information and similar transactions
- Appropriate when finding 'ball park'
- Typically used only in M&A situations

Operations Overview - Little's Law

Little's Law: I (Inventory) = R (Throughput) x T (Flow Time)

**Inventory
Levers**

- Implement just-in-time inventory
- Reduce excessive inventories
- Improve quality / reduce waste
- Reduce the number of component parts
- Develop different models using a standard platform
- Eliminate bottlenecks to prevent inventory buildup

**Throughput
Levers**

- Work faster or smarter
- Reduce changeovers. Invest in flexible resources
- Add capacity to bottleneck resources
- Reduce waste
- Increase utilization of bottleneck resources
- Perform maintenance of bottleneck resources off-hours

**Flow Time
Levers**

- Invest in additional capacity along critical path
- Reduce re-work (improve quality)
- Increase batch size
- Reduce non-value added activities (transport, setup, testing)
- Move work content off the critical path

Example: An insurance office processes 10,000 claims per year. The average processing time is 3 weeks. Assume that the office works 50 weeks per year. How many unprocessed claims does the office have at any given time?

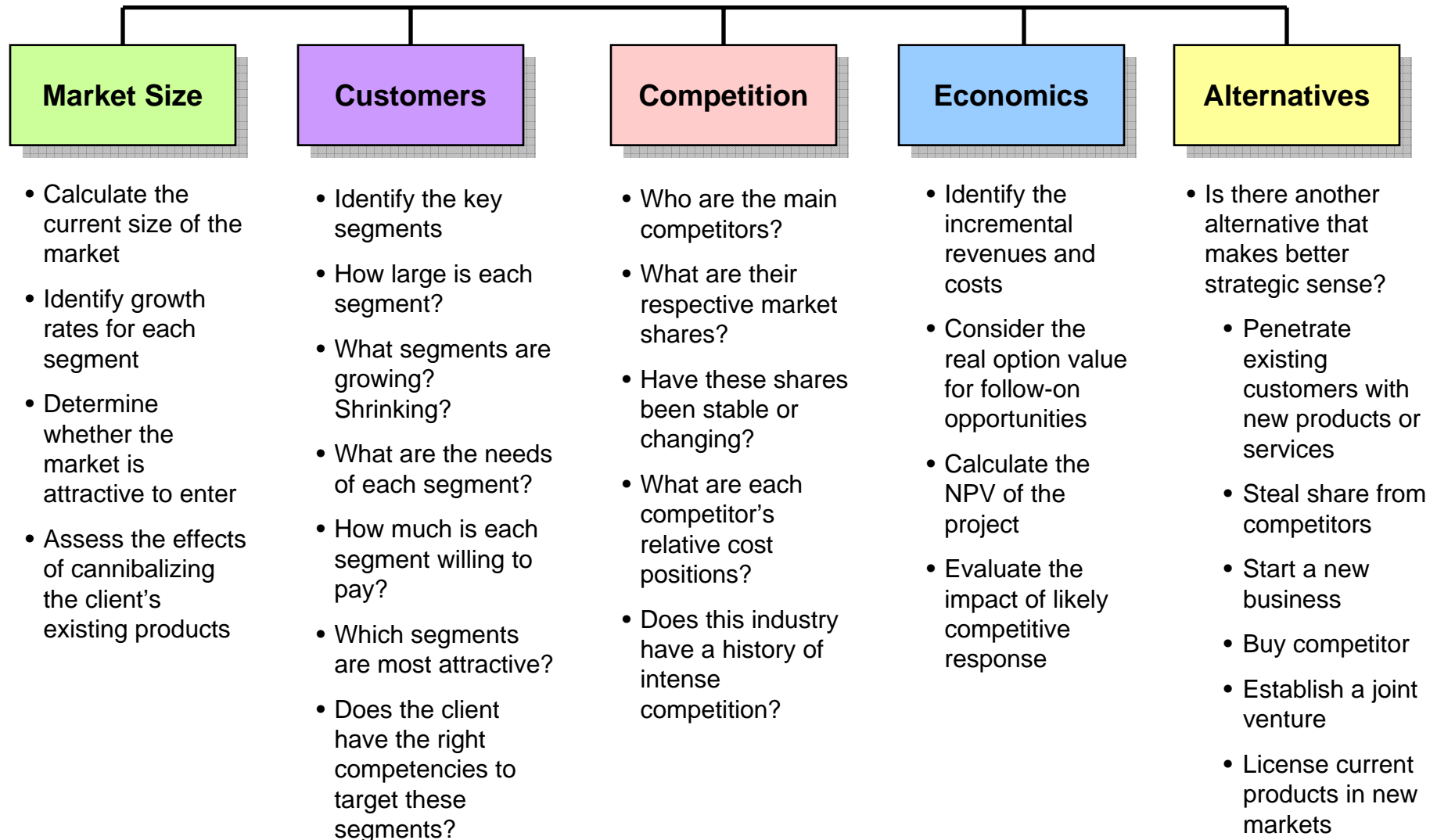
Answer: $R = 10,000$ claims, $T = 3/50$, $I = 10,000 \times 3/50 = 600$ claims



Any improvements to non-bottleneck resources or activities not on the critical path will not improve performance. Thus, identify bottlenecks and critical path first.

Market Expansion

- These cases deal with evaluating strategies to increase market share or enter new markets



Profit Improvement: Sample Case Introduction

- **Declining Profitability at a Chain of Department Stores**

- **Interviewer:** A chain of department stores has been experiencing declining profits over the past 3 years. How would you go about assessing the situation?
- **Candidate:** How many stores are there and where are they located?
- **Interviewer:** There are 100 stores. Sixty stores are located in urban areas and the other forty are located in the suburbs.
- **Candidate:** Since the client is experiencing a decline in profitability, it must be because either revenues are falling, costs are increasing or some combination of both. I would first want to understand the trend in revenues. If revenues are falling, it could be that the client is selling fewer items, prices have fallen, the product mix has shifted to less profitable products or some combination of these factors. On the cost side, stores represent a huge fixed cost. I want to understand trends in their sales per square foot and trends in labor and merchandising costs. I would also like to analyze profitability by store both in urban and suburban markets to determine if the problem is isolated to a certain type of store.

Once I determine why profits are lower, I need to understand the root causes. I would like to explore any information you can give me about our customers. Specifically, I would like to know whether their needs have changed and how our client has kept up with these changes. I would also like to determine what actions our competitors have taken recently that might be impacting our profitability. In particular, I would like to know whether they have opened any new stores and whether they have changed their product or service offerings.

Open Ended Cases/Off the Wall Questions

- **General strategy:**
 1. Ask clarifying questions
 2. Start with what you know
 3. Structure the problem
 4. Focus on the big picture
 - What are the key issues facing the general manager?
 - What are the key things you would explore if you faced this problem?
 5. Attack using common sense and pieces of frameworks you are familiar with

Example: You are the CEO of Big Shot Airlines. You wake up tomorrow and the price of oil has gone down to zero. What should you do?

Answer: First determine the likely impact on the business. Since oil is a large component of variable cost and the airline industry is extremely competitive, prices will fall. How does Big Shot protect profits when prices are falling? Take advantage of the resulting increase in demand by purchasing larger, less fuel efficient planes and perhaps keeping less efficient planes in service longer.

Example: Your friend owns a restaurant. He consistently has a half-hour wait for a table. What, if anything, should he do?

Answer: First, determine whether he is turning away customers by waiting. People may not mind waiting for some high-end restaurants. Assuming it is a problem, first examine ways to reduce the line such as efficiency of the waitstaff, kitchen and buspeople. Is there a better way to organize the dining room to get more capacity? Also talk about ways to capitalize on the line and appease customers such as a bar or outdoor biergarten with entertainment to keep customers content while they wait.