



Darden 2023-2024 Casebook

Darden School of Business



DARDEN CASE BOOK 2023-24 FOREWORD

**Prep
Material +
12 Total
Cases**

The cases featured in the 2023-2024 Case Book are designed to give a wide range of industries and case styles

This case book includes a case interview primer, industry overview, and 12 total cases

**8 New
Cases**

The 2023-24 Case Book features 8 brand new cases that will test a broad array of knowledge areas and math concepts



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DARDEN 2023-24 CASES

Case Title	New (N) / Refreshed (R)	Industry	Case Type	Difficulty			Page
				Quant	Qual	Overall	
<u>Sticky Surfactants</u>	(R)	Chemicals	Profitability	1	1	1	24
<u>Pedal Pals</u>	(N)	Technology	Cost Improvement	1	1	1	33
<u>Seven Flags</u>	(R)	Entertainment	Pricing	2	1	1	43
<u>Weasley's Wizarding Warehouse</u>	(N) 	Consumer/Retail	Market Entry	1	2	2	53
<u>Jane Darden's Ranch</u>	(N) 	Hospitality	Market Entry	2	2	2	64
<u>PharmaCo</u>	(R)	Pharmaceuticals	M&A	3	2	2	74
<u>Circle Bubble</u>	(N)	Industrials	Growth	3	2	2	82
<u>Shisha: Just Blowing Smoke?</u>	(R)	Public Sector	Market Entry	2	2	2	92
<u>Entertainment Co.</u>	(N)	Entertainment	M&A	2	2	2	103
<u>Robots Inc.</u>	(N)	Tech/AI	Growth	3	2	2	115
<u>Opus Two</u>	(N)	Consumer	Market Sizing/Optimization	2	3	3	126
<u>News Co.</u>	(N) 	Media	Diagnosis/Profitability	3	3	3	135



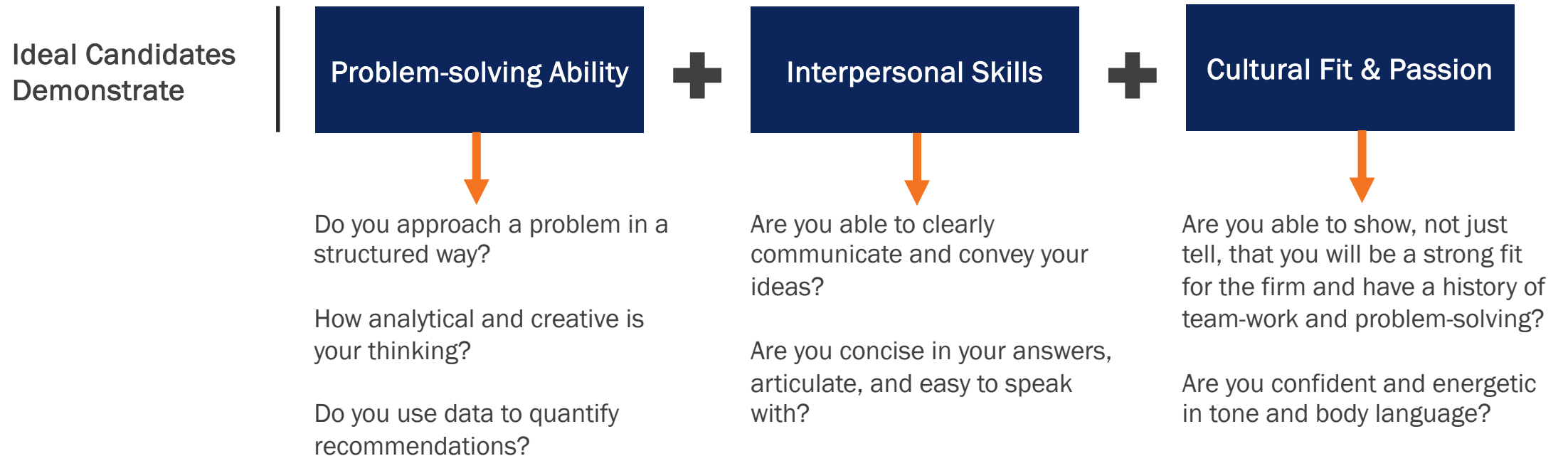
GREATEST HITS – DARDEN AND OTHER SCHOOLS

Case Title	Case Book	Industry	Case Type
Mapflix Nollywood	Fuqua 2018 – 2019	Tech	Market Entry
Electric Walk	Darden 2022 – 2023	Public Sector	Product Launch
A Hairy Ordeal	Darden 2020 – 2021	Consumer	NPV
Penn and Teller	Wharton 2017	Entertainment	Profitability
Apache Helicopters	Ross 2008	Public Sector	Profitability
So Fresh, So Clean	Fuqua 2014 - 2015	Consumer	Profitability
Fighting Phillies	Wharton 2017	Sports	M&A / Valuation
Sourcing the Sauce	Darden 2021 – 2022	Restaurants	Growth
Pre-K Education	Columbia 2017	Education	Growth
Coyotes	Fuqua 2014-2015	Nonprofit	Non-traditional



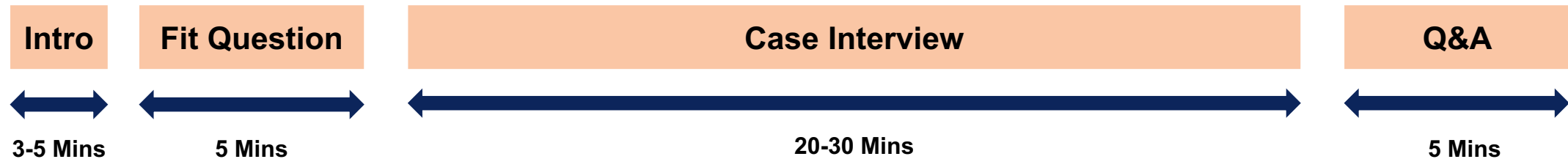
WHAT IS A CASE INTERVIEW?

A case interview is a short, simplified version of a complete consulting engagement.



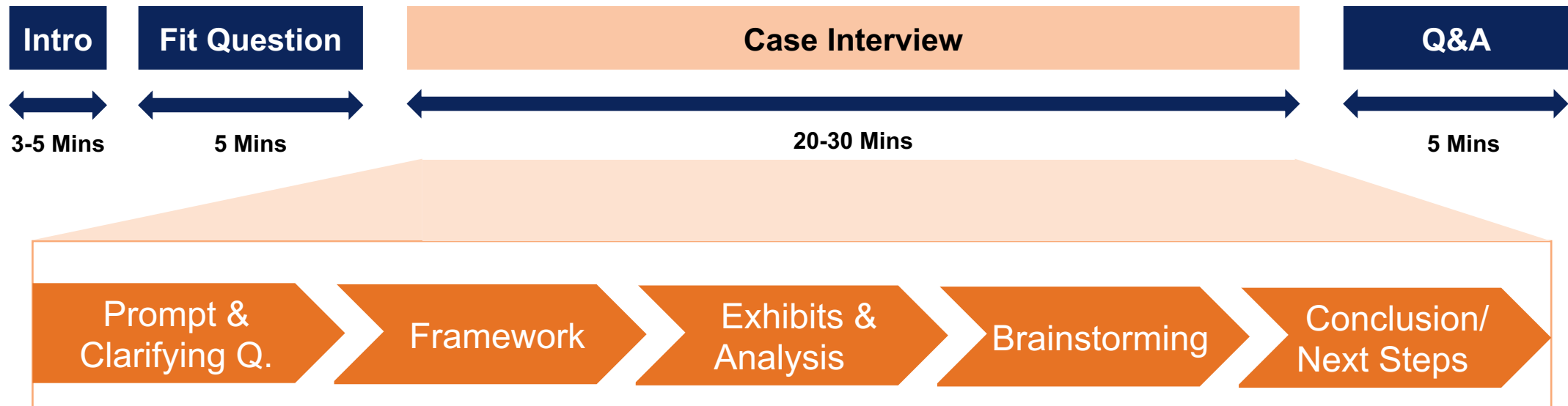
INTERVIEWS FOLLOW A COMMON FORMAT

This is a common format for consulting interviews; however, it is not the only format. Interviews could range from 30 minutes to 60 minutes, and some firms separate case interviews and fit interviews. **Make sure to research the company you're interviewing with to get familiar with their interview format.**

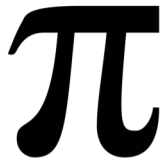


CASES ARE COMPOSED OF FIVE MAIN PARTS

While all companies have different ways of casing, cases will typically follow a common format consisting of the five main parts. You should be able to work with the recruiters at the company you're interviewing at to get familiar with their interview style – companies are not trying to surprise you.



EXAMPLES OF COMMON CASE TYPES



Profitability

Analyze potential sources of profit declines and identify ways to improve profitability



Market Entry / Market Size

Analyze the client's opportunity to expand and quantify the viable market for any new products



Growth

Identify opportunities for the client to optimally grow revenues or increase market share



Acquisition / Sale

Determine whether the client should purchase another business or sell an existing part of the company



Industry Assessment

Assess the health and attractiveness of a particular industry to advise a client's decision

Warning: This is not an exhaustive list of case types!

CASE MATH: CHEAT SHEET – KEY FORMULAE

Net Present Value (NPV)

- NPV is the value of all future cash flows brought to present value by the interest rate minus the initial investment (if applicable)
- $$NPV \text{ (perpetuity)} = \frac{\text{Cash Flow}}{\text{Discount Rate} - \text{Growth Rate}} = \frac{CF}{r - g}$$

Contribution and Break Even

- Contribution Margin shows how much of the company's revenues contribute towards fixed costs and income
- $$\text{Contribution Margin} = \text{Selling Price} - \text{Variable Costs}$$
- Breakeven quantity indicates how many units of product need to be sold to cover the fixed costs
- $$\text{Breakeven Quantity} = \frac{\text{Fixed Costs}}{\text{Contribution Margin}}$$

Percent Change

- This is a widely applicable formula used to calculate Increase/decrease in Revenue, Profits, Prices, Costs etc.
- $$\% \text{Change} = \frac{\text{Ending Value} - \text{Beginning Value}}{\text{Beginning Value}}$$

Return on Investment

- Return on Investment (ROI) measures the efficiency of an investment or a project and can be used to compare different projects
- $$ROI = \frac{\text{Profits} - \text{Cost of Investment}}{\text{Cost of Investment}}$$

Rule of 72

- The Rule of 72 allows you to calculate the growth rate an investment will require to double in a specified number of years
- Investments double in $\frac{72}{\% \text{ Annual Interest Rate}}$ years



CASE MATH: CHEAT SHEET – ACCOUNTING

Income Statement

Revenue	
- COGS	Cost of Goods Sold
<hr/>	
Gross Profit	
- SG&A	(Marketing, R&D etc.)
<hr/>	
EBITDA	
- Depreciation	
<hr/>	
EBIT	Operating Profit
- Interest	
- Taxes	
<hr/>	
Net Income	

Margins

- $Gross\ Margin(\%) = \frac{Revenue - COGS}{Revenue} = \frac{Gross\ Profit}{Revenue}$
- $Operating\ Margin(\%) = \frac{EBIT\ or\ Operating\ Profit}{Revenue}$
- $Net\ Margin(\%) = \frac{Net\ Income}{Revenue}$

Key Points to Remember

- Revenue is most commonly calculated as some form of *Price × Volume*
- COGS is the direct cost of manufacturing a product or a service, typically Material & Labor costs
- SG&A are all other administrative expenses a business would incur in the normal course of business

SG&A: Selling, General and Administrative Expenses; EBITDA: Earnings before Interest, Taxes, and Depreciation; EBIT: Earnings before Interest and Taxes



DARDEN CASEBOOK GUIDE

To get the most authentic casing experience, you should aim to do at least one behavioral interview question at the start of each case and have your interviewer take note of your timing



Indicates the overall difficulty of the case with a combination of mathematical technicality and creative thinking ability. It is advised that you start with single star cases and work your way up to three star cases



Indicates the degree of math difficulty in the case. Harder cases typically have multiple stages of calculations with multiple opportunities for mistakes



Indicates how creatively intensive the case will be. The more qualitative, the more thorough your framework should be. These cases will place more emphasis on the brainstorming elements

Grading Rubric

Case Execution

High scorers should be well structured, demonstrate coachability, and make insightful connections

Communication

High scorers should demonstrate confidence, speak clearly, and have a tidy case work

Behavioral

High scorers should give clear and concise answers that are relevant



Industry Overview



Please note that these are commonly tested industries. This list is not exhaustive of all the industries tested.

INDUSTRY OVERVIEW – CONSUMER / RETAIL

Key Industry Trends

- **Digital Marketing:** CPG (Consumer Packaged Goods) companies are pivoting to digital marketing solutions like Facebook, YouTube, Instagram more than ever for smarter and more targeted advertising.
- **Big Data:** Consumer companies & retailers are ramping up the use of consumer shopping behavior data now more than ever to create curated/ personalized shopping experiences and targeted advertisements. AI/GenAI has made parsing through this data and generating new content faster and easier
- **Retail Omnichannel:** Large brick & Mortar retailers are pivoting to an “order online, pick-up in store” mix while also building out their online fulfillment capabilities to cater to the consumer. and keep up with Amazon). Store foot-prints are also getting smaller to reduce inventory.
- **Private Label & Amazon Effect:** Private label consumer products are eroding market share of large name brand products. This is partially driven by “the Amazon effect” of quick and cheap replacement fulfillments. Brand loyalty is getting harder and harder to win.
- **Direct to Consumer vs. In-store Experience:** Brand names are slowly shifting resources to sell directly to consumers as some retailers struggle. Retailers with large brick & mortar footprints are focusing on in-store experiences to attract customers

Important Terminology

- **SKU:** Stock Keeping Unit – Refers to a unique item sold in a store
- **In-stock:** Percent of items that are on the shelves and available for sale vs. what the total display can hold
- **CRM:** Customer Relationship Management: Strategy & tools designed to boost profitability and strengthen customer loyalty by using data – also the name for software that facilitates this
- **Loss Leader:** Merchandise sold at a loss to attract new customers or stimulate other profitable sales
- **Mark-up:** Percentage added to the cost of product to get selling price

Important Calculations

1. Inventory Turnover:

$$= (\text{Sales} / \text{Inventory})$$

2. Gross Margin:

$$= \frac{(\text{Revenues} - \text{COGS})}{\text{Revenues}}$$

3. Contribution Margin (CM):

$$= (\text{Sales} - \text{Variable Costs})$$

$$\text{CM Rate} = \frac{(\text{CM})}{(\text{Sales})}$$



INDUSTRY OVERVIEW – ENERGY

Key Industry Trends

- **Clean Renewable Energy:** Wind, solar, and biomass power are increasingly replacing the use of fossil fuels in developed and developing countries with some projections indicating 80% of the world's energy needs being met by renewable energy by 2050
- **Technology:** Advancements in drilling techniques like “fracking” and horizontal drilling have significantly boosted the output of US oil companies and substantially reduced the cost and risks associated with drilling for oil. New tech for oil production not without controversies given renewable trends.
- **Shale:** Newly found abundance of shale basins in the USA has helped to boost US oil production output and has almost eliminated US dependence on foreign oil
- **Natural Gas:** Given its cheap and abundant supply, natural gas has become the primary source of energy in the US, replacing crude oil and coal
- **(Important) Petroleum Products:** Gasoline, jet fuel, natural gas, fertilizer, plastics, detergent, propane, diesel, lubricant

Important Terminology

- **Upstream (E&P):** Exploration and Production – Process involving the finding, drilling, and producing of crude oil and natural gas or liquified natural gas (LNG)
- **Midstream:** Focuses on the processing, storage, marketing, and transportation of oil and natural gas. (Most pipe-line companies fall in this category)
- **Downstream:** Includes oil refineries, petrochemical plants, petroleum products distributors, retail outlets and natural gas distribution companies
- **OPEC:** Organization of Petroleum Exporting Countries – Cartel of 14 nations that coordinate petroleum policies. – Often influences output and thus oil prices

Important Calculations

1. Return on Investment (ROI)

$$= \frac{(\text{Profits} - \text{Cost of Investment})}{\text{Cost of Investment}}$$

2. Breakeven Point

$$= \frac{(\text{Fixed Costs})}{\text{Contribution Margin (CM)}}$$

Important Considerations:

- Transportation / Distribution costs
- Storage Costs
- Production Costs: Labor + Materials
- Plant Development Costs
- Depreciation & Taxes
- Overhead



INDUSTRY OVERVIEW – TRANSPORTATION

Key Industry Trends

- **Airline Capacity Additions:** Airline ticket prices have been in a state of flux in a post-Covid world, with airlines struggling to add capacity due to pilot shortages
- **Fuel Efficiency:** Airline companies have been investing heavily in upgrading their fleet to more fuel-efficient aircrafts to reduce their biggest cost driver
- **EV (Electric Vehicles):** Auto manufacturers are all racing to create battery-powered vehicles and the charging infrastructure to go along with them
- **Autonomous Vehicles:** Semi-autonomous vehicles are widespread and fully autonomous vehicles being piloted. This can cause major disruption to auto manufacturers, public transport, and insurance companies
- **Shortage of Truckers:** Transportation companies have been struggling to keep up with the booming demand for cargo shipments due to a massive shortage of truck drivers –thus causing significant increases in labor costs

Important Terminology

- **Load Factor:** Measures the capacity utilization of transportation services and is equal to the average actual utilization divided by the maximum capacity
- **PRASM: Passenger Revenue per Average Seat Mile** –Or RASM (revenue) is the revenue generated per available seat miles in which $ASM = \text{number of seats available} \times \text{number of miles flown}$.
- **Logistics:** The detailed coordination of complex operations involving many people, facilities, or supplies.
- **3PL** –Third party logistics companies offer logistics services to other companies. Can be cheaper for some companies to outsource their logistics to 3PLs.
- **LTL & FTL:** LTL (Less than Load) – Small freight that doesn't fill a truck which is generally more expensive to ship, (FTL) Full Truck Load) – Large shipments that fill a trailer and are thus cheaper to ship

Important Calculations

1. Potential Savings by Switching Equipment

= {New Profit – Old Profit} or

{ [(New Capacity x Price) – (New efficiency x cost)] – [(Old Capacity x Price) – (Old efficiency x cost)]}

Important Considerations:

- Gasoline / Fuel Prices
- Carrying Capacity
- Range / Distance
- Destination Routes
- Maintenance Costs
- Depreciation



INDUSTRY OVERVIEW – MANUFACTURING / AGRICULTURE

Key Industry Trends

- **D2C: Direct to Consumer:** More manufacturers are leveraging their own sales platform to market, sell, and ship their products to the customer rather than use third party distributors or retailers to boost profitability
- **Data Driven Analytics:** Manufacturers are using predictive analytics and algorithms to improve product design, optimize production cycles, and improve demand forecasting. Companies are using technology like Industry 4.0/IOT to gather data and AI/GenAI to implement solutions
- **Trade-war & Tariffs:** With global political crises brewing in various parts of the world, trade and financial sanctions and subsequent retaliatory actions have affected manufacturing/agriculture supply chains severely.
- **Sustainable Food Systems:** Vertical farming has been a growing trend in urban locations to minimize environmental footprints and bring produce to major cities

Important Terminology

- **(JIT) Just-in Time Inventory:** “Pull demand” inventory system in which assembly materials and support items are delivered as needed to minimize raw material inventory
- **Commodity:** An interchangeable non-differentiated product or material that is sold freely. (Most agricultural products are commodities)
- **Bottleneck:** The resource in a manufacturing process that is working at max capacity and thus limits the output of the entire production
- **Bushel:** A unit of dry measure (1 cubic foot) for grain, fruit, etc., equivalent to 8 gallons of liquid
- **Out-source:** Process of contracting an outside party to complete a production or service task for a business. –Typically done to save cost or due to a lack of expertise

Important Calculations

1. Potential Savings with New Equipment

$$= (\text{New Equip. Expenses} - \text{Old Equip. Expenses})$$

$$[(\text{Old Time} \times \text{Old Labor}) + (\text{Raw Material Cost} \times \text{Old Quantity}) + \text{Old Depreciation}]$$

$$- [(\text{New Time} \times \text{New Labor}) + (\text{Raw Material Cost} \times \text{New Quantity}) + \text{New Depreciation}]$$

Important Considerations:

- Raw Material Costs
- Labor & Wages
- Capacity Constraints / Bottlenecks
- Commodity or Not?
- Overhead Costs
- Supplier & Buyer Relationships
- Depreciation



INDUSTRY OVERVIEW – FINANCIAL SERVICES

Key Industry Trends

- **AI, Block-Chain & Crypto Currencies:** Digital distributed ledgers offer a cheaper and more efficient way for firms to verify and facilitate transactions. Crypto currencies have proven themselves to be an alternative set of asset investments that rival equities, precious metals, and debt holdings, but have faced a lot of regulatory pressure
- **Digital-Only Banks & Payments:** The prevalence of more digital transactions have eroded the need for cash for most daily use, which has in turn led to the proliferation of online banks that offer higher savings account interest rates and comparable services
- **Financial De-regulation:** Congress passed legislation easing some of the restrictions from Dodd- Frank that exempts smaller banks from certain capital requirements which frees up room for more loans
- **More Transparency in PE Funds:** With greater pressure to produce results that outperform their benchmarks, more PE investors have been demanding greater transparency within their funds and firms have been using transparency to attract investors

Important Terminology

- **AUM:** Assets Under Management: Market value of all the financial assets that a firm manages on behalf of all of their clients and themselves. –Includes capital raised by investors and leaders of a firm
- **Private Equity:** Composed of investors and funds that invest directly into private companies or convert public companies to private companies to improve the target company's operations and financials with the goal of extracting a financial return from the company and reselling it another firm or the public at a profit
- **M&A:** Mergers & Acquisition: Mergers are when two companies comes together to make a new entity (Dow Chemical & Dupont) = DowDuPont, while an acquisition is where the smaller company is consumed by the larger company (Amazon + Wholefoods) = Amazon

Important Calculations

1. NPV (Net Present Value)

$$= (CF) \times \frac{1}{(1+i)^n} \quad \text{Where } n = \# \text{ of periods}$$

2. Pay Back Period

$$= \frac{(\text{Fixed Costs})}{\text{Contribution Margin (CM)}}$$

Important Considerations:

- Current Portfolio
- Exit Strategy & Time Horizon
- Acquisition Price
- Employee & Customer Relationships
- Market Trends
- Tax & Regulatory Implications
- Client Risk Profile



INDUSTRY OVERVIEW – INFORMATION TECHNOLOGY

Key Industry Trends

- **Artificial Intelligence (AI)/ Machine Learning:** Artificial intelligence is the ability for a computer program to think and learn. The emergence of AI has enabled the rise of self-driving cars, smart homes, advanced search algorithms, and smart digital assistants
- **Cloud Computing:** Is the practice of using a network of remote servers hosted on the Internet to store, manage, and process data, rather than a local server or a personal computer. More companies are moving to this platform for security, convenience, and cost savings
- **Internet of Things (IOT):** Smart devices that are all connected and communicate with each other via the internet are rising in demand due to value of strategic data that they provide
- **Blockchain:** a digital ledger in which transactions made and recorded chronologically and publicly. – Important for security and transfer verification purposes. Ex. include Bitcoin, and other cryptocurrencies
- **GDPR:** General Data Protection Regulation: Data protection regulation protecting privacy for all individuals in the European Union.

Important Terminology

- **IP (Intellectual Property):** A category of property that includes intangible creations protected by trademarks and copyrights (e.g. software, code, algorithms, etc.)
- **Unicorn:** a start-up company valued at more than a billion dollars, typically in the software or technology sector
- **Freemium:** A pricing model used by many digital services, a “freemium” model is one where the majority of users are able to engage with a product or service entirely for free (perhaps in exchange for data collection or being served advertisements)
- **SaaS:** “Software as a service” - a software distribution model in which a third-party provider hosts applications and makes them available to customers over the Internet –Like Salesforce or Workday

Important Calculations

1. Addressable Market size:

Top-Down: Total Population >>> Number of users >>> Market share >>> # of Units per User x Price per Unit

Bottom-Up: Current Customer Population >>> Potential Customer Base (Estimated using consensus data or industry info) >>> Future user base x units per user x price

2. Customer Acquisition Cost:

$$\frac{\text{Marketing Expenses}}{\text{Newly Acquired Customers (Yearly)}}$$



INDUSTRY OVERVIEW – MEDIA & ENTERTAINMENT

Key Industry Trends

- **Cord Cutting / Over the Top Streaming:** The rise of Hulu, Netflix, YouTube, Disney+, & Amazon Prime video has left many to abandon traditional cable and opt for online streaming services to get the content they want
- **Content is King:** Media giants have been spending heavily to curate high quality content to hook subscribers to their service and maintain and grow their subscriber base. As a result, many streaming platforms are not profitable
- **Ad-model Shift:** Cable advertisement has been trending downward while digital online advertisements have been trending up. As online viewers opt for ad-blockers, AI and big data are helping marketing agencies personalize advertisements and increase user engagement
- **Augmented Realty (AR)/ Virtual Reality (VR):** While still in their early stages, AR and VR capabilities have been gaining traction in the industry as a way to enhance storytelling and improve sporting coverage
- **Music Streaming:** The rise of Spotify, Apple Music, & YouTube Music has almost eliminated the physical disc music market as most artists now prioritize online platforms to release albums and new songs
- **Gaming & E-Sports:** The video gaming industry has been one of the fastest growing segments in entertainment led by mobile gaming and game streaming experiences via Twitch and E-sports. Many video game creators are focused on a “games as a service model” as they monetize video games overtime by selling in-game customizable perks

Important Terminology

- **Digital vs. Linear:** Linear is traditional broadcast or cable television. Digital is online (streaming, etc.)
- **Ratings:** A measure of viewers of a particular program or time segment in television. Nielsen is the largest provider of ratings data in the US, but has been slow to provide digital ratings
- **Box-Office:** The total revenue generated by movies shown at theaters

Important Calculations

1. Profitability

(Revenues – Costs)

(Price x Quantity) – (Quantity x Var. Cost)
– (Fixed Costs)

Important Considerations:

- Revenue Factors
 - Advertising Rev.
 - Ticket sales (Price x Quantity)
 - Merchandising
 - Tours / licensing / Endorsements
- Cost Factors
 - Artist fees
 - Commission
 - Promotion advertising
 - Venues
 - Content creation costs



INDUSTRY OVERVIEW – HEALTHCARE & LIFE SCIENCES

Key Industry Trends

- **Wearable Medical Devices:** Activity trackers help patients stay more active and healthier on their own while also monitoring health metrics reducing the need to visit doctors frequently
- **Smart Technology & Data:** Data on a patient's background and conditions allow more personalization options, targeted treatments, and faster recommendations at hospitals
- **Gene Therapy:** The transplantation of normal genes into cells in place of missing or defective ones in order to correct genetic disorders. Growing trend using CRISPR to treat previously incurable diseases
- **Price Transparency:** As drug companies receive criticism on the rising cost of their drugs, more states are considering independent efforts to improve transparency in drug pricing and cost controls
- **Government:** There is diminished momentum for repealing the Affordable Care Act (ACA). More recently, legislation has focused on fixing the rising cost of healthcare and Medicaid in the US through increased transparency and competition
- **Bundled payment, episode-of-care payment, etc.:** Generally, describes paying for the whole treatment at once, rather than by individual tests or visits – an attempt to incentivize improved outcomes

Important Terminology

- **Orphan Drug:** A pharmaceutical drug that remains commercially undeveloped due limited potential for profitability as a result of a small curable population size
- **FDA:** “Food & Drug Administration” Federal organization tasked with protecting and promoting the safety of food and pharmaceuticals in the US. FDA approval is needed for almost all drugs sold in the US
- **Generic Drugs:** A prescription drug that has the same active-ingredient formula as a brand-name drug but sold at a cheaper cost. Typically occurs when name branded drugs lose patents
- **Biotech vs. Pharmaceutical:** Biotech firms use live organisms like bacteria and enzymes to manufacture their medicines while pharmaceutical companies primarily use chemical synthesis

Important Calculations

1. Market sizing:

Top-Down: Total Population >>> Number with Illness >>> Number Diagnosed >>> Market share of Drug >>>> (Dosage per Time Frame) x Price per Dosage = Market Size per Time Frame

Important Considerations:

- Regulations
 - FDA Approval process length
 - Patent Rights
 - Foreign Government Laws
- Competition / Cannibalization
- Drug Effectiveness
 - Cure vs. Treatment
 - Time to Market
 - Side Effects
- Manufacturing Capabilities
- Pricing, Costs (Fixed / Var.), Dosage



INDUSTRY OVERVIEW – TELECOMMUNICATIONS

Key Industry Trends

- **5G Network Service:** Next generation of mobile internet connectivity with faster speeds, more reliable connections, and 100x more bandwidth capacity than 4G. Roll-out started in ~2020 in North America. Slow progress on rollout due to high infrastructure costs associated with development.
 - Network operates mainly on the cloud
 - Allows for “network slicing:” Creates separate wireless networks on the cloud for users to have their own personalized network
- **Network Consolidation:** The third and fourth largest cell phone carriers T-Mobile and Sprint recently completed a merger, a move that will consolidate the telecom market to 3 major players
- **Content Integration:** High profile acquisition like AT&T of Time Warner and Verizon of Yahoo illustrate a push to either get into the content creation game or to build out their advertising network
- **Bundle Battle:** Cost-conscious consumers seek the best service at the lowest price, so companies offer value to consumers by bundling services, such as mobile and home internet access
- **AI:** Used to enhance the customer experience, optimizing the network and providing predictive maintenance

Important Terminology

- **Carrier:** A company that is authorized by regulatory agencies to operate a telecommunications service system – AT&T, Verizon, T-Mobile
- **OEM:** Original Equipment Manufacturer – a company whose goods are used as components in the product of another company that sells the finished goods to users
- **LAN:** Local Area Network – locally owned and administered data network that runs primarily through cables (ex. Ethernet connection)
- **Fiber Optic:** Transmission connectivity via glass strands which are 100x faster than traditional copper wires for more efficient cell phone and internet connections

Important Calculations

1. Return on Investment (ROI):

$$\frac{(\text{Future Profits} - \text{Cost of Investment})}{(\text{Cost of Investment})}$$

2. Customer Acquisition Cost:

$$\frac{\text{Marketing Expenses}}{\text{Newly Acquired Customers (Yearly)}}$$

Important Considerations:

- Regional Competition
- Competitors
 - New Entrants
 - Barriers to Entry
 - Substitutability
- Contract lengths & stipulations
- Infrastructure



2023-24 Cases



Sticky Surfactants

Chemicals | Profitability

STICKY SURFACTANTS

Chemicals | Profitability



- **Skills Tested:** Divestiture, commodity pricing
- **Suggested Timing:** When candidate has completed 0-10 cases

Prompt:

Your client, CavalierChem, is a global chemicals manufacturer. CavalierChem recently acquired a manufacturing facility that makes surfactants as part of a larger purchase of competitor assets. Surfactants are a specialty chemical used for a variety of purposes, including laundry detergent, and the client has very little prior experience with this type of product. The manufacturing facility is not currently generating profits, and the client wants your help in determining what to do.

Clarifying Information: *Note: Provide this only if corresponding questions are asked.*

1. Does CavalierChem have a target in mind?

The client wants to make the highest return from this facility as possible in the next 5 years

2. What is CavalierChem's core business/how do they make money?

80% of CavalierChem's revenues come from the sale of commodity plastics to other manufacturers. The other 20% comes from a wide mix of products that are either downstream or byproducts of their core business.

3. Why did they make this acquisition?

The manufacturing facility in question was part of a bundled acquisition of other manufacturing assets that are of strategic importance to CavalierChem. CavalierChem now wants to evaluate the surfactant factory on its own.

4. What does the surfactant market look like?

The market for this particular surfactant is \$300M annually. CavalierChem and one other competitor are the only significant manufacturers.

BEHAVIORAL INTERVIEW QUESTION:

1. Tell me about a time that you led a team. What challenges did you face?

Framework Guidance:

Note: There are many possible alternatives to this framework. These are only provided as possible suggestions.

Increase Profitability

Revenues

- Price
 - Contracts
- Market Share
 - Increase sale to customers
 - Find new customers
- Research new uses

Costs

- Variable
 - COGS
 - Hourly Labor
 - Utilities
- Fixed
 - Overhead
 - Maintenance
 - Salaried
 - SG&A

Repurpose

- What products have similar manufacturing processes?
- What do the markets look like?
- CapEx and OpEx for new products
- Timeline for adjustment

Divest

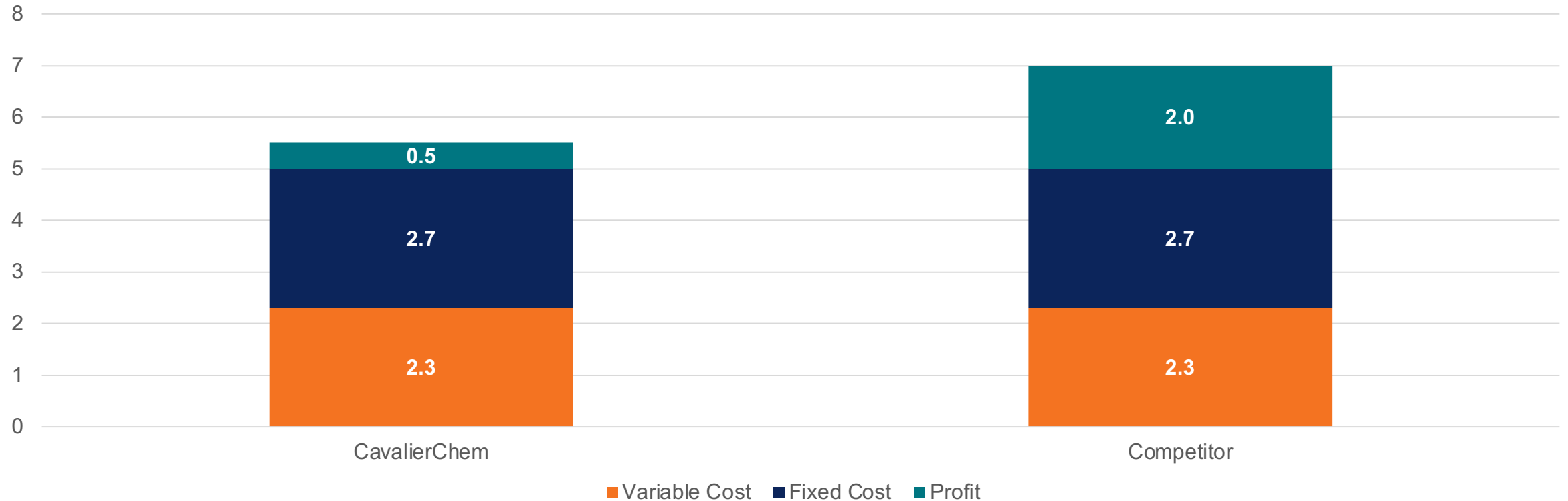
- What price could CavalierChem get?
- Would the competition have a monopoly?
- Effect on customer relationships
- Effect on employees

How to Move Forward:

Candidate should identify at least 2 of these 3 options, **if they only focus on profitability push them to think of alternatives**. After they get 2/3, move onto Exhibit 1. A **good** candidate should not bring acquisition price into account, as it is a sunk cost.

EXHIBIT 1

Average cost and profit breakdown for surfactants in cents/lb



Question 1 (The location of these question slides in your case is completely up to you)

- What does this exhibit tell you about CavalierChem's prospects for raising profits?

Exhibit or Question Guidance:

The candidate should notice that costs between the client and competition are identical, but the competition experiences 4x profits. They should then realize the main lever to pull would be on the revenue side, primarily pricing as this information is on a per pound basis. **When/if they ask about sales structure and revenues, you should provide the following information:**

- CavalierChem sells 1.4 million tons per year (can give 2000 lbs/ton if asked)
- 75% of sales are done on contract, the other 25% are sold on the spot market
 - Average CavalierChem contract price is 5.67 cents/lb
 - Average Competitor contract price is 7.67 cents/lb
 - Average spot price (for both CavalierChem and competition) is 5 cents/lb

Candidate should use this information to calculate increased profits from matching competitor's pricing

- 1.4 million tons * 2000 lbs/ton * 75% on contract = 2.1 billion pounds sold on contract
- 2.1 billion pounds * (7.67 cents/lb – 5.67 cents/lb) = 4.2 billion cents/100 = 42 million dollars in incremental profit

BRAINSTORMING

Now that we know our revenues are below those of our competitors, how are some ways we can raise that per pound price?

Brainstorming Guidance:

Note: This is just one possible set of categories and answers. Many more are possible, and interviewers should assess both the volume and relevance of answers.

Customer focused

- Change sales mix of contract vs spot
- Change sales mix to emphasize highest paying customers
 - Develop strong relationships with top paying customers
 - Sales dinners, events, etc.
- Renegotiate contracts
- Increase advertising of company overall to develop premium brand

Product focused

- Make product production process more sustainable and charge a premium
- Modify product to reduce customer use costs and capture some of their savings

Best candidates display:

Great candidates will structure their brainstorming, and finish by driving the case forward wanting to investigate the other options (divest or repurpose) that were discussed in the framework section



OTHER OPTIONS

Ideally, the candidate also outlined options at the beginning of the case around repurposing or divesting. Lead the candidate back to those options if they do not bring them up themselves and provide the following information

Repurpose:

- 50 million CapEx, 75 million in incremental annual profits, start-up in two years

Divest:

- Highest bidder willing to pay 200 million

Candidate should calculate following cash flow totals:

- Renegotiate contracts – 210M
- Repurpose – 175M
- Divest – 200M

Best candidates display:

Candidate should remember from the clarifying information that CavalierChem is interested total cash flow over the next 5 years. If they ask about discount rate, tell them to ignore for now.

CONCLUSION

We are having a meeting with CavalierChem's CEO in 5 minutes, what do you think we should recommend?

Recommendation:

- CavalierChem should renegotiate contract prices to match the competition at 7.67 cents/lb
- Annual profits will grow by 42 million

Risks:

- Some customers may not be able to afford higher prices
- The market may contract

Next Steps:

- Look into customers cost structure and see if there is room for higher prices while also soliciting alternative bids for asset sale

A candidate could recommend any of the three options with sound reasoning, the NPVs with 10% discount rate are roughly equivalent

INTERVIEWER FEEDBACK FORM

Case Name _____ Interviewer _____

Case Book _____ Case Type _____ Difficulty _____

Case Execution:

- Clarifying Questions + Framework
 - Good Questions 1 2 3 4 5
 - Structured
 - MECE
 - Creativity

Feedback:

- Exhibits + Analysis
 - Accuracy 1 2 3 4 5
 - Speed
 - Insights Presented
 - Errors / Guidance Needed

Feedback:

- Brainstorm + Conclusion
 - Creative & Structured 1 2 3 4 5
 - Good Business Judgment
 - Recommendation Strength

Feedback:

- Universal Skills
 - Coachability & Collaboration
 - Structured communication 1 2 3 4 5
 - "So what" & Business acumen
 - Body Language, Confidence, Poise
 - Adaptability

Feedback:

Total: _____ / 20



Pedal Pals

Technology | Cost Improvement

PEDAL PALS

Technology | Cost Improvement.

Skills Tested: Evaluating financial statements, cost analysis

- Suggested Timing: When candidate has completed 5+ cases

Prompt:

Pedal Pals is an interactive fitness platform with millions of members, offering connected, technology-enabled fitness classes that utilize its proprietary hardware, the Pedal Pal stationary bicycle.

Recently the company has been challenged by a large, activist investor. The activist investor is citing the plummeting stock price impacting shareholder returns. The activist has attributed the issue directly to poor cost control throughout Pedal Pals. Pedal Pals CEO has hired your organization to determine how to manage its cost issue.

Clarifying Information: *Note: Provide this only if corresponding questions are asked.*

1. Does Pedal Pals have a goal for their cost restructuring?

If Pedal Pals CEO cannot decrease their costs to start obtaining an annual profit again, there is a high risk that the investor will engage in a leveraged buyout. Currently the CEO would like to cut costs enough to achieve a 5% profit target.

2. What is Pedal Pals current business model?

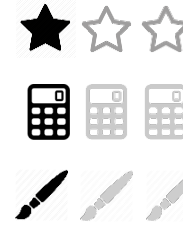
Pedal Pals earns its revenue through the subscription revenue of its members, hardware sales of its stationary bicycle, and branded fitness gear.

3. What is the timeline for Pedal Pals to perform the cost restructuring?

Investors are demanding cost decreases in the next two quarters to meet year end corporate goals.

4. How is Pedal Pals supply chain structured?

Pedal Pals has an international supply chain made of up suppliers across multiple countries to source parts for their bicycle. For distribution, they distribute online through their own website as well as offline through retail locations owned by the company.



BEHAVIORAL INTERVIEW QUESTION:

1. Can you walk me through a time when you had to quickly adapt to a new work environment or team? What did you do to ensure your success?

Framework Guidance:

Note: There are many possible alternatives to this framework. These are only provided as possible suggestions.

Internal Cost Cutting Measures

Labor

- Cut Benefits
- Reduce Overtime
- Cross-Train Employees
- Perform Layoffs
- Condense Geographic Footprint
- Encourage Early Retirement
- Encourage remote work

Production

- Manufacturing Warehouses
- Real Estate to Offer Live/ Record Programs
- Inventory
- Automate
- Renegotiate
- Outsource

Finance

- Overhead
- Payment Terms
- Liquidate

Cost Cutting Considerations

External Impacts

- Existing Customers Willingness to Pay
- Acquisition of New Customers
- Emerging tech in this industry
- Competition in this industry
- Consumer trends in going to gyms

Risks

- Employee retention
- Company morale from layoffs
- Quality reduction in service/ product
- Competitive response to price cuts

How to Move Forward:

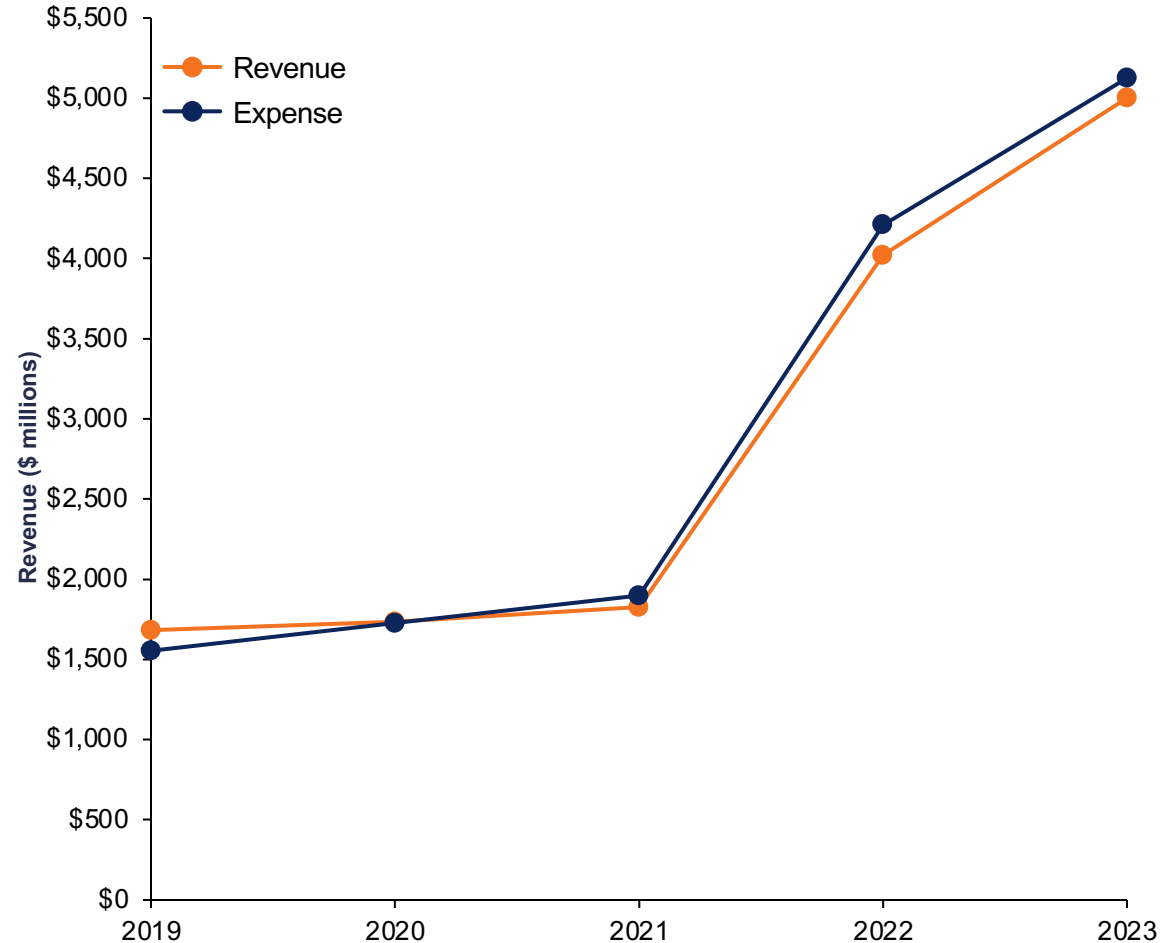
The candidate should recognize this as a pure cost case and request to see the financials to assess 1) where the cost issue is arising from, 2) what cost decrease is needed to achieve the 5% profit margin, and 3) whether it is a realistically achievable number.

Provide Exhibit 1 only after the candidate has identified a clear path forward.



EXHIBIT 1

Pedal Pals 5-Year Trend



Pedal Pals Financial Statement

	millions (\$)		
	2021	2022	2023
Consolidated Statement of Operations Data:			
<u>Revenue</u>			
Connected Fitness Products	\$1,462	\$3,150	\$3,313
Subscription	\$364	\$872	\$1,687
Total revenue	\$1,826	\$4,022	\$5,000
<u>Cost of revenue</u>			
Connected Fitness Products	\$833	\$2,237	\$2,242
Subscription	\$156	\$331	\$335
Total cost of revenue	\$988	\$2,567	\$2,577
Gross profit	\$838	\$1,454	\$2,424
<u>Operating expenses</u>			
Manufacturing	\$477	\$728	\$1,190
Real Estate & Office Space	\$351	\$662	\$839
General & administrative	\$90	\$253	\$478
Total operating expenses	\$918	\$1,643	\$2,507
Loss from operations	(\$80)	(\$189)	(\$83)
Other (expense) income, net:	\$12	(\$10)	(\$21)
Loss before provision for income taxes	(\$68)	(\$199)	(\$104)
Income tax expense (benefit)	\$3	(\$9)	\$20
Net gain/ loss	(\$71)	(\$190)	(\$125)

*Revenues and expenses are expected to be equal in 2024.



Question 1 (The location of these question slides in your case is completely up to you)

- Given the financial information in Exhibit 1, what cost decrease does Pedal Pals need to achieve a 5% profit in 2024 and where should cost cutting be focused?

Exhibit or Question Guidance:

The candidate should ignore revenue for the purpose of the case. **If a question regarding growth of revenue or cost in 2024 arises, reference that each should be similar to 2023.**

To assess the costs, the candidate should identify the large growth in expenses for Connected Fitness Products, Manufacturing, G&A, and Real Estate & Office Space. Strong candidates will determine the percentage each is of total expenses to highlight where cost cuts should originate. The candidate should realize that by subtracting the net gain/ loss from the total revenue, they can quickly aggregate the total expenses and see breakeven to determine 5% profit.

- Revenues and expenses are expected to be equal in 2024.
- $\$5b * 95\% = \$4.75b$ target costs
- $\$5b - \$4.75b = \$0.25b$
- $\$0.25b / \$5b = 5\%$
- Target cost cutting = $(-\$0.125b) + x = \$0.25b$
 $x = \$0.375b$

Strong candidates should then begin identifying ways to conduct the cost-cutting measures in the business areas.

	2021	2022	2023
Total revenue	\$ 1,826	\$ 4,022	\$ 5,000
Net gain/ loss	(71)	(190)	(125)
Total Expenses	\$ 1,897	\$ 4,212	\$ 5,125
	2021	2022	2023
Connected Fitness Products	\$ 833	\$ 2,237	\$ 2,242
Manufacturing	\$ 477	\$ 728	\$ 1,190
Real Estate & office space	\$ 351	\$ 662	\$ 839
General & administrative	\$ 90	\$ 253	\$ 478

EXHIBIT 2

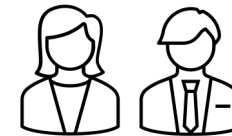
Annual Savings from Alternative Manufacturer = \$210 M

Reduce Real Estate Footprint (30 of 90) Offices



Expense Type	Average Annual Savings
Utilities	\$30,000
Rent	\$170,000
Management	\$300,000

SG&A Layoffs (? of 20,000) FTEs



FTE Expenses	Average Annual Savings
Salary	\$130,000
Benefits	\$40,000
Severance package	\$20,000

Question 2

Our team has determined that the two most efficient approaches to reducing costs are by pursuing an alternative manufacturer and buy reducing head count and office space. Based on the information provided, by what percentage will Pedal Pals have to reduce their work force to achieve their cost savings target?

Exhibit or Question Guidance:

To reach the \$375 M in cost savings target, the candidate should piece the costs into three categories that can then be combined to determine the percentage of workforce to be laid off : the savings from finding a new manufacturer, the reduction in the real estate footprint, and the SG&A layoffs.

Alternative Manufacturer = \$210 M

Reduction in Real Estate Foot Print

$\$30 \text{ k (Utilities)} + \$170 \text{ k (Rent)} + \$300 \text{ k management} = \$500 \text{ k} * 30 \text{ (Offices)} = \15 M

$\$375 \text{ M (Total Annual Savings Target)} - \$210 \text{ M (Alternative Manufacturer)} - \$15 \text{ M (Reduction in Real Estate)} = \$150 \text{ M additional cost reduction remaining}$

SG&A Layoffs

Cost savings of \$170k – Severance of \$20k = \$150k. Therefore, 1000 employees need to be laid off, or 5% of the workforce.

BRAINSTORMING

The Pedal Pals team agrees with your cost cutting recommendations. What concerns, specifically in regard to layoffs, do you believe Pedal Pals should consider before moving forward?

Brainstorming Guidance:

Note: This is just one possible set of categories and answers. Many more are possible, and interviewers should assess both the volume and relevance of answers.

Internal Considerations

- Fairness in layoffs
- Timing of layoffs
- Support to impacted employees
- Financial cost
- Company culture
- Workforce productivity

External Considerations

- Legal requirements
- Legal liabilities
- Corporate brand & reputation
- Economic conditions
- Competition/ industry trends
- Industry/ country regulations
- Customer impact

Best candidates display:

Great candidates will structure their brainstorming (pros vs. cons, internal vs. external options, etc.), and finish by driving the case forward to determine whether the tradeoff of meeting the 5% goal in a short time frame (two quarters) is worth the potential risks to the firm. The candidate should note that this would remove the pressure from the activist investor yet risk pressure from media and shareholders.

CONCLUSION

We are meeting with Pedal Pal's CEO shortly regarding our findings, what should we recommend?

Recommendation:

- To reduce costs by \$375m in the next two quarters and achieve a profit margin goal of 5%, I recommend Pedal Pals address their labor, manufacturing, and real estate expenses by shifting to an alternative manufacturer (\$210m) and reducing office space (\$15m) while conducting layoffs of 1k FTEs (\$150m).

Risks:

- Mass layoffs (1k employees) impact external brand, internal morale, and culture, and could cause legal repercussions
- Outsourcing manufacturing could lead to quality control issues, intellectual property theft, and regulatory compliance problems
- Revenue could decrease due to the impact of layoffs on our brand equity, leading Pedal Pals to not achieve the desired revenue target.

Next Steps:

- Assist with building out a timeline for the recommended actions to ensure successful execution, manage shareholder expectations, and ease the company's concern about handling mass layoffs.

INTERVIEWER FEEDBACK FORM

Case Name _____ Interviewer _____

Case Book _____ Case Type _____ Difficulty _____

Case Execution:

Clarifying Questions + Framework

- Good Questions 1 2 3 4 5
- Structured
- MECE
- Creativity

Feedback:

Exhibits + Analysis

- Accuracy 1 2 3 4 5
- Speed
- Insights Presented
- Errors / Guidance Needed

Feedback:

Brainstorm + Conclusion

- Creative & Structured 1 2 3 4 5
- Good Business Judgment
- Recommendation Strength

Feedback:

Universal Skills

- Coachability & Collaboration
- Structured communication 1 2 3 4 5
- "So what" & Business acumen
- Body Language, Confidence, Poise
- Adaptability

Feedback:

Total: _____ / 20



Seven Flags

Entertainment | Pricing

SEVEN FLAGS

Entertainment | Pricing



- Skills Tested: Cannibalization, incrementality
- Suggested Timing: When candidate has completed 0-10 cases

Prompt: Our client is a mid-size amusement park chain, with 10 parks around the U.S. serving over 10 million visitors each year. In their Richmond, VA park, it operates both a traditional thrill-ride section, as well as an animal experience. **(Show park map.)** Currently, the two sections are covered under one entry ticket price. However, management is considering offering a separate ticket for only the animal experience section. They have come to us to determine if this is a good idea.

Clarifying Information: *Note: Provide this only if corresponding questions are asked.*

- 1. Financial goal:** Management wants a payback period less than 10 years. (If the candidate asks, payback period = investment / on-going profit.)
- 2. Current price:** Tickets are currently \$20 and provide visitors full access to the park
- 3. Park attendance:** The Richmond, VA park is an average sized park within the client's portfolio
- 4. Business model:** The park is a typical amusement park (think Six Flags or Busch Gardens). Visitors buy a ticket for entrance (assume same price for adults and children), and all rides / amusements are accessible under the one ticket price. The park also sells merchandise and food / drinks separately.

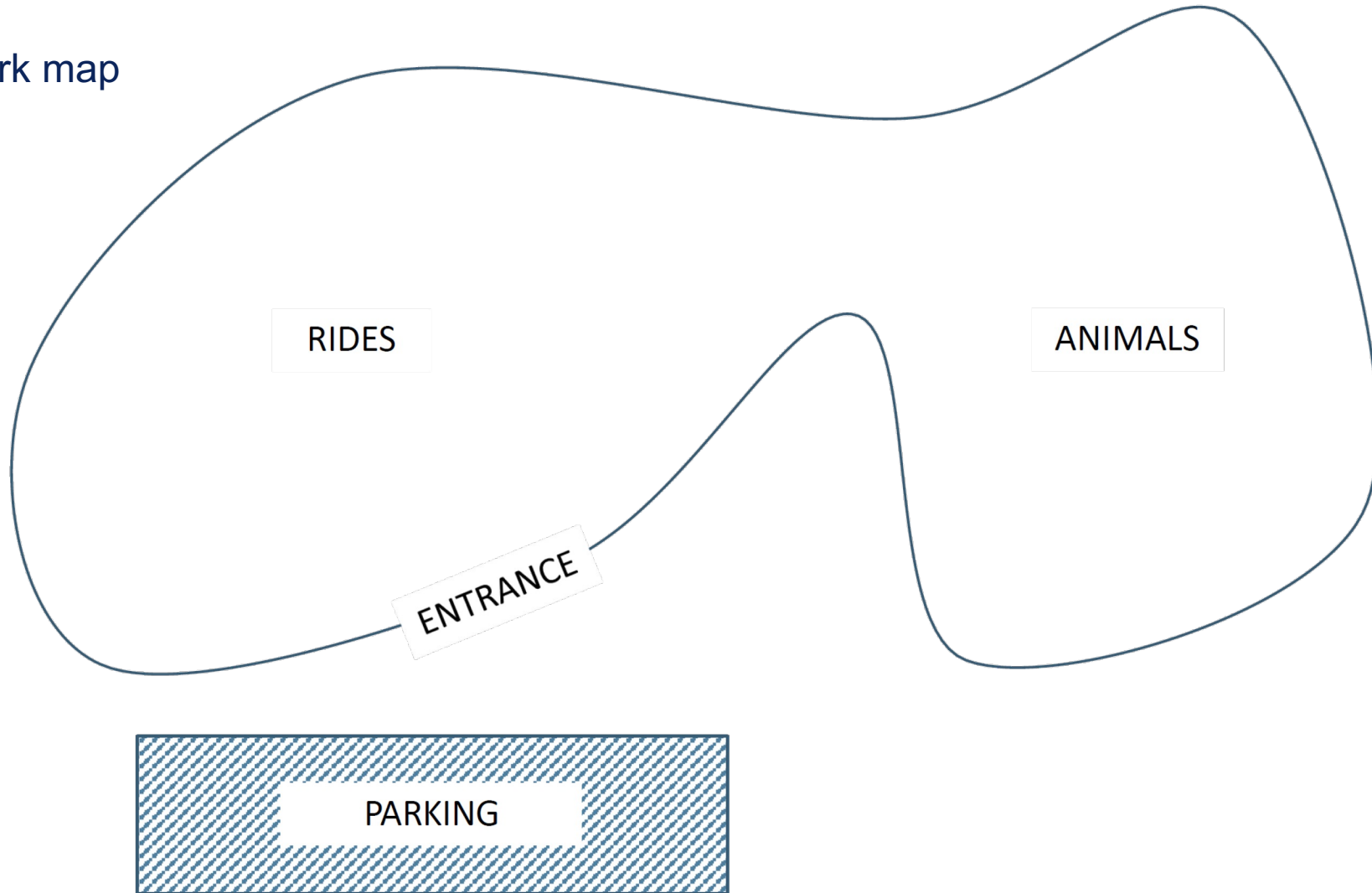
BEHAVIORAL INTERVIEW QUESTION:

1. Tell me about a time when you faced an ethical dilemma.

2. Tell me about a time you helped a team overcome a problem.

EXHIBIT 1

Seven Flags park map



Framework Guidance:

Note: There are many possible alternatives to this framework. These are only provided as possible suggestions.

Incremental profit

- Revenue: ticket prices, food & drink sales, merchandise, visitor volume, cannibalization of “ride + animal” ticket sales
- Existing costs: maintenance, animal care, labor/operations, COGS (merchandise, food)
- New costs: Build out of new entrance, wall between sections of the park, and new parking

Competitive landscape

- Other attractions in the area
- Zoos, petting zoos
- Museums
- Movie theaters
- State fairs
- All forms of family friendly recreational activities

Macro trends

- Changes in disposable income
- Weather conditions
- Consumer entertainment preferences

How to Move Forward:

Key insights include pricing decision, cannibalization impact, and recovery of new fixed costs. If candidate does not identify these in his/her framework, push candidate to brainstorm incremental changes in revenue and costs.

When asked about pricing, ask candidate how he/she would determine price. After the candidate has brainstormed some ideas, present Exhibit 2.

EXHIBIT 1

Price elasticity of animal only admissions



1. Cannibalization rate is 50%
2. Establishment is open 350 days per year

03 | CASE: SEVEN FLAGS

Question 1 From Exhibit 2, candidate should want to discover which price would maximize revenue. See below for solution.

Exhibit or Question Guidance:

Ticket price	Number of Visitors	Cannibalization rate	New tickets	New ticket revenue	Cannibalized tickets	Cannibalized revenue per ticket (current ticket \$20)	Daily cannibalized revenue	Daily incremental revenue	Yearly incremental revenue
A	B	C	$D = B * (1-C)$	$E = A * D$	$F = B * C$	$G = A - \$20$	$H = G * F$	$I = H + E$	$J = I * 350$
\$10	1,300	50%	650	\$6,500	650	(\$10)	(\$6,500)	\$-	\$-
\$12	1,100	50%	550	\$6,600	550	(\$8)	(\$4,400)	\$2,200	\$770,000
\$14	700	50%	350	\$4,900	350	(\$6)	(\$2,100)	\$2,800	\$980,000
\$16	500	50%	250	\$4,000	250	(\$4)	(\$1,000)	\$3,000	\$1,050,000

- Revenue is maximized at a price point of \$16 per ticket for the animal only admission. This equates to ~\$1MM in incremental ticket sales or a 5% increase
 - From the prompt and clarifying questions, we know that Seven Flags sees about a million visitors a year at \$20 per visitor in ticket sales. Thus, current ticket revenue equals \$20MM.
- Great candidates will mention that incremental revenue is sensitive to the cannibalization rate assumption



BRAINSTORMING

Aside from ticket sales, what are some other considerations that will factor into the decision?

Brainstorming Guidance:

Note: This is just one possible set of categories and answers. Many more are possible, and interviewers should assess both the volume and relevance of answers.

Other revenue sources:

- Food / beverages
- Merchandise
- Parking
- Annual passes (individual / family)

Incremental costs:

- Build out of new entrance, building a wall to separate rides from animal enclosure, and additional parking
- Additional employees to serve higher visitor volume
- Payback period less than 10 yrs?

Best candidates display:

Great candidates will have asked about specific KPI's at the beginning of the case (i.e. projects must have a 10-yr. payback period or better). Candidates should remember on his/her own to evaluate the payback period of this project and ask for the relevant information.

This brainstorming activity is an opportunity for great candidates to leverage their framework. Great candidates will return to their framework to recall the primary objective and other ideas already generated.



03 | CASE: SEVEN FLAGS

Question 2 What is the payback period of this proposal?

- Great candidates should recognize that they need to do this calculation. If not, help the candidate recall that one metric Seven Flags uses to evaluate projects is a 10-yr. payback period.
- **Provide only when asked:** Fixed costs for constructing new entrance, wall, and parking lot is estimated to be \$2 million.
- Only consider incremental revenue from ticket sales
- Seven Flags profit margin in 20%

Exhibit or Question Guidance:

- Candidate only needs to calculate the payback period at the \$16 price point
- Payback period = investment / incremental profit
 - Incremental profit = incremental revenue x profit margin. Incremental profit = \$1,050,000 x 20% = \$210,000
 - Payback period = \$2,000,000 / \$210,000 = ~9.5 years



CONCLUSION

To conclude, the interviewee should provide the following:

Recommendation: There is no correct answer, but a likely response could be:

- Move forward with creating an animal only admission ticket
- Incremental revenue / profit is maximized at a price point of \$16.00 per ticket, leading to a 5% increase in ticket revenues and profits
- Given the \$2M investment, payback period is ~9.5 years – just below management’s requirement of 10 years

Risks:

- Incremental revenue / profit very sensitive to cannibalization. If actual cannibalization is higher, incremental profits will suffer and payback period will exceed 10 years
- Potential opportunity cost to invest in higher ROI projects

Next Steps:

- Payback period will decrease (improve) if animal park can sell additional merchandise, food, and beverages to new visitors. Size this opportunity and understand impact

INTERVIEWER FEEDBACK FORM

Case Name _____ Interviewer _____

Case Book _____ Case Type _____ Difficulty _____

Case Execution:

- Clarifying Questions + Framework
 - Good Questions 1 2 3 4 5
 - Structured
 - MECE
 - Creativity

Feedback:

- Exhibits + Analysis
 - Accuracy 1 2 3 4 5
 - Speed
 - Insights Presented
 - Errors / Guidance Needed

Feedback:

- Brainstorm + Conclusion
 - Creative & Structured 1 2 3 4 5
 - Good Business Judgment
 - Recommendation Strength

Feedback:

- Universal Skills
 - Coachability & Collaboration
 - Structured communication 1 2 3 4 5
 - "So what" & Business acumen
 - Body Language, Confidence, Poise
 - Adaptability

Feedback:

Total: _____ / 20



Weasleys' Wizarding Warehouse

Retail | Market Entry

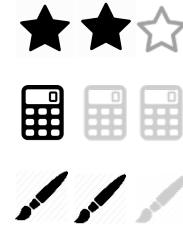


SECOND PRIZE - DARDEN CASE-A-THON 2023



WEASLEYS' WIZARDING WAREHOUSE

Retail | Market Entry



- Skills Tested: Incremental profit, cannibalization, breakeven
- Suggested Timing: When candidate has completed 5 -10 cases

Prompt:

Fred and George Weasley operate a magic joke shop, Weasleys' Wizarding Warehouse (Weasleys'). They currently have a single storefront located in the Diagon Alley shopping district. This store primarily sells magic products used for pranks to young students that attend Hogwarts School of Witchcraft and Wizardry. It has come to their attention that another store location has become available for sale in Hogsmeade, a small village near Hogwarts. The Weasley brothers are interested in expanding the business and are curious if opening a second location in Hogsmeade makes sense.

Clarifying Information: *Note: Provide this only if corresponding questions are asked.*

- 1. Are there current competitors in the market?** Zonko's joke shop is another magical store currently located in Hogsmeade. Fred and George aren't too worried, however. They believe they will be able to capture up to 30% of the existing market in Hogsmeade.
- 2. What are the Weasley's financial goals?** Looking to breakeven on the investment within 4 years of expansion.
- 3. What type of products to they sell?** They have three best-selling products: fake wands, smart-answer quills, and love potions.

BEHAVIORAL INTERVIEW QUESTIONS:

1. Give me an example of a time you came up with a creative solution to a difficult problem.

2. What accomplishment are you most proud of?

Framework Guidance:

Note: There are many possible alternatives to this framework. These are only provided as possible suggestions.

Financials

- Potential Profits
- Product Sales
 - Price x Qty
- Variable Costs
 - COGS
 - Overhead
 - Hourly salaries
- Fixed Costs
 - Insurance
 - Leasing new spaces
- Upfront Investment

Mkt. Attractiveness

Trends

- Growth
- External Factors

Competitors

- Market Share
- # of comps

Consumers

- Market size
- Segments
- Needs/Gaps

Capabilities

- Core Competencies
- Resources
- Expertise

Risks

Timeline

- Major Milestones
- Aligned to initial goal?
- Training for new personnel

Implementation Options

- Buy
- Build
- Partner

How to Move Forward:

Candidate should identify that they need to determine the financial feasibility of the opening of a new store in Hogsmeade. If the candidate focuses on the capabilities or other factors, push them towards the finances, specifically revenue, before presenting them with Exhibit 1.

EXHIBIT 1

Monthly Sales

Product	Diagon Alley Sales (Current)	Diagon Alley New Sales (Projection)	Hogsmeade Sales (Projection)	Price
Fake Wands	400	360	140	\$10
Quills	300	270	230	\$20
Love Potions	200	180	120	\$30

*Fake Wands, Quills, and Love Potions account for 80% of Weasleys' revenue



Question 1

- What stands out to you about the revenue projections of the two stores?

Exhibit or Question Guidance:

If candidate asks about any growth in sales over the four years, mention that we expect these projections to be the average across the first four years.

The candidate should notice that the sales for the Diagon Alley store drop once the Hogsmeade location opens. **Good** candidates will acknowledge that this reduction in sales could be the result of cannibalization of sales by the Hogsmeade store. **Great** candidates will recognize that the drop is 10% exactly for each of the three products.

After discussing the drop in sales, the candidate should move towards revenue calculations for the stores based on the price and quantity figures that are provided in the exhibit. **Encourage the candidate to drive towards annual revenue numbers for each scenario.**

Exhibit or Question Guidance:

Question 1 Revenue Calculations

Diagon Alley Original Sales:

- Wands: 400 units * \$10 = \$4,000/month
- Quills: 300 units * \$20 = \$6,000/month
- Potions: 200 units * \$30 = \$6,000/month

Total monthly unit sales = \$16,000/month * 12 months = \$192k/yr

Total sales for the shop = \$192k / .80 = \$240,000/yr

New Sales for Store:

- Wands: 140 + 360 units * \$10 = \$5,000/month
- Quills: 270 + 230 units * \$20 = \$10,000/month
- Potions: 180 + 120 units * \$30 = \$9,000/month

Total monthly unit sales = \$24,000/month * 12 months = \$288k/yr

Total sales for the shops = \$288k / .80 = \$360,000/yr

Incremental Revenue

\$360,000 - \$240,000 = \$120,000/yr

Once revenue calculations are complete, candidate should drive the case towards a discussion of cost in order for the interviewer to be able to **provide Exhibit 2**.



EXHIBIT 2

Business Costs

Scenario	Variable Costs	Insurance Against the Dark Arts	Ministry of Magic Taxes
Diagon Alley (Current)	\$108k / year <i>(45% of Sales)</i>	\$1,900 / month	\$600 / month
Diagon Alley + Hogsmeade (Projection)	\$156k / year <i>(43.3% of Sales)</i>	\$2,800 / month	\$1,200 / month

Question 2

- Candidate should acknowledge that costs also need to be considered for the project. Once costs are acknowledged, provide Exhibit 2.
- If they are not moving towards cost, prompt them with “so, what’s next?” and lead them to consider costs/additional financial considerations
- Candidate should identify that they’re missing the cost of the new shop. The cost of buying and renovating the new shop in Hogsmeade is \$200,000.

Exhibit or Question Guidance:

If asked about any additional costs, **let the candidate know that the costs listed in the exhibit are the only ones that we will need to consider for this analysis.** These costs are expected to remain consistent for the first four years.

The candidate should determine annual profit for each of the scenarios (DA vs. DA + HM) and use those values to determine the annual incremental profit of making the decision.

Once annual incremental profit has been determined, this value can be used along with the CapEx value to determine the amount of time that will be needed in order to breakeven on the investment.

Exhibit or Question Guidance:

Question 2 Profit Calculations

Diagon Alley Original Profit:

- Overhead: \$108K/year
- Insurance: \$1,900/month * 12 = \$22,800
- Tax: \$600/month * 12 = \$7,200

Total Yearly Costs: \$138,000

Total Yearly Profit = \$240,000 - \$138,000 = \$102,000

New Stores Profit:

- Overhead: \$156K/year
- Insurance: \$2,800/month * 12 = \$33,600
- Tax: \$1,200/month * 12 = \$14,400

Total Yearly Costs: \$204,000

Total Yearly Profit = \$360,000 - \$204,000 = \$156,000

INCREMENTAL YEARLY PROFIT = \$54,000

ROI Calculation:

Capex for new store = \$200K

\$200k/\$54K = 3.7 years <- perfectly okay for candidate to round here as long as they realize they recoup the investment within 4 years of opening



BRAINSTORMING

What other factors should Fred and George think through when determining if they should open the new location?

Brainstorming Guidance:

Note: This is just one possible set of categories and answers. Many more are possible, and interviewers should assess both the volume and relevance of answers.

Risks

- Competition
- Additional cannibalization
- Personnel considerations
- Brand implications

Alternatives

- Invest in new product R&D
- Expand store in Diagon Alley
- Invest capital into yield seeking account
- Retire early

Best candidates display:

Look for the candidate to present some form of structure before moving into their brainstorming. This could be risks/alternatives, internal/external, financial/non-financial, etc. Any of these options should produce some of the ideas above or additional creative ideas.

Once the candidate has exhausted several brainstorming ideas, **move towards the final recommendation for the case.**



CONCLUSION

To conclude, the interviewee should provide the following:

Recommendation:

- Fred and George Weasley should pursue opening a second location of Weasleys' Wizarding Warehouse in the village of Hogsmeade. This new location will provide Weasleys' with the opportunity to raise the annual profit from \$102K to \$156K, a \$54K annual improvement.
- The project meets the company's financial goals of providing a return (breakeven) within 4 years.

Risks:

- Cannibalization between the two stores could continue to be a problem moving forward.
- It could be more beneficial to build a new store in a different area rather than to buy existing

Next Steps:

- Develop a plan to open the store and identify good partners to help with the renovation of the store
- Find new advertisement programs or product options

Jane Darden's Ranch

Hospitality | Market Entry



THIRD PRIZE - DARDEN CASE-A-THON 2023



JANE DARDEN'S RANCH

Hospitality | Market Entry



- **Skills Tested:** Payback Period
- **Suggested Timing:** When candidate has completed 5 -10 cases

Prompt:

Your client is Jane Darden, a longtime owner, and operator of the Wahoo Cattle Ranch, which has been in the family since 1883. However, since the early 2000s, the Montana economy has experienced a dramatic shift in its local businesses and consumers. The ranch is now surrounded by high-end resorts, fine dining, and a burgeoning outdoor mall, which have increased the cost of property taxes and tightened the Wahoo Cattle Range profit margins. Concerned about the outlook of her ranch, Jane Darden has approached our team to determine whether she should enter the hospitality industry or not.

Clarifying Information: Note: Provide this only if corresponding questions are asked.

- 1. How does Wahoo Cattle Ranch make money?** In addition to selling beef and milk, the ranch offers horseback riding, fly fishing, and hiking tours.
- 2. Is there a timeline for when Jane Darden would want to make this potential pivot into hospitality?** Jane is fine with an investment as long as it reaches a breakeven in at most three years after construction begins.
- 3. What is Jane Darden's primary goal if makes this pivot?** Long term, Jane wants to maximize annual net income for her business.

BEHAVIORAL INTERVIEW QUESTION:

1. Give me an example of a time you used data to solve a problem at work.



Framework Guidance:

Note: There are many possible alternatives to this framework. These are only provided as possible suggestions.

Montana Hospitality Market

- Population
- Size of the Hospitality/tourism market
- Disposable income
- Consumption pattern
- Growth trends
- Competitors

Finance

- Investment
- Δ Revenue
- Δ Cost (VC/FC)
- Synergies with current business

Potential options

- Acquire an existing resort
- Open her own resort
- Keep farm (Do Nothing)
- Sell ranch to a big-brand hotel

Other considerations

- Regulation
- Competitive response
- Human resources
- Brand alignment









How to Move Forward:


The candidate should recognize this is a market entry case. The interviewer should push the candidate to tackle the potential options of entering a new market, including M&A or setting up its own operation. Once the candidate identifies at least two ways of entering the new market, move to Exhibit 1.



EXHIBIT 1

Jane is considering the four options below.

Proposal	Revenue from operation	Profit margin
Sell ranch to hotel chain XYZ		
Partner with hotel chain XYZ passive investor		
Buy existing old resort ABC and sell ranch operator		
Build new hotel		

 = How optimal each option's finances are

Guiding question 1

- Based on Jane's available options, which would you recommend?
- If the candidate chooses option 4: What other qualitative or quantitative factors should Jane consider?

Quantitative options: IRR, NPV, breakeven timeline, execution risk, cash on hand, raising debt, etc. Qualitative: control, experience, brand, family

Exhibit or Question Guidance:

Provide when asked by candidates:

- Candidate should conduct a structured analysis of the available options (e.g., pros and cons)
- Investment requirements: Only option 4 requires initial investment and only option 1 has an upfront cash inflow.

Best candidates

- Realize that the goal is obtaining the highest revenue in the long term.
- Realize that loss of income is not included in the Harvey Ball analysis
- Hypothesize the reason behind the downside of other options (lower margin for option 2 due to hefty management and royalty cost; low margin and revenue for option 3 due to high maintenance cost and lower demand associated with old property)

EXHIBIT 2

Financial projection of the new resort

Options	# of rooms	Average utilization	Rate	Initial Investment	Fixed Cost	Variable Cost
Wahoo Holiday Resort	400	80%	\$300/night	\$10 M	\$15 M	10%
Wahoo Prime Resort	300	75%	\$500/night	\$30 M	\$15 M	15%

Note: Existing Wahoo Cattle Ranch earns an average of \$ 7 M in annual revenue.



Question 2

- Which option should Jane consider in order to break even in three years?

	Holiday Resort	Prime Resort
Days-room available	(400 rooms * 360 days * 80% utilization) = 115,200 days available	(300 rooms * 360 days * 75% utilization) = 81,000 days
Total revenue	115,200 days * \$300/days = \$34.56 M (round to \$35 M)	81,000 days * \$500/days = \$40.5 M (round to \$40 M)
Variable cost (cleaning (service and staff), sales & marketing, F&B)	10% * \$35 M = \$3.5 M	15% * \$40 M = \$6 M
Fixed cost (utility, depreciation, G&A, IT, labor cost)	\$15 M	\$15 M
Net profit	(\$35 M - \$3.5 M - \$15 M) = \$16.5 M	\$40 M - \$6 M - \$15 M = \$19 M
Loss of income from ranch	\$7 M	\$7 M
Net profit after loss of income	\$16.5 M - \$7 M = \$9.5 M	\$19 M - \$7 M = \$12 M
Payback period of initial investment	\$10 M paid back in just over 1 year	\$30 million paid back in ~2.5 years

Provide if asked:

- Assumption: 360 days per year
- Drive calculation using a simple payback period (no time value of money)

Best candidates:

- Remember the breakeven requirements and highlight that although the holiday resort has a lower payback period, the primary goal is to maximize long-term income



BRAINSTORMING

Aside from the ROI/profit calculation we just did, what other factors should Jane consider to pursue this endeavor?

Brainstorming Guidance:

Note: This is just one possible set of categories and answers. Many more are possible, and interviewers should assess both the volume and relevance of answers.

External

- Competitor Response – expectation of pricing war among players, response of other ranch owners, etc.
- Difference in regulation between resort and ranch business (e.g., high tax cost, licensing/permit issues, etc.)
- The volatility of hospitality industry (particularly after the pandemic, as ranch seems to be less volatile)

Internal

- Labor – labor issue when firing/transforming current work force from ranch to resort business
- Execution risk – Ability to fully materialize expected revenue and profit. Will there be a ramp period where the resort doesn't make the full 100% projected revenue?
- Family business – Due to the nature of family business, will the family object against such drastic change and risk?

Best candidates display:

Great candidates will structure their brainstorming (pros vs. cons, short-term vs. long-term options, etc.), and finish by driving the case forward to determine whether the pivot to resort business make sense. Great candidate will also realize that our assumption in the profitability assessment might be flawed, hence putting additional consideration in the financial analysis is acceptable.



CONCLUSION

We are meeting with Jane Darden shortly regarding our findings, what do you think we should recommend?

Recommendation:

- Example: We recommend that Jane build Wahoo Prime Resort based on the projected long-term revenue. This should meet Jane's investment requirement and increase her annual income by \$12M (\$7M to \$19 M) and accomplish a breakeven within the 3-year timeline.
- Candidate can go with either option (holiday resort and prime resort) if there are adequate reasons.

Potential risks and next steps for the candidate to talk about:

- There are a few risks associated with this deal. Below are some examples, but the candidate should focus on just one:
 - Capability mismatch-> The current workforce competencies may not align with future requirements, so develop a strong transformation plan for the current headcount
 - Regulatory risk-> The current land may be subject to zoning/regulatory restrictions under a number of different laws, so make sure to conduct adequate due diligence
 - Competitive response-> Competitors may respond with a price war, so ensure that a pricing strategy analysis is conducted to determine the optimum price level



INTERVIEWER FEEDBACK FORM

Case Name _____ Interviewer _____

Case Book _____ Case Type _____ Difficulty _____

Case Execution:

- Clarifying Questions + Framework
 - Good Questions 1 2 3 4 5
 - Structured
 - MECE
 - Creativity

Feedback:

- Exhibits + Quantitative Ability
 - Accuracy 1 2 3 4 5
 - Speed
 - Insights Presented
 - Errors / Guidance Needed

Feedback:

- Brainstorm + Conclusion
 - Creative & Structured 1 2 3 4 5
 - Good Business Judgment
 - Recommendation Strength

Feedback:

- Presence & Non-Verbal
 - Confidence
 - Poise / Posture 1 2 3 4 5
 - Clear & Concise
 - Body Language
 - Coachability

Feedback:

Total: _____ / 20

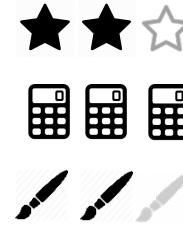


PharmaCo

Pharmaceuticals | M&A

PHARMACO

Pharmaceuticals | M&A



- **Skills Tested:** Expected Value, Valuation
- **Suggested Timing:** When candidate has completed 10-15 cases

Prompt: PharmaCo is a pharmaceutical company with \$10 billion in annual revenue. It's corporate HQ and primary R&D centers are in Switzerland, with regional sales offices worldwide. PharmaCo is interested in entering a new, rapidly growing segment of drugs called “biologicals.” To gain the R&D capabilities requisite for biologicals, PharmaCo is considering acquiring BioLead, a biologicals start-up in Austin. BioLead is privately owned and has an estimated valuation of \$1 billion. Our firm has been hired to evaluate the BioLead acquisition and to advise on its strategic fit with PharmaCo's biologicals strategy. What factors should the team consider when evaluating whether PharmaCo should acquire BioLead?

Clarifying Information:

1. What is PharmaCo's core business? GP has a long, successful tradition in researching, developing, and selling “small molecule” drugs. This class of drugs represents the vast majority of drugs today, including aspirin and most blood-pressure or cholesterol medications.

2. Is entry-by-acquisition the only approach we should consider? R&D for biologicals is vastly different from small-molecule R&D. Since its competitors are already several years ahead of PharmaCo in the biologicals market, PharmaCo wants to jumpstart its biologicals program via acquisition.

BEHAVIORAL INTERVIEW QUESTION:

1. Tell me about a time when you had to persuade someone to do something that they at first didn't want to do.

Question 1

- What factors should the team consider when evaluating whether PharmaCo should acquire BioLead?

Exhibit or Question Guidance:

A **good answer** would include the following:

- The value of BioLead's **drug pipeline**, number of drugs currently in development, likelihood of success, estimated revenues and profits
- BioLead's **R&D capabilities** (future drug pipeline), scientific talent, intellectual property (for example, patents, proprietary processes or know-how for biologicals research), and buildings, equipment, and other items that allow BioLead's R&D to operate.
- BioLead's **marketing or sales capabilities**. Especially how promotional messages will be delivered, for example, relationships with key opinion leaders that can promote biologicals; key opinion leaders can come from the academic arena, like prominent medical school professors, or from the public arena, like heads of regulatory bodies or prominent telejournalists.
- **Acquisition price**

A **very good answer** might also include:

- BioLead's existing partnerships or other relationships with pharmaceutical companies.
- PharmaCo's **capability gaps** in biologicals, R&D, sales and marketing, etc.
- PharmaCo's **alternatives to this acquisition**. Alternative companies PharmaCo could acquire. Other strategies for entering biological segment, for example, entering partnerships rather than acquiring, and pursuing other strategies than entering the biological segment

BRAINSTORMING

The team wants to explore the value of BioLead’s current drug pipeline. Based on market research, BioLead’s only promising drug, SM1, is estimated to generate \$10B in sales if brought to market. That said, **what costs should be considered throughout the entirety of a drug’s lifetime?**

Brainstorming Guidance:

Note: This is just one possible set of categories and answers. Many more are possible, and interviewers should push candidates to be specific and comprehensive.

Research

- Highly skilled labor (scientists)
- Specialized equipment and labs
- Materials
- Phase I, II, III testing – proper testing and documentation
- Cost of failed drugs

Regulatory approval

- Regulatory fees paid to governing bodies
- Salary / wages for in-house council to file patents, trademarks, and other legal documentation

Commercialization

- Promotional materials
- Marketing campaigns
- Production costs (materials, quality, sourcing)
- Adding personnel (sales, marketing, administrative, regulatory)
- New facilities
- Packaging materials
- Distribution and shipment (logistics)
- Taxes
- Patent infringement

Best candidates display:

The best candidates will apply a customized structure and will brainstorm cost items specific to pharmaceuticals. **Push candidate to produce a comprehensive list by asking “What else?” one or two times.**

Question 3

- The team has pulled together the following data (show Exhibit 1). What is the value of BioLead's drug, SM1?

Supply the following information only when asked:

- Costs by phase: Phase I \$160M, Phase II \$125M, Phase III \$75M, Filing \$5M. Costs are incurred only if the drug reaches a particular phase.
- Costs of production: Manufacturing 5% of sales, Logistics 5% of sales, Other 10% of sales
- Lifetime revenue: \$10B – **great candidates** will recall that this information was previously provided

Question Guidance:

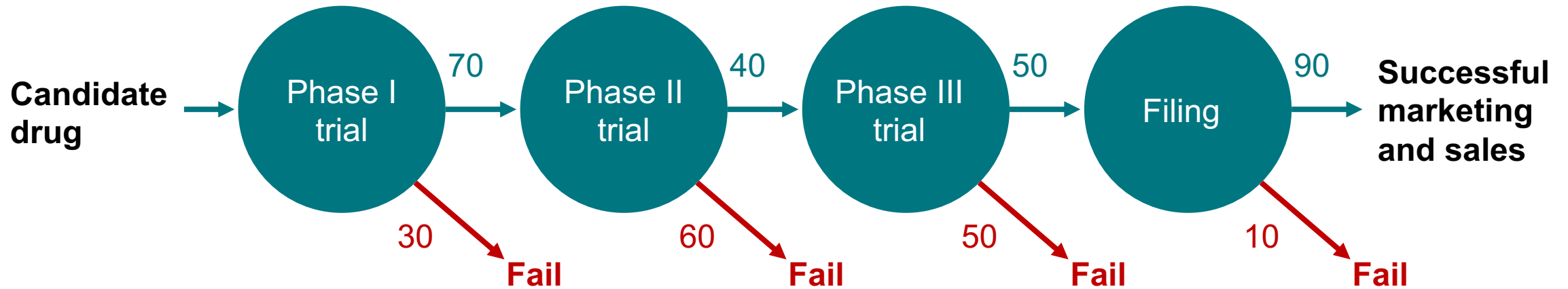
- Revenue (discounted by chance of success): $\$10B \times 70\% \times 40\% \times 50\% \times 90\% = \$1,260MM$
- Production costs: $\$10B \times (5\% + 5\% + 10\%) = \$2B$, then discounted by chance of success = $\$252MM$
- Phase 1 has a 100% chance of completion = $\$160MM$
- Phase 2 achieved 70% of the time (probability a drug completes Phase 1) = $\$125M \times 70\% = \$87.5M$
- Phase 3 achieved 70% x 40% of the time = $\$75M \times 70\% \times 40\% = \$21M$
- Filing achieved 70% x 40% x 50% of the time = $\$5M \times 70\% \times 40\% \times 50\% = \$0.7M$
- Revenue ($\$1,260MM$) – Production costs ($\$252MM$) – R&D costs ($\$269.2MM$) = **$\$738.8MM$ SM1 drug valuation**

This drug valuation essentially represents known future cash flows of the business. **Great candidates** will compare this figure against the \$1B BioLead company valuation mentioned in the prompt and hypothesis why the figures are different.



EXHIBIT 1

Expected probability of success, by stage of research and development, %



Note: "Filing" is the process of submitting all of the clinical and safety evidence from Phase I, II, and III trials, and asking for regulatory approval to actually sell the drug.

Question 3

- What are your hypotheses on the major risks of integrating the R&D functions of BioLead and PharmaCo?

A very good answer would include the following:

- Little to no overlap in research or expertise leading to minimal collaboration
- Culture clash. PharmaCo is an established, mature business while BioLead is a young, entrepreneurial business
- Language barriers hinder communication and sharing of information
- Physical distance and time difference may lead to a poor sense of community
- Talent may leave BioLead after the acquisition – either as a result of newfound wealth from the sale of the business or because they don't want to be a part of a large corporation

The **best candidates** will recognize the human element of organizational change

INTERVIEWER FEEDBACK FORM

Case Name _____ Interviewer _____

Case Book _____ Case Type _____ Difficulty _____

Case Execution:

- Clarifying Questions + Framework
 - Good Questions 1 2 3 4 5
 - Structured
 - MECE
 - Creativity

Feedback:

- Exhibits + Analysis
 - Accuracy 1 2 3 4 5
 - Speed
 - Insights Presented
 - Errors / Guidance Needed

Feedback:

- Brainstorm + Conclusion
 - Creative & Structured 1 2 3 4 5
 - Good Business Judgment
 - Recommendation Strength

Feedback:

- Universal Skills
 - Coachability & Collaboration
 - Structured communication 1 2 3 4 5
 - "So what" & Business acumen
 - Body Language, Confidence, Poise
 - Adaptability

Feedback:

Total: _____ / 20

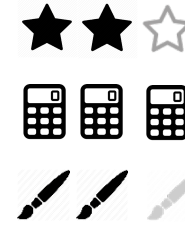


Circle Bubble

Industrials | Growth

CIRCLE BUBBLE

Industrials | Growth



- **Skills Tested:** Interpreting exhibits, survey data, upselling
- **Suggested Timing:** When candidate has completed 20+ cases

Prompt:

The Private Equity Fund PEGrowth has recently acquired a company called Circle, which is a company in the protective packaging space. Your consulting firm had worked on the due diligence process for this deal and now the fund wants to increase the value of the company. Due to the cost-cutting program already conducted prior to the acquisition, PEGrowth wants to focus on increasing revenue.

Clarifying Information: *Note: Provide this only if corresponding questions are asked.*

- 1. Products/Business Model:** The target, Circle is a company in the protective packaging space. Their customers include business clients in various industries. While historically, Circle focused only on providing air bubbles to serve the flexible wrap and void fill markets, 2 years ago, the company started expanding into stretch plastic packaging through an acquisition. Stretch plastic is a film, often used as kitchen protection film or around pallets to fix different layers together.
- 2. Goal:** PEGrowth wants to increase the revenue by at least 10% next year. The revenue in 2019 of Circle was \$250M in total.
- 3. Market:** The market for packaging materials is characterized by the concentration of few players. The margin is low with high transport cost; therefore, the market is geographically limited around the production facilities.

BEHAVIORAL INTERVIEW QUESTION:

1. What attributes will you bring to a case team?

2. Tell me about a time that you failed.

Framework Guidance:

Note: There are many possible alternatives to this framework. These are only provided as possible suggestions.

Market

- Market size and growth
- Customer
 - Preferences
 - Segment
- Competitive landscape
 - # of players
 - Market share
 - Substitutes

Organic Growth

- Price
 - Increase/ Decrease
- Volume
 - New customers
 - Increase penetration
 - Channel strategy
 - Existing customers
 - Increase frequency / retention
 - Bundling
- Product Mix
 - New product development
 - Prioritize high margin products

Inorganic Growth

- Buy
 - Competitor
 - Supplier (vertically integrate)
- Partnership
 - Joint Venture

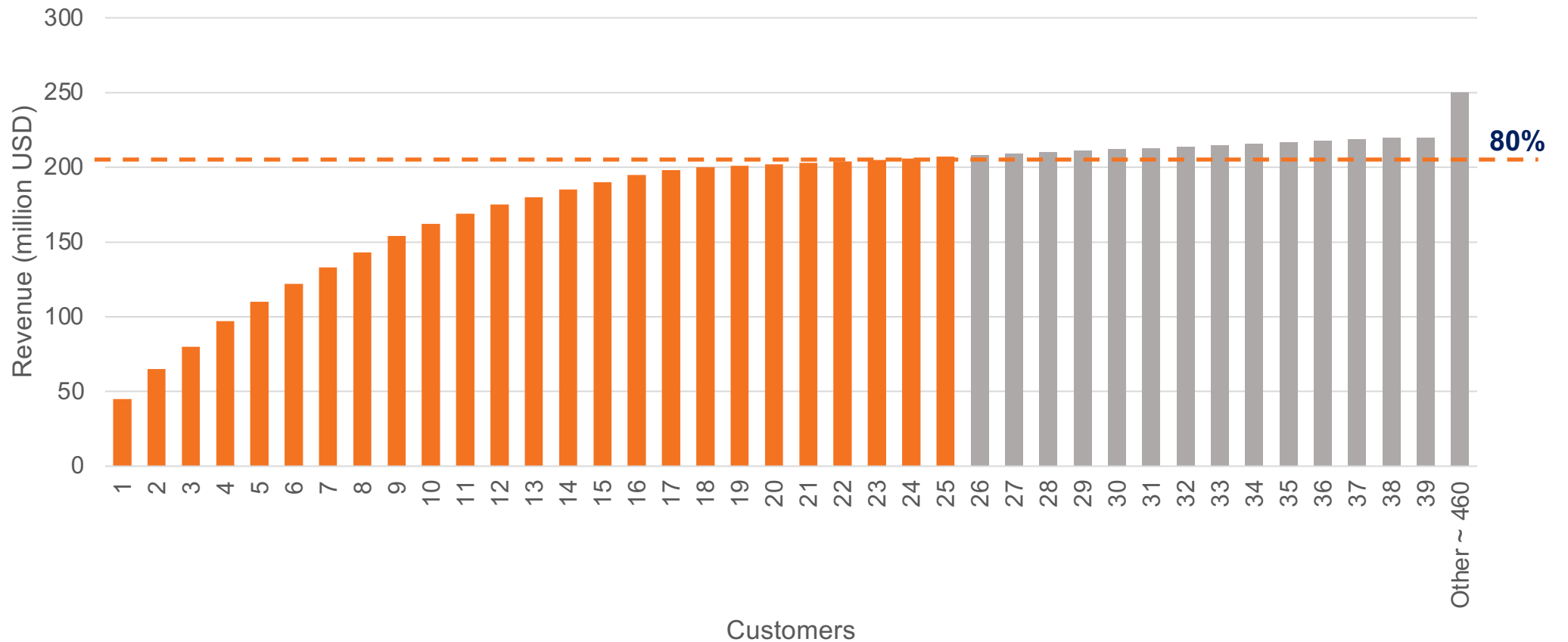
How to Move Forward:

To move forward, the interviewee should suggest an area to focus next. If the interviewee wants to discuss market, let them know that the market is growing in line with the overall economy. The market is highly concentrated and geographically focused, so it's not an option to aggressively expand to new markets or take away market share of competitors.

If the interviewee wants to understand more about the company's current financials, show them Exhibit 1.

EXHIBIT 1

Cumulative sales by customer (total USD, 2019)



Question 1

- What are the insights you get from Exhibit 1?

Exhibit or Question Guidance:

In 2019, the total company revenue was \$250M, which we know from the prompt.

This exhibit shows the cumulative sales for the company, starting with the largest customer (Customer 1, ~\$50M), followed by the second largest customer, which adds ~\$20M in revenue, and so on.

As the 80% dotted line is illustrating, about 80% of the revenue (~\$200M) came from only 25 of the 500 customers (5%).

Encourage the candidate to see what this 80% line is illustrating and ask them why we care.

Candidate should ask to understand these top 25 customers' buying behaviors and find opportunities for improvement via a customer survey.

BRAINSTORMING

We have conducted a survey with the top 25 customers of Circle and realized that only 3 out of 25 customers buy both air bubble packaging and stretch plastics from Circle. What do you think are the possible reasons for this?

Brainstorming Guidance:

Note: This is just one possible set of categories and answers. Many more are possible, and interviewers should assess both the volume and relevance of answers.

External reasons

- Demand: Customers don't need the products
- Product: Customers need that product but in different specifications
- Awareness: Customers don't know that Circle has that products
- Contractual agreement: The customers are currently in long term contract with other suppliers
- Quality: Our quality does not meet customer demand

Internal reasons

- Our sales departments don't actively do cross-sell or upsell
- No incentive for sales reps to upsell
- Lack of knowledge transfer/training
- Differences in margins between the two products

Best candidates display:

Structured answers

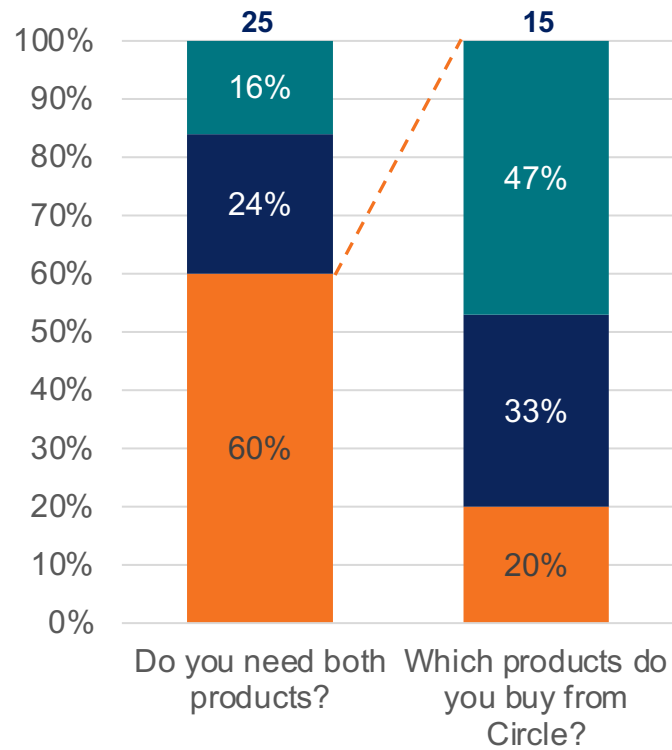
Relevant reasons to the case



EXHIBIT 2

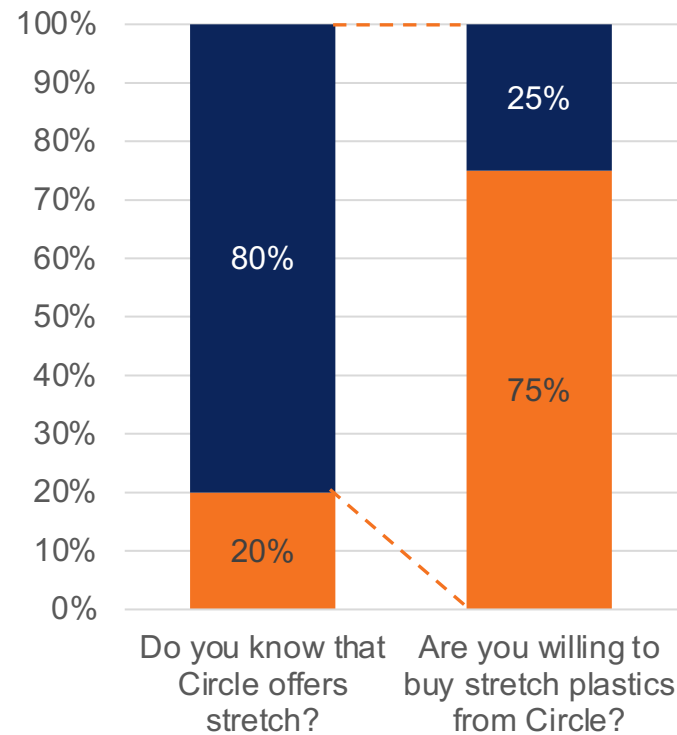
Survey Results of 25 Customers

Customer demand



■ Only stretch plastics
 ■ Only air bubble
■ Both

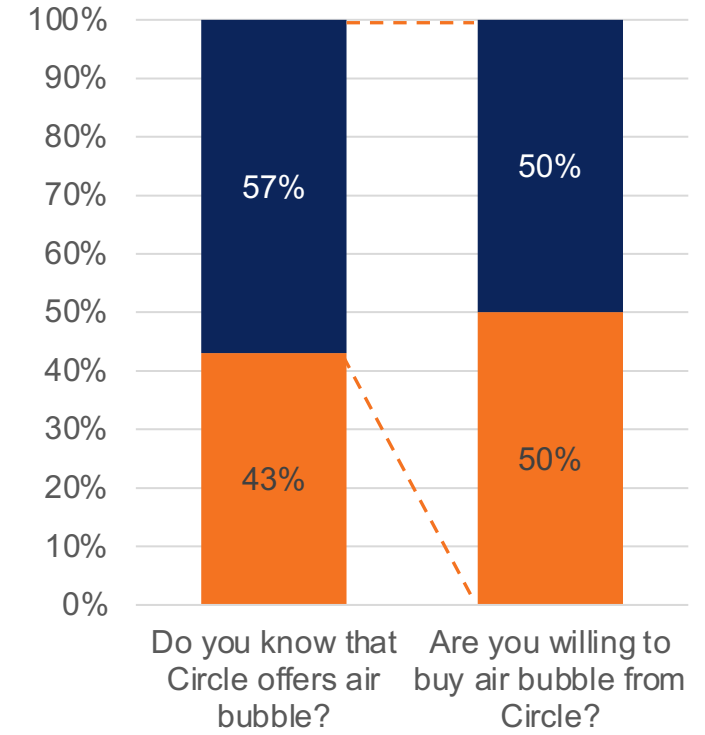
Air bubble buyers



■ Yes ■ No

Expected upsell potential: 75% of current revenue

Stretch plastics buyers



■ Yes ■ No

Expected upsell potential: 50% of current revenue



Question 2

- After interviewing with the management, we realized that Circle is not sharing leads across different sales departments. Furthermore, there was no formal sales training, so sales reps in one department don't necessarily know about products of the other department. How can we quantify the revenue impact if we upsell at Circle?

Exhibit or Question Guidance:

From exhibit 1, we know that top 5% of customers account for 80% of total revenue (top 25 customers contribute \$200M in revenue).

Therefore, the average revenue per customer in top 25 is \$8M.

We know that of the 25 top customers, 15 need both products. Within this, we know that 20% of these customers already buy both (3 customers). We also know that 33% of customers are air bubble customers already (5 customers). The remaining 7 customers are stretch plastic customers only.

Air bubble

We know that of the 5 customers, 80% (4 customers) are not aware that Circle sells stretch plastics. Of these, 3 customers are willing to buy from Circle.

Therefore, expected upsell potential from air bubble buyers = $\$8M * 3 * 75\% = \$18M$

Stretch Plastics

We know that of the 7 customers, 57% (~4/7, so 4 customers) are not aware that Circle sells air bubbles. Of these 2 are willing to buy from Circle.

Expected upsell potential from stretch plastics buyers = $\$8M * 2 * 50\% = \$8M$

Total upsell potential = \$26M, which is ~ 10% of current revenue (\$250M)

➔ The company can achieve the goal of increasing revenue by 10% by encouraging upselling.

CONCLUSION

To conclude, the interviewee should provide the following:

Recommendation:

- The company should upsell between product lines to existing customers to increase revenue by 10%.

Risks:

- “Willing to buy” are not necessarily going to buy
- Capability to execute cross-selling
- Dependency on a group of customers (top 5%)

Next Steps:

- Work with head of sales departments to prepare for cross-selling.
- Conduct further study to understand the current production capacity to serve new growth

INTERVIEWER FEEDBACK FORM

Case Name _____ Interviewer _____

Case Book _____ Case Type _____ Difficulty _____

Case Execution:

- Clarifying Questions + Framework
 - Good Questions 1 2 3 4 5
 - Structured
 - MECE
 - Creativity

Feedback:

- Exhibits + Analysis
 - Accuracy 1 2 3 4 5
 - Speed
 - Insights Presented
 - Errors / Guidance Needed

Feedback:

- Brainstorm + Conclusion
 - Creative & Structured 1 2 3 4 5
 - Good Business Judgment
 - Recommendation Strength

Feedback:

- Universal Skills
 - Coachability & Collaboration
 - Structured communication 1 2 3 4 5
 - "So what" & Business acumen
 - Body Language, Confidence, Poise
 - Adaptability

Feedback:

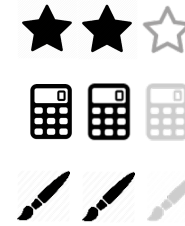
Total: _____ / 20



Shisha: Just Blowing Smoke?

Public Sector | Market Entry

SHISHA: JUST BLOWING SMOKE?



- Skills Tested: Comparable data, growth rates, adoption rates
- Suggested Timing: When candidate has completed 10 – 15 cases

Public Sector | Market Entry

Prompt:

Over the past five years, the government of Saudi Arabia has been focused on reducing economic dependence on oil by diversifying the domestic economy. As part of this effort, the government has evidenced a willingness to relax certain social norms. As part of the diversification initiative, the government hired us to forecast the potential revenue impact of taxing shisha consumption.

Clarifying Information: *Note: Provide this only if corresponding questions are asked.*

1. **What is shisha?** Shisha is an instrument for vaporizing and smoking flavored tobacco. In the Arab world and Middle East, people smoke waterpipes as part of the cultural traditions.
2. **How will the Saudi government make money off of shisha?** Institutions must apply and pay for an annual license to sell shisha. Additionally, sales tax and import tariffs are levied by the government as appropriate.
3. **Is there a specific revenue target in mind?** No, the Saudi government only wishes to maximize revenue over a 3-year period.
4. **How much revenue does the Saudi government currently earn?** 2.5 trillion Saudi riyal annually. Tobacco and other related products currently generate 500 million SAR in revenue.
5. **Are there any social norms we should be aware of?** Islam is widely practiced by Saudis citizens and governs their personal, political, economic and legal lives. Additionally, public consumption of shisha is currently banned but is widely consumed at home.

BEHAVIORAL INTERVIEW QUESTION:

1. Name three adjectives that your learning team would use to describe you.

Framework Guidance:

Note: There are many possible alternatives to this framework. These are only provided as possible suggestions.

Revenue Sources

- Licenses
 - Type and quantity of businesses that will sell shisha
 - Application payment process for licensing: one-time fee vs. annual fees
 - Lifetime of typical business selling shisha
 - Adoption rate over three years
- Sales Tax
 - Consumer segments and spending habits
 - Adoption rate of public use
 - Sales tax rate
- Import Tariffs
 - Quantity of domestic vs foreign sourced shisha consumption
 - Tariff percentage

Cost Considerations

- Regulatory body
- Auditing and quality control
- Implementation vs on-going costs

Social Issues

- Public opinion of legalizing public consumption of shisha
- Health & well-being of citizens
- Job creation

How to Move Forward:

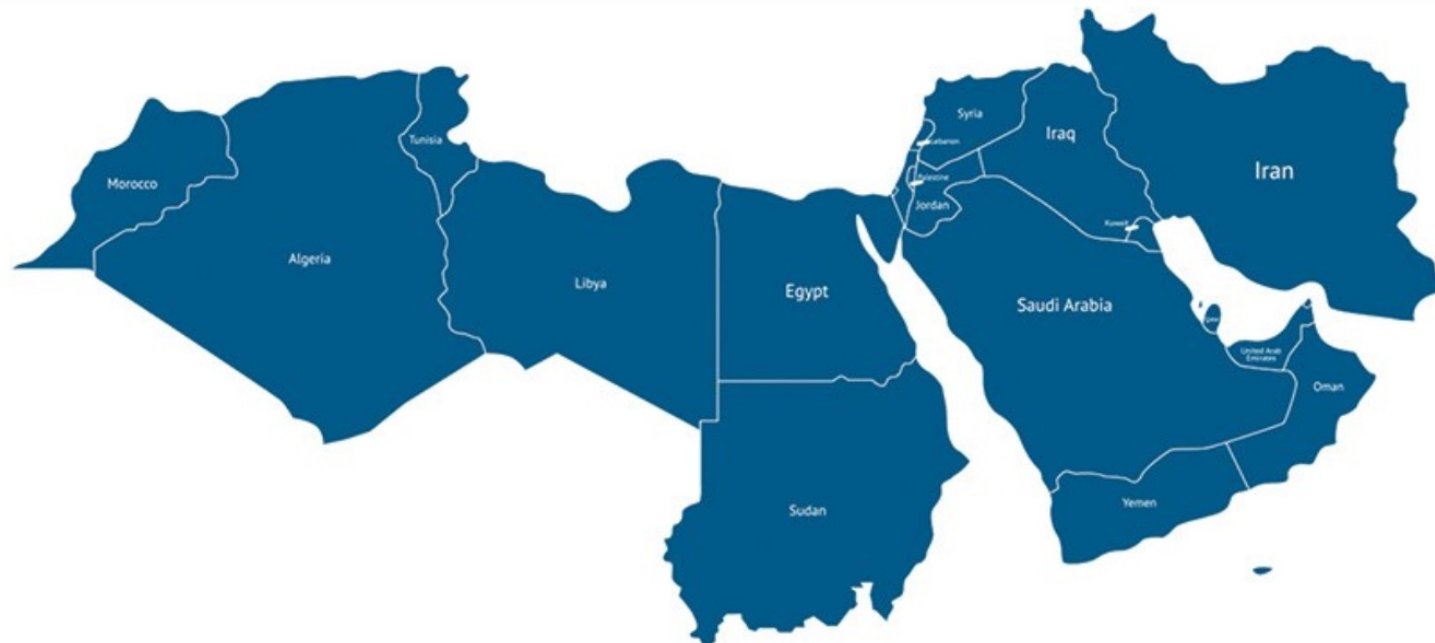
The candidate should include criteria to size the revenue opportunity over a three-year period and should want to naturally start exploring this aspect. If the candidate wants to explore something else first, ask why? Then point him/her in the direction of sizing revenue.

Inform the candidate that the client is mainly interested in estimating revenue from issues licenses. Hand interviewee Exhibits 1 & 2.

EXHIBIT 1

Shisha licensing structures

Country	License Structure
Qatar	10,000 Saudi riyal one-time fee
Jordan	3,000 Saudi riyal one-time fee + 500 riyal monthly fee
United Arab Emirates (UAE)	6,000 Saudi riyal one-time fee + 3,000 Saudi riyal annual fee



Question 1

- Which licensing structure should Saudi Arabia adopt? What is the estimated three-year revenue impact?

Supply only when asked: *Because of unusual economic growth, 1,000 new restaurants will be added to the Riyadh region each year for the next two years.*

Supply only when asked: *Related products have experienced an adoption rate of 5%, 10%, and 15% in years 1, 2, 3 respectively.*

Exhibit or Question Guidance:

After looking at Exhibits 1 & 2, candidates should be able to identify and call out the following:

- To maximize and forecast revenue, the candidate must execute two analyses: (1) identify which licensure structure to pursue and (2) apply license structure to restaurant industry to estimate four-year revenue impact
- Assume shisha licenses will only be sold to restaurants
- Jordan's license structure maximizes license revenue

	<u>One-Time Fee</u>		<u>Annual Fee</u>		Total
	Year 1	Year 1	Year 2	Year 3	
Qatar	10,000				10,000
Jordan	3,000	6,000	6,000	6,000	21,000
UAE	6,000	3,000	3,000	3,000	15,000

EXHIBIT 2

Riyadh (capital of Saudi Arabia), restaurant market segmentation

Restaurant Type	Fast Casual	Casual Sit-Down	Fine Dining	Tea & Coffee Shops
Number of Businesses	5,000	2,000	1,000	6,000
U.S. market equivalents	Chipotle, Cava, McDonalds	Panera, Applebee's	C&O, Ivy Inn Restaurant	Starbucks

*The capital city of Riyadh represents about 20% of the domestic restaurant market

*The average lifespan of a restaurant is three years



Exhibit or Question Guidance Cont:

Once the Jordan license structure has been identified, the candidate should calculate year 3 revenue:

- Calculate the number of total and newly participating businesses. This will enable you to calculate the one time fee in year 3.
- Annual fees (500*12) generate 6k riyal in revenue per participating business.
- Calculate total domestic revenue assuming Riyadh represents about 20% (i.e. multiply by 5).
- Great candidates will put the 85.5 million riyal into perspective
 - Current revenue related to Tobacco related products is 500 million riyal
 - This initiative will increase revenue by 17.1% in three years

	Year 1	Year 2	Year 3
Riyadh Businesses	14,000	15,000	16,000
Adoption Rate	5%	10%	15%
Total Participating Restuarants	700	1,500	2,400
Newly Participating Restaurants	700	800	900
<i>In Millions Riyal</i>			
One Time Fee (3k)	2.10	2.40	2.70
Annual Fee (6k)	4.20	9.00	14.40
Total License Revenue	6.30	11.40	17.10
Riyadh Percentage of GDP			20%
Estimated Domestic Revenue Impact (millions riyal)			85.5

BRAINSTORMING

Are there any other considerations the Saudi government should keep in mind before legalizing the public consumption of shisha?

Brainstorming Guidance:

This is a “what else” section. Below are some basics but ideally, you’re looking for the interview to be as creative as possible. As with most questions of this type, a bad answer will stop at one or two. A good answer will have a creative list. A great answer will have a structure that makes the answer MECE. A great answer should also prioritize the findings indicating which ones he/she thinks are the most important.

Key Points to Consider:

- Health and well-being of citizens given increased consumption of tobacco products
- Other distribution channels to sell shisha other than restaurants
- Associated costs with launching and governing program
- Public opinion – restaurants may not want to sell shisha and patrons may not want to smoke in public
- Reputation on the global stage. Many countries are restricting use of tobacco products
- Revenues related to sales tax and tariffs
- Job creation related to budding industry
- Three-year economic forecast



CONCLUSION

The minister of commerce is dialing in on Skype and expects a summary. Please share your findings.

Recommendation:

- Candidate should succinctly summarize findings, including the license structure that optimizes revenue and year 3 revenue opportunity.
- Great candidates will note that calculated figures are conservative as they do not include revenue from sales tax or import tariffs.

Risks:

- License revenue depends heavily on adoption rate
- Healthcare costs related to increased tobacco use

Next Steps:

- Market analysis of restaurant's willingness to sell shisha (i.e. adoption rate)
- Explore the financial and social costs related to the program

INTERVIEWER FEEDBACK FORM

Case Name _____ Interviewer _____

Case Book _____ Case Type _____ Difficulty _____

Case Execution:

- Clarifying Questions + Framework
- Good Questions 1 2 3 4 5
 - Structured
 - MECE
 - Creativity

Feedback:

- Exhibits + Quantitative Ability
- Accuracy 1 2 3 4 5
 - Speed
 - Insights Presented
 - Errors / Guidance Needed

Feedback:

- Brainstorm + Conclusion
- Creative & Structured 1 2 3 4 5
 - Good Business Judgment
 - Recommendation Strength

Feedback:

- Presence & Non-Verbal
- Confidence
 - Poise / Posture 1 2 3 4 5
 - Clear & Concise
 - Body Language
 - Coachability

Feedback:

Total: _____ / 20



EntertainmentCo

Entertainment | M&A

ENTERTAINMENT CO

Entertainment | M&A



- Skills Tested: Revenue, EBITDA, Connecting exhibits
- Suggested Timing: When candidate has completed 15 – 20 cases

Prompt:

EntertainmentCo is the world's largest live entertainment company, with two distinct business divisions—a ticketing division and a venue management division. Due to an anticipated crackdown from federal regulators, EntertainmentCo is planning a spin-off of its ticketing division. Your client is a PE firm that is interested in investing in the spin-off. Should they do it?

Clarifying Information: *Note: Provide this only if corresponding questions are asked.*

1. What are the goals of the PE firm? / What do we know about the PE firm?

The firm targets EBITDA and revenue increases of 50% from the initial investment in year 1 to year 5, which is when the firm would typically exit the investment. The firm specializes in the telecommunications, media and entertainment industries. The firm is willing invest a total of \$175M to improve the operations of the spin-off.

2. What is the ticketing business doing?

The ticketing division manages ticket marketing, pricing, sales, and distribution through an online platform, as well as platforms for phone and physical box offices sales. They manage inventory, provide customer support, and ensure ticket validity.

3. What is the venue management doing?

The venue management division focuses on promoting and producing live events, such as concerts, theater shows, and sports events. As the world's largest live entertainment company, they are responsible for organizing and promoting events for a wide range of artists, performers, and teams.

4. Why are the regulators cracking down on EntertainmentCo?

Increased scrutiny in the press and entertainment media has led to antitrust concerns. All events organized through the venue management division must be sold through their proprietary ticketing platform, weakening competition.

BEHAVIORAL INTERVIEW QUESTION:

1. Can you describe a time when you had to work with a difficult stakeholder on a project? What was the situation, how did you handle it, and what was the outcome?



Framework Guidance:

Note: There are many possible alternatives to this framework. These are only provided as possible suggestions.

Company Financials

- Revenues
 - Ticket fees * number of tickets sold
 - Partnership fees * number of partnerships
- Costs
 - Technology and infrastructure costs
 - Labor costs
 - Marketing and advertising costs
 - Fees and royalties to event management
 - Legal and regulatory compliance costs

Company Capabilities

- Operational efficiencies
 - Optimize inventory management
 - Improving data management
 - Automating customer support
- New revenue generation
 - Ticketing for new types of events
 - New partnerships
- Synergies with other portfolio companies

Market Analysis

- Changing consumer behavior and preferences
 - Demand for live events
 - Demand for personalized experiences
- Technological advancements
 - Digital and mobile ticketing
 - AR experiences
- Competition
 - New players
 - Existing players diversifying their offerings

How to Move Forward:

Given the PE firm's goals for five-year revenue and EBITDA growth rates, the candidate should ask for data about the company's financials.

Question 1

What is the revenue and EBTIDA that the ticketing division of EntertainmentCo generated in 2024?

Exhibit or Question Guidance:

Show candidate Exhibit 1. Candidate should identify that the Ticketing category represents the revenue generated by the ticketing division of EntertainmentCo.

Revenue calculation – do not let candidate round at first:

- $\$2,268\text{M} * 22\% = \498.96
 - 10% of $\$2,268\text{M} = \226.8M
 - $\$226.8\text{M} * 2 = \453.6M
 - 1% of $\$2,268\text{M} = \22.68M
 - $\$22.68\text{M} * 2 = \45.36M
 - $\$453.6\text{M} + \$45.36 = \$498.96\text{M}$

Once the calculation is done, prompt the candidate to round to \$500M in further calculations in the case.

EBITDA calculation – precise calculation:

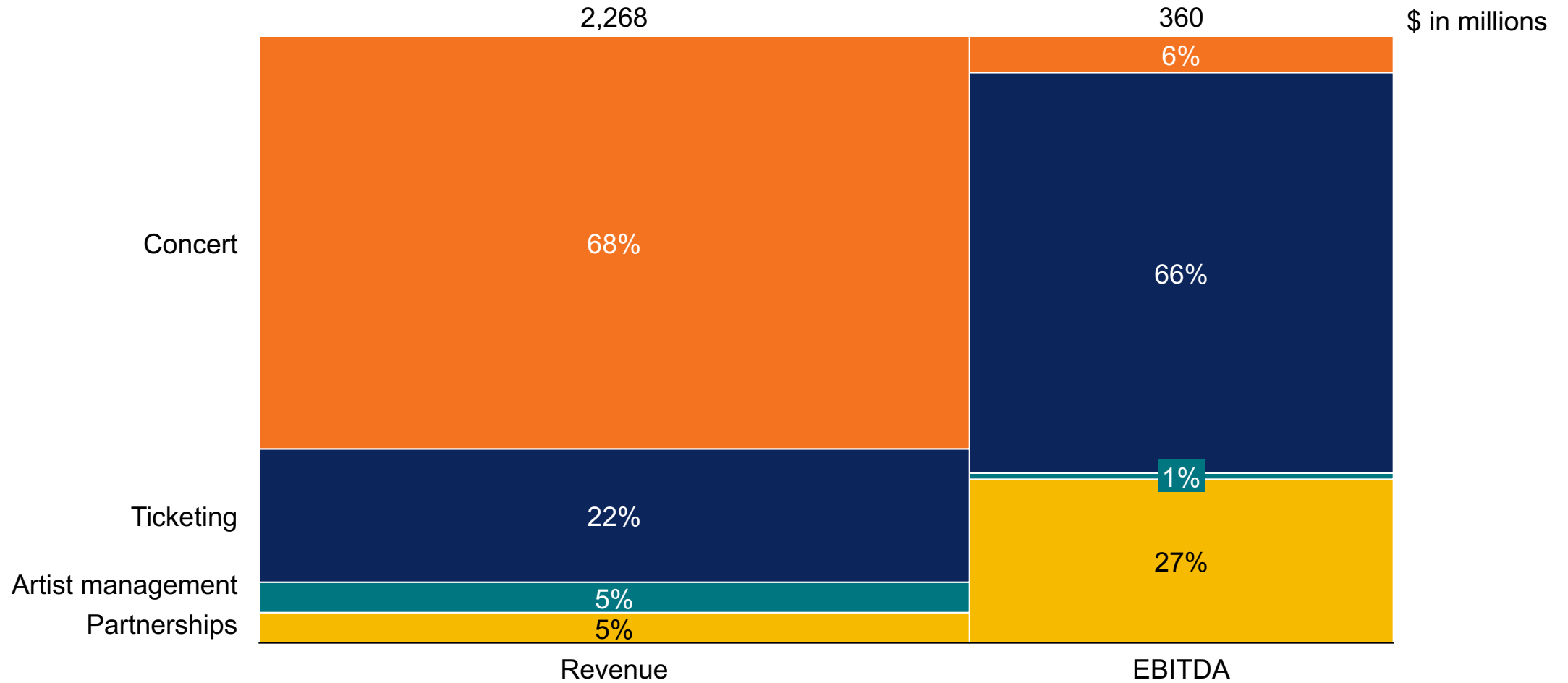
- $\$360\text{M} * 66\% = \240M
 - $2/3$ of $\$360\text{M} = \240M

Go to Question 2 and ask candidate to calculate five-year growth projections for revenue and EBITDA.



EXHIBIT 1

EntertainmentCo Pre-spin-off revenue and EBITDA mix (2024)



Question 2

Given the PE firm's goal of 50% revenue growth and 50% EBITDA growth, what would revenue and EBITDA need to be in five years in order for this company to be an attractive investment for the PE firm?

Exhibit or Question Guidance:

Stay on Exhibit 1. Candidate should use revenue and EBITDA calculations from Question 1 to project five-year growth targets.

Revenue five-year growth calculation – okay to round:

- Round \$494.56M to \$500M
- $\$500M * 1.5 = \$750M$

EBITDA calculation – okay to round:

- Use \$240M
- $\$240M * 1.5 = \$360M$

Candidate should ask for information about revenue forecasts of the ticketing division as a standalone company to find out if they meet the five-year growth targets calculated for revenue and EBITDA.

Question 3

Based on these revenue and EBITDA projections for 2029, should the PE firm invest in the ticketing division spin-off of EntertainmentCo?

Exhibit or Question Guidance:

Show candidate Exhibit 2. Candidate should add up each of the sub-components of Ticketing revenue and EBTIDA for 2029 to assess whether it meets the five-year targets calculated in Question 2. The details column is only shown to the interviewer and can be provided orally if requested by the candidate.

Revenue categories	Details (to be provided by the interviewer on demand)	2024 revenue	2029 revenue	2024 EBITDA	2029 EBITDA
Service fees	Service fee on each ticket sold ; covers the cost of providing the ticketing service, including the technology infrastructure, customer support, and other operational expenses	\$270	\$378	\$131	\$183
Convenience fees	Fee for tickets purchased over the phone.	\$25	\$35	\$12	\$17
Advertising and sponsorships	The website generates revenue by selling ad space and partnering with sponsors.	\$50	\$70	\$24	\$34
Delivery fees	When customers opt for physical ticket delivery, EntertainmentCo may charge a delivery fee to cover the costs of shipping and handling.	\$50	\$70	\$24	\$34
Premium services	EntertainmentCo offers VIP packages and meet-and-greets at a premium.	\$105	\$140	\$48	\$67
TOTAL		\$500	\$693	\$239	\$335

Candidate should identify that the 2029 revenue and EBITDA projections fall below the 50% growth rate targets set by the PE firm. On its own, the company only achieves revenue growth of \$193M and EBITDA growth of \$96M. As a result, they should not invest in this company. However, these projections do not include any operational improvements. Candidate should suggest some ways to drive operational improvements. Use brainstorming question on the next slide to prompt candidate, if needed.



EXHIBIT 2

Projected five-year revenue growth for the ticketing division (USD M)

Revenue Categories	2024 Revenue	2029 Revenue*	2024 EBITDA	2029 EBITDA*
Service fees	\$270	\$378	\$131	\$183
Convenience fees	\$25	\$35	\$12	\$17
Advertising and sponsorships	\$50	\$70	\$24	\$34
Delivery fees	\$50	\$70	\$24	\$34
Premium services	\$105	\$140	\$48	\$67

*Projected figures based on status quo without any operational improvements implemented



BRAINSTORMING

Question 4: What are some ideas for how the PE firm could improve revenue and EBITDA to meet its five-year growth goals?

Brainstorming Guidance:

Note: This is just one possible set of categories and answers. Many more are possible, and interviewers should assess both the volume and relevance of answers.

Increase revenues:

- Add ticketing for new types of events (e.g., professional conferences, augmented reality events, etc.)
- Create personalized event experiences (e.g., using customer data to promote customized recommendations to customers)
- Increase offerings of complementary products (e.g., parking passes, food and drink packages, etc.)
- Expand into new lines of business (e.g., branded credit card, data provider, etc.)

Cut costs:

- Automate customer service to cut labor costs
- Improve inventory management to reduce excess inventory costs
- Renegotiate fees and royalties paid to venues, event organizers, and artists
- Decrease office space

Best candidates display:

An understanding of how the business model changes post-spin-off. Candidates should understand from Exhibit 1 that there are not significant opportunities to cut costs and that revenue growth is key to driving EBITDA growth.



Question 5

Our team has done some analysis on four different initiatives that they believe would help EntertainmentCo's ticketing business improve its operational efficiencies. Which combination of projects do you think the PE firm should pursue if they were to invest in EntertainmentCo's ticketing business spin-off? They are willing to invest up to \$175M and plan to exit by year 5.

Exhibit or Question Guidance:

Show candidate Exhibit 3. Candidate should clear the slide, noting key advantages and disadvantages of each project, and then should determine the best combination of projects to meet the PE firm's revenue and EBITDA five-year growth targets without going over the \$175M investment project budget.

Year 5 Revenue Target = \$750M

Year 5 EBITDA Target = \$360M

- Combination 1: Expanded Bundles, Data Analysis for Marketing, and AI-Driven Dynamic pricing
 - Total Investment Cost = \$150M
 - Year 5 Revenue = \$693M + \$58M = \$751M
 - Year 5 EBITDA = \$335M + \$50M = \$385M
- Combination 2: Expanded Bundles, Data Analysis for Marketing, and New Event Types
 - Total Investment Cost = \$175M
 - Year 5 Revenue = \$693M + \$70M = \$763M
 - Year 5 EBITDA = \$335M + \$55M = \$390M

Best candidates will acknowledge that the potential for success for "New Event Types" is low and factor it in their decision, favoring Combination 1.



EXHIBIT 3

Operational efficiency projects opportunities

Expanded Bundles

Selling additional products along with the event tickets, including, but not limited to, travel, parking, insurance, and merchandise.

Investment: \$25M
Increase in revenue (Year 5): + \$20M
Increase in EBITDA (Year 5): + \$15M
Potential for success: 🟡



New Event Types

Expanded ticketing offerings of new event types, such as conferences, virtual attendance events, and VR events.

Investment: \$100M
Increase in revenue (Year 5): + \$30M
Increase in EBITDA (Year 5): + \$20M
Potential for success: 🟡



Data Analysis for Marketing

Enhanced data collection to enable targeted marketing and customized recommendations on the platform and on social media.

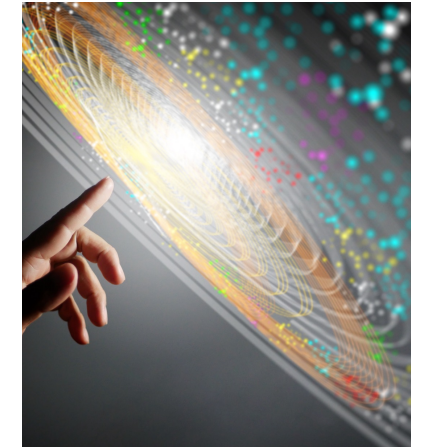
Investment: \$50M
Increase in revenue (Year 5): + \$20M
Increase in EBITDA (Year 5): + \$20M
Potential for success: 🟡



AI-Driven Dynamic Pricing

Implement machine-learning to optimize and individualize pricing, taking advantage of trends (similar to airline pricing strategy).

Investment: \$75M
Increase in revenue (Year 5): + \$18M
Increase in EBITDA (Year 5): + \$15M
Potential for success: 🟡



The PE firm is willing to invest in one or several projects, **up to a total of \$175M**

CONCLUSION

Question 6: The investing partner from the PE firm is about to walk into the room. What is your recommendation?

To conclude, the interviewee should provide the following:

Recommendation:

- Invest in EntertainmentCo's ticketing division spin-off and implement one of the operational efficiency project combinations previously discussed to achieve 50% revenue and EBITDA growth upon exit in Year 5.

Risks:

- Uncertainties in the business model stemming from the decoupling with the original company (i.e., loss of business with specific artists or venues)
- Competitors' response following spin-off
- Validity of the assumptions used to build the year 5 revenue projections and investment projection revenue projections

Next Steps:

- Conduct due diligence and finalize a bid for EntertainmentCo's ticketing division spin-off

INTERVIEWER FEEDBACK FORM

Case Name _____ Interviewer _____

Case Book _____ Case Type _____ Difficulty _____

Case Execution:

- Clarifying Questions + Framework
 - Good Questions 1 2 3 4 5
 - Structured
 - MECE
 - Creativity

Feedback:

- Exhibits + Analysis
 - Accuracy 1 2 3 4 5
 - Speed
 - Insights Presented
 - Errors / Guidance Needed

Feedback:

- Brainstorm + Conclusion
 - Creative & Structured 1 2 3 4 5
 - Good Business Judgment
 - Recommendation Strength

Feedback:

- Universal Skills
 - Coachability & Collaboration
 - Structured communication 1 2 3 4 5
 - "So what" & Business acumen
 - Body Language, Confidence, Poise
 - Adaptability

Feedback:

Total: _____ / 20



Robots Inc.

Technology | Growth

ROBOTS INC.



Technology | Growth : Skills Tested: NPV, market analysis, penetration rates, and exhibit-crunching skills
Suggested Timing: When candidate has completed 15– 20 cases

Prompt:

Robots Inc. is a rapidly growing startup in the artificial intelligence sector specializing in generative AI models for various industries. Recently, with the popularity of AI, the company has attracted a large amount of funding and plans to expand their services. However, since it's a very new market, there are so many opportunities to be explored. For this reason, the CEO approached you with a question: "Which new market and application should we invest our money in?"

Clarifying Information: *Note: Provide this only if corresponding questions are asked.*

1. What is Robot Inc.'s goal? The company's primary goal is leveraging their expertise in generative AI models so they can expand their services, enter high-growth markets, increase revenue, and secure a strong market position.

2. What is the company's business model? Robots Inc. develops and licenses generative AI models for different industries, providing clients with customized AI solutions to address challenges in their specific sectors. As an example, the company once worked with a fashion retailer to create innovating clothing designs using AI models that analyzed customers data, leading to very positive results.

3. Where does the company operate? North America, but they are considering starting their international expansion.

4. What is generative AI? A type of AI that creates new content, data or solutions by learning from existing patterns and examples, using advanced machine learning techniques as deep learning and neural networks. By doing so, generative AI can result in outputs as text generation, image synthesis, and drug discovery, among many other possibilities.

BEHAVIORAL INTERVIEW QUESTION:

1. Describe a time when you had to adapt your approach or strategy due to unexpected circumstances during a project.

Framework Guidance:

Note: There are many possible alternatives to this framework. These are only provided as possible suggestions.

Market	Service/product offering	Capabilities
<ul style="list-style-type: none"> • Market segments in AI industry <ul style="list-style-type: none"> • Identifying which market segments there are for the company to enter • Market size and growth according to segments <ul style="list-style-type: none"> • Measuring the opportunities in different segments • Competition <ul style="list-style-type: none"> • Fragmented?/Concentrated? • High barriers to entry? 	<ul style="list-style-type: none"> • Customer preferences <ul style="list-style-type: none"> • How should the product look like? • What solution should be offered? • Financials <ul style="list-style-type: none"> • Revenues • Costs • ROI • Pricing and promotion strategy <ul style="list-style-type: none"> • Creating a need or it already exists? • Freemium? Another pricing model? 	<ul style="list-style-type: none"> • Capital Availability <ul style="list-style-type: none"> • Company has money to embark in this endeavor? • Funding requirements (company is a startup) • Supply chain capacity <ul style="list-style-type: none"> • Who are our suppliers? • Do we have high bargaining power? • Do we have the operational capabilities needed to enter a new industry? • Regulatory scenario <ul style="list-style-type: none"> • How is regulation looking like currently and in the future? Will lobbying be needed?

How to Move Forward:

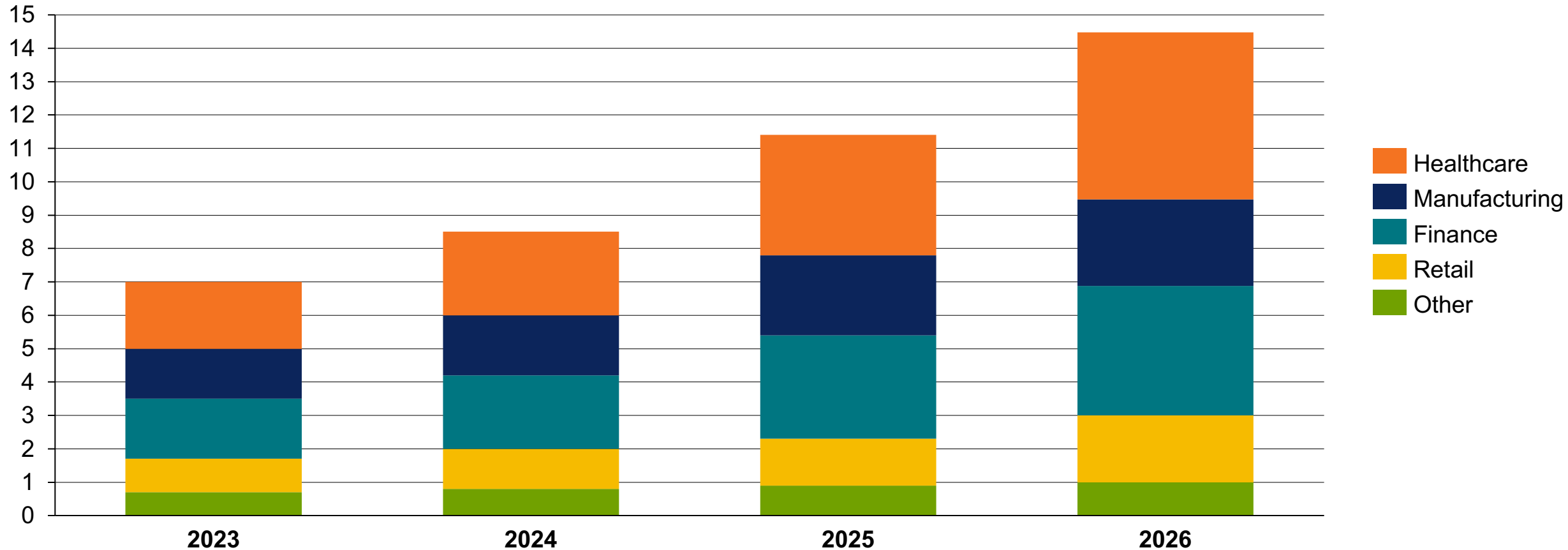
A **great** framework will consider the specificity of the case and the candidate will relate the buckets to AI, also considering potential regulatory risks.

In this case, **to move forward**, the candidate should want to analyze market entry opportunities. As such, they should choose to go with analyzing the current market for different opportunities regarding AI, what will unlock Exhibit 1.

If they want data about the company’s financials or potential products, make it clear that “The company wants us to conduct a more general analysis first regarding their potential opportunities. Considering that, where would you like to start?”.

EXHIBIT 1

Market Size (2023-2026)



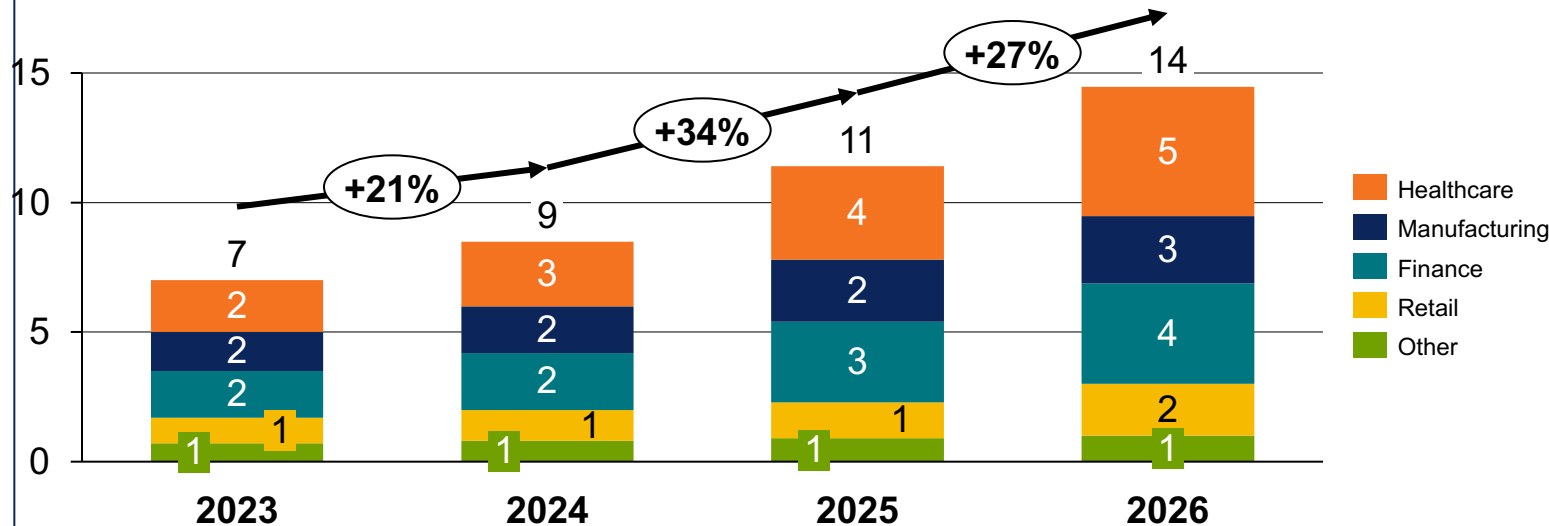
*All amounts (y-axis) in billions of dollars.



Question 1

- Which insights can you derive from this Exhibit?

Exhibit or Question Guidance:

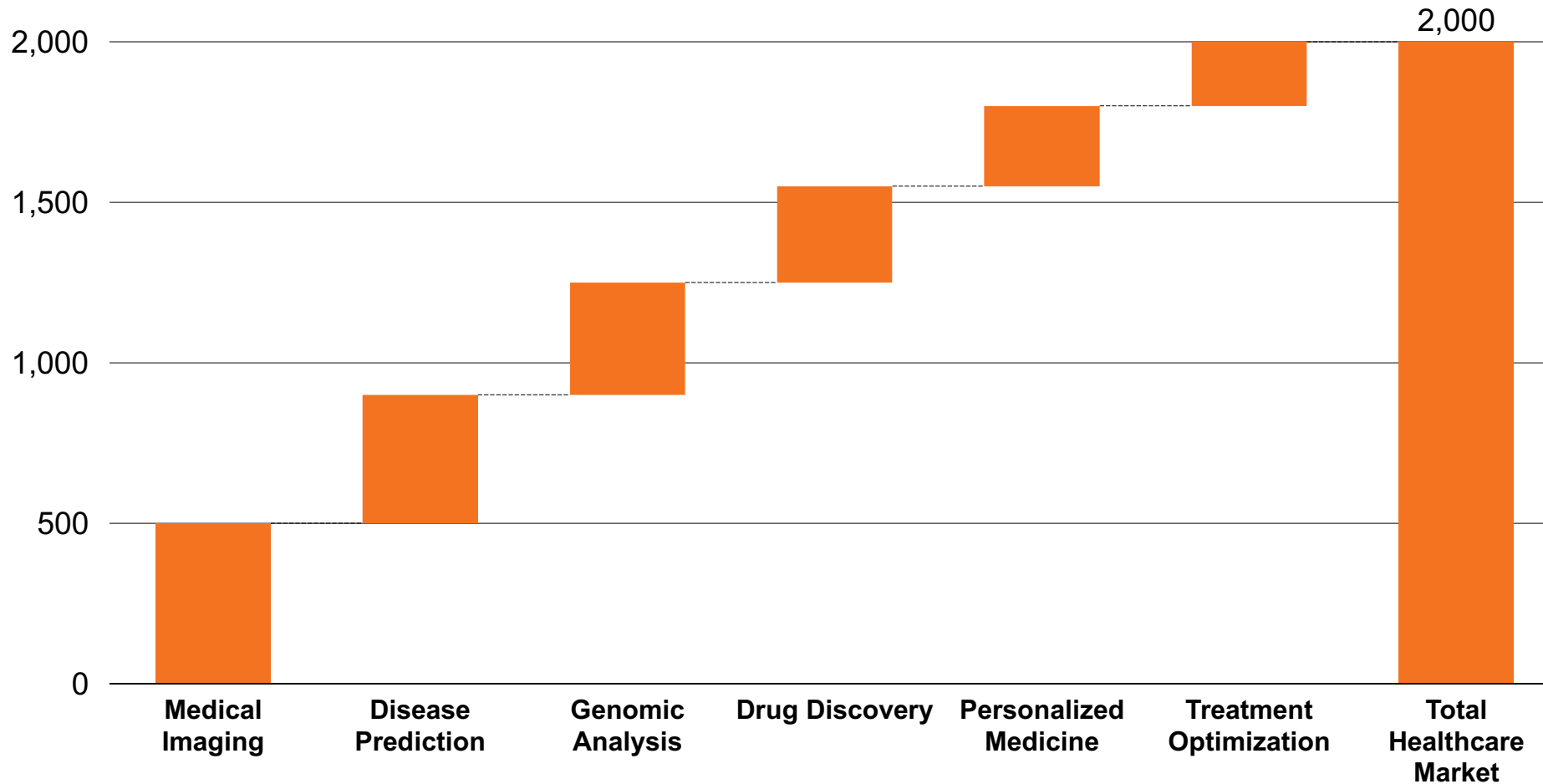


*All amounts in billions of dollars.

- The market is growing at approximately 20%-30% per year, which is significant;
- The Healthcare and the Finance segments are the most promising;
- From this exhibit, it looks that the Healthcare segment, specifically, is the most promising;
- **To move forward**, the candidate should ask for financial data about potential applications/opportunities in the healthcare market that the company can pursue. If they want to move in another direction, state that “The company would like to better understand the specific opportunities in the market we advise them to invest. What would you want to know having that in mind?”

EXHIBIT 2

Market Size - Potential Healthcare Applications (2023)



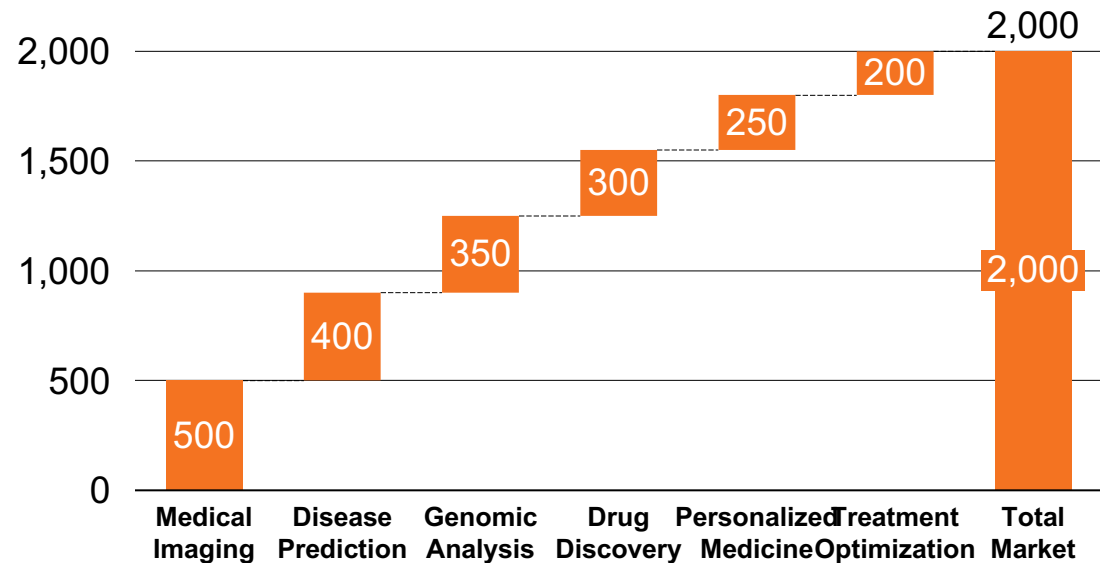
*All amounts in millions of USD.



Question 2

- Our team has just gathered this data about potential applications in the Healthcare market that our client could pursue. Which one would you advise them to invest in? Assume that the YoY growth will be the same for all of them.

Exhibit or Question Guidance:



*All amounts in millions of USD.

- From this Exhibit, the candidate should advise the company to pursue **Medical Imaging**, since it's currently worth \$500M;
- **Great candidates** will associate this data with Exhibit 1, ballparking that, considering the 2.5x growth in the healthcare industry, investing in **Medical Imaging** can get the company into a market that will be worth around \$1.25B by 2026;
- **To move forward**, the candidate should ask about potential costs involved in this endeavor, what will take them to the math question.

Question 3 (math, to be read after insights from Exhibit 2)

- The Medical Imaging market is currently worth \$500 million and expected to linearly grow to \$1.25 billion by 2026. If Robots Inc. invest in it, we know the initial investment to develop the necessary AI models and infrastructure will be of \$200 million, to be incurred in 2023, with annual operating costs of \$8 million, starting in 2024. Also starting in 2024, the company foresees a 5% penetration rate, which is expected to grow 40% yearly until 2026. For Robots Inc. to make this investment, they have set the goal of payback period of three years (by 2026). Will the company achieve such a goal?

Question Guidance:

The candidate will **need** to ask for the following information to solve the question (wait for them to ask for it): **a) Discount rate: 10%**; **b) In which year are we?** We're currently in 2023 (this will influence the NPV calculation); **c) YoY growth: linear**, with growth applying from 2024 to 2026 (already stated in the question). **Great candidates** will set themselves apart here by using a structured approach, which will lead them to results faster.

The candidate needs to calculate **i.** market size, **ii.** penetration rates, **iii.** revenues, and **iv.** Payback period

i. Market size: assuming linear growth, the market will grow $[(\$1.25\text{bi} - \$500\text{mi})/3]$ per year, which equals \$250mi/year -> **market size - 2024: \$750mi, 2025: \$1bi, 2026: 1.25bi;**

ii. Penetration rates: in **2024**, rate = 5%. Accounting the 40% yearly growth, **2025 = 5% * 1.40 = 7%**, and **2026 = 7% * 1.40 = 9.8% ≈ 10%**

iii. Revenues: in **2024**, 5% * \$750mi = **\$37.5mi**; in **2025**, 7% * \$1bi = **\$70mi**; in **2026**, 10% * \$1.25bi = **\$125mi**

iv. Payback period

2023 = Initial investment: -\$200 M

2024 = Operating costs: -\$8 M; Revenue (2024): \$37.5 M; Net cash flow (2024): \$29.5 M

2025 = Operating costs: -\$8 M; Revenue (2025): \$70 M; Net cash flow (2025): \$62 M

2026 = Operating costs: -\$8 M; Revenue (2026): \$125 M; Net cash flow (2026): \$117 M

Total Profit in three years = \$29.5 M + \$62 M + \$117 M = \$208.5 M > \$200 M, reason why the company will achieve its goal. Once the candidate gets to that, move to the brainstorming question.



BRAINSTORMING

The AI industry is going through exponential growth, as we have seen. Considering that, what would be other potential applications the company could explore outside of the healthcare market?

Brainstorming Guidance:

Note: This is just one possible set of categories and answers. Many more are possible, and interviewers should assess both the volume and relevance of answers.

Entertainment Industry:

- Building AI-powered characters for parks (e.g. for meet/greet)
- Improving the current state of AI in the gaming industry, as to improve in-game experience of gamers
- Collecting data to generate new streaming content

Finance:

- AI-powered market analysis
- AI-powered bots to make investment decisions according to investor's risk-profile
- AI-based fraud detection and prevention systems

Education:

- AI-generated adaptive study plans
- AI-teaching assistants, tailored to specific students' needs
- AI-assisted plagiarism detection

Best candidates display:

Strong structure, so ideas can be presented in a concise and effective way, and high creativity, considering AI displays a huge breadth of opportunities.

CONCLUSION

You are on a call with the CEO to provide an update on the topic. What do you say?

Recommendation:

- Robots Inc. should enter the Healthcare market, currently worth \$2B and poised to grow around 2.5x by 2026, specifically in the Medical Imaging application, since this represents the highest share in such market.

Risks:

- The candidate can mention various factors:
 - Regulatory and compliance risks
 - Competition and IP protection
 - Adoption challenges

Next Steps:

- Among several factors, the candidate can mention:
 - Conducting research about the current and future regulatory scenario, to conclude whether the project is feasible and whether lobbying will be needed
 - Develop IP protection strategy to safeguard the company's AI models
 - Engage with industry experts/potential customers to better understand their needs and address potential adoption challenges



INTERVIEWER FEEDBACK FORM

Case Name _____ Interviewer _____

Case Book _____ Case Type _____ Difficulty _____

Case Execution:

- Clarifying Questions + Framework
 - Good Questions 1 2 3 4 5
 - Structured
 - MECE
 - Creativity

Feedback:

- Exhibits + Analysis
 - Accuracy 1 2 3 4 5
 - Speed
 - Insights Presented
 - Errors / Guidance Needed

Feedback:

- Brainstorm + Conclusion
 - Creative & Structured 1 2 3 4 5
 - Good Business Judgment
 - Recommendation Strength

Feedback:

- Universal Skills
 - Coachability & Collaboration
 - Structured communication 1 2 3 4 5
 - "So what" & Business acumen
 - Body Language, Confidence, Poise
 - Adaptability

Feedback:

Total: _____ / 20



Opus Two

Consumer | Market Sizing/Optimization

OPUS TWO

Consumer | Market Sizing/Optimization



- Tests: Market Sizing, Optimization, Creativity
- McKinsey-Style Case: Interviewer-led, to be used towards the end of case prep (20+ cases)

Prompt: Our client, Opus Two, is one of the most prestigious wineries in Napa Valley. The winery is renowned for crafting a single, exceptional wine – a Meritage Red Blend. Despite its reputation, Opus Two faces significant challenges due to climate change. Rising temperatures, extended droughts, and recent forest fires have made their location unsuitable for grape growing. As such, Opus Two is looking to relocate outside of Napa Valley and is seeking the firm’s help in choosing a new region and wine to produce. What factors should be considered when selecting a new location for Opus Two?

Clarifying Information: *Note: Provide this only if corresponding questions are asked.*

- 1. What is a Meritage Red Blend?** A Meritage Red Blend combines several grapes (vs. just one varietal like Pinot Noir) into a single wine. A portmanteau of "merit" and "heritage," the name conveys high quality and tradition.
- 2. What is the client’s goal?** Opus Two is a passion project jointly owned by Darden's Wine and Cuisine Club (WACC) and a sommelier from Philadelphia. Their primary goal is not to achieve a specific financial return, but rather to maintain their current level of production, quality of wine, and brand reputation.
- 3. How does Opus Two sell its wine?** They sell a limited supply of 10,000 cases (120,000 bottles) of wine per year to high-end restaurants all around the world as well as DTC online and in-person at the winery. A bottle sells for \$500.
- 4. When does Opus Two want to move?** As soon as a new region and wine is identified.
- 5. Has Opus Two identified any potential locations?** Yes, we will see explore these locations later in our analysis.

BEHAVIORAL INTERVIEW QUESTION:

1. Tell me about a decision you made at work that showcased your integrity



Question 1: “What factors should be considered when selecting a new location for Opus Two?”

Framework Guidance:

Note: There are many possible alternatives to this framework. These are only provided as possible suggestions.

Production Size & Quality

These factors affect the type and quality of wine Opus Two can produce.

- Location (vineyard size, grape varieties grown)
- Climate (temperature, rainfall, seasonality)
- Geography (soil type, altitude, land features)
- Resources (water, energy)
- Threats (climate change, inclement weather, natural disasters, wild animals, fungus)

Region’s Perception

These factors affect Opus Two’s ability to maintain their brand’s prestige and attract consumers.

- Region’s Reputation
- Region’s Level of Recognition
- Preference Among Consumers
- Accessibility (proximity to major markets, transportation, and local tourism)

Capabilities / Feasibility

These factors affect the viability of Opus Two making the move to a new location.

- Non-Financial (customer & employee buy-in, regional expertise/know-how)
- Financial (revenues, cost of land, labor, and materials, etc.)
- Local Regulations (distribution & consumption laws, land use requirements, permits/licenses)

How to Move Forward:

This is a McKinsey-style case, and although the interviewer will lead the candidate to the next question, the best candidates will identify Production Size & Quality as a logical starting point. Opus Two's priority is to maintain their current level of production, wine quality, and brand reputation, making this category a top consideration as they contemplate a new location.

Question 2: Our client is committed to maintaining their current annual production of 10,000 cases/year (a case is 12 bottles of wine). As such, size is a top consideration when selecting a new vineyard site. How would you estimate the number of acres Opus Two must acquire to produce 120,000 bottles of wine per year?

Market Sizing/Estimation	
Candidate's Framework	Numbers You Provide
# of Bottles of Wine	120,000 bottles
# of Grapes per Bottle	10 grape clusters/bottle
= Total Grapes Required	1,200,000 grape clusters
# Grapes per Vine (annual)	40 grape clusters/vine
# Vines per Acre	1000 vines/acre
= Grapes per Acre	40,000 grape clusters/acre
# of Acres Required	30 Acres (1,200,000 clusters ÷ 40,000 clusters/acre)

Question 2 Guidance:

- **Answer:** In a Market Sizing, the candidate develops the framework (left), you provide the numbers (right), and they do the math to arrive at **a minimum of 30 acres to produce 120,000 bottles of wine.**
- **Hint:** Tell the candidate to figure out what information they need to solve for # of Acres and construct a framework/equation. If they need further guidance, tell them to find the # of grapes required to make one bottle of wine and the # of grapes that grow on a vine. **Provide them the gray-highlighted pieces of information**
- **Alternatively:** The candidate may also calculate the number of bottles of wine that can be produced per acre (4000 bottles/acre) and can arrive at the same answer.
- **Transition:** “Keep these numbers and this structure on hand as it will be used to compare prospective sites in the next question.”



EXHIBIT 1

Wine Regions

The Finger Lakes, New York

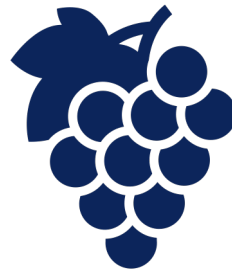


36 Acres

Prospective Site has 36 Acres of land right along the Lake Seneca.

Cooler climate results in a lower yield of 32 clusters of grapes/vine.

Albemarle County, Virginia



Prospective Site can produce up to 1,300,000 clusters/year.

Inclement weather will destroy 10% of the grape crop each year.

Walla Walla Valley, Washington



Vine

Prospective Site has 40 Acres of land with beautiful vistas of the Valley.

Washington State Law requires no more than 750 vines per acre.

**The number of grape clusters needed to make one bottle of wine remains the same at 10 clusters/bottle.*

Question 3: The client has identified three desirable vineyard sites in the United States. Using the data from the Market Sizing as a key, which site will allow Opus Two to maintain production of 120,000 bottles of wine a year?

Exhibit 1 Guidance:

- **Answer:** Opus Two should move to the **Walla Walla Valley, Washington**.
- **Hint #1:** Use the framework and numbers (see Hint #2) from the previous Market Sizing as a key for calculations.
- **Hint #2:** The number of grape clusters needed to make one bottle of wine remains the same at 10 clusters/bottle, so the new site must have the capacity to yield 1,200,000 grape clusters annually. Use this parameter to assess and choose the appropriate site.
- **The Finger Lakes:** $32 \text{ clusters/vine} * 1000 \text{ vines/acre} = 32,000 \text{ clusters/acre} * 36 \text{ acres} = 1,152,000 \text{ clusters} < 1.2\text{M clusters required}$.
 - **Watch Out!:** a 20% decrease in clusters/vine does NOT balance out the 20% increase in acreage. This is a common % mistake.
- **Albemarle County:** $1.3\text{M clusters} * 10\% = 130,000 \text{ clusters lost}$. $1.3\text{M} - 130,000 = 1,170,000 \text{ clusters} < 1.2\text{M clusters required}$.
 - **Shortcut:** Recognize that the prospective site produces 100,000 extra grape clusters (1.3M-1.2M). If 10% of 1.3M is lost each year, that means 130,000 clusters are not able to be used for wine, which is more than 100,000 extra margin of the Prospective Site.
- **Walla Walla Valley:** $750 \text{ vines/acre} * 40 \text{ acres} = 30,000 \text{ vines}$. $30,000 \text{ vines} * 40 \text{ clusters/vine} = 1.2\text{M clusters}$. Opus Two moves here.



BRAINSTORMING

“We’ve talked a lot about where Opus Two should open their new winery. What are some potential uses for Opus Two's original location in Napa Valley after they move?”

Brainstorming Guidance:

Note: This is just one possible set of categories and answers. Many more are possible, and interviewers should assess both the volume and relevance of answers.

Agricultural Uses

- Grape growing for general consumption (e.g., fruit juice) outside of wine
- Fruits / Vegetables
- Grains / Olives / etc.

New Uses

- Hotel / Restaurant
- Event Space (weddings, concerts)
- Conferences / Corporate Retreats
- Tourism (Napa Valley Wine Tours, farmer's market, hot air balloons)

Sell/Donate

- Sell
- Donate (philanthropic / PR opportunity)

Best Candidates Display:

A strong candidate demonstrates an understanding of the potential for repurposing a vineyard in a world-famous wine region for both agricultural and non-agriculture use. They would think creatively within this framework, considering the market demand for other crops/produce or activities/events.

Additionally, the candidate should remember that Opus Two's vineyard in Napa Valley is no longer suitable for growing grapes to produce wine. They would avoid suggesting ideas that are misaligned with case facts (e.g., planting different grape varieties or selling the land to another winery).



CONCLUSION

“The President of the Darden Wine and Cuisine Club (WACC) is calling and would like to hear an update on the project. What is your recommendation at this point in the analysis?”

Recommendation:

- Opus Two moves to the Walla Walla Valley, Washington
 - The Walla Walla Valley site is large enough to maintain production of 120,000 bottles of wine/year.

Risks:

- Moving an entire business to another state is inherently risky. Any number of concerns around consumer pushback, Walla Walla’s lower reputation compared to Napa Valley, and a decline in quality are valid.

Next Steps:

- Reasonable mitigation strategies include surveying current customers about the move or conducting a competitive analysis comparing wineries in Walla Walla with those in Napa to forecast impacts on Opus Two’s brand image and wine quality. Mentioning new uses for their Napa vineyard is also a logical next step and a great way to end the case.



INTERVIEWER FEEDBACK FORM

Case Name _____ Interviewer _____

Case Book _____ Case Type _____ Difficulty _____

Case Execution:

- Clarifying Questions + Framework
 - Good Questions 1 2 3 4 5
 - Structured
 - MECE
 - Creativity

Feedback:

- Exhibits + Analysis
 - Accuracy 1 2 3 4 5
 - Speed
 - Insights Presented
 - Errors / Guidance Needed

Feedback:

- Brainstorm + Conclusion
 - Creative & Structured 1 2 3 4 5
 - Good Business Judgment
 - Recommendation Strength

Feedback:

- Universal Skills
 - Coachability & Collaboration
 - Structured communication 1 2 3 4 5
 - "So what" & Business acumen
 - Body Language, Confidence, Poise
 - Adaptability

Feedback:

Total: _____ / 20



NewsCo.

Media | Diagnosis/Profitability



FIRST PRIZE - DARDEN CASE-A-THON 2023



NEWS CO.

Media | Diagnosis/Profitability

Prompt:

NewsCo. is a TV network that offers live news and pre-recorded entertainment programming. They're concerned about a recent survey showing a decline in viewers' trust. This is particularly worrisome because NewsCo. prides itself on high-quality journalism and uses the tagline "News You Can Trust."

Our team was hired to identify the root causes and provide recommendations.

Clarifying Information: *Note: Provide this only if corresponding questions are asked.*

- 1. What can you tell me about the survey?** A US-based consumer intelligence agency compared NewsCo. to other major news networks across several dimensions. While NewsCo. scored well in most dimensions, only 46% of viewers considered it trustworthy. It ranked fourth most trustworthy out of six major news networks. In 2018, over 75% of consumers rated NewsCo. as trustworthy, ranking first. Survey respondents were asked to assess "NewsCo. is a reliable and trustworthy news source."
- 2. Does NewsCo. publish other forms of news, such as print or digital?** Yes, NewsCo. operates a website, but management is currently focused only on its television programming.
- 3. What is the client's objective?** NewsCo. wants to understand the root cause of the low trustworthiness score and recommended actions to improve it.
- 4. How does NewsCo. generate revenue?** NewsCo. earns most of its revenue from advertising on its TV programming, but it also earns revenue through cable subscriptions, website advertising, and selling prepackaged content to third parties such as airports and hotels.



BEHAVIORAL INTERVIEW QUESTION:

1. Tell me about an important skill you developed. What was it and how did you go about developing it?

BRAINSTORM 1

“Before we begin, I want to take a step back and examine this issue from a wider lens. In what ways does viewer trust in news networks affect society at large?”

Brainstorming Guidance:

Note: This is just one possible set of categories and answers. Many more are possible, and interviewers should assess both the volume and relevance of answers.

Political Implications

- Media sources influence voter decision making and the perceived fairness of elections.
- News networks can hold public figures accountable, sustaining trust in political institutions.
- News coverage affects public discourse and shapes opinions on important policy issues.

Social Implications

- Misinformation and bias erode public trust and fuel polarization and distrust in society.
- Accurate news benefits public safety and health.
- News raises awareness about social issues, shaping public attitudes on civil rights and diversity.
- Trustworthy news educates viewers about important business events, affecting financial decision-making.

Best candidates display:

- Structured brainstorming with multiple mutually-exclusive categories to examine the impact of trusted news sources on society from multiple angles
- Avoidance of discussing financial implications of trust on a business

To move forward...

- **“Thank you. Let’s now step back into the problem at hand. Please take a couple minutes and then walk me through how we should approach this problem.”**



Framework Guidance: *Note: More information is provided here than expected. Candidates not expected to include every subcategory.*

Content-Related Factors

Quality

- Do we get the facts right when reporting stories?
- Are our sources seen as credible?
- Is our news coverage timely and relevant to viewers?

Tone

- Do audiences perceive our reporting as biased?
- Do they perceive our reporting as sensationalistic?

Types of Stories

- What proportion of fact-based news programming do we air compared to opinion-based or entertainment shows?
- Do we cover a wide variety of issues from different perspectives?

Organizational Factors

Staffing

- Do viewers perceive our on-air talent as lacking diversity? What about the executive team?
- Do viewers perceive our on-air talent as authoritative?

Organizational Culture

- Have there been any organizational scandals that have eroded trust among our viewership?

Management Decisions

- Has NewsCo. made any recent acquisitions or partnerships with organizations viewers deem as untrustworthy?
- Has management interference compromised editorial oversight of NewsCo.'s news division?

External Factors

Societal

- Has the uptick in misinformation from other news mediums negatively affected our viewers' perceptions about NewsCo.?
- Have viewers changed what they consider to be "trustworthy news" (i.e., polarized news = trustworthy)?

Competitive Landscape

- Have competitors become faster or more accurate at breaking important news stories?
- Has the rise of social media and online news sources given viewers a wider range of options for consuming news?

Technological Advancements

- Has new technology, such as AI algorithms and deepfake technology made it harder for viewers to discern what is real?

How to Move Forward:

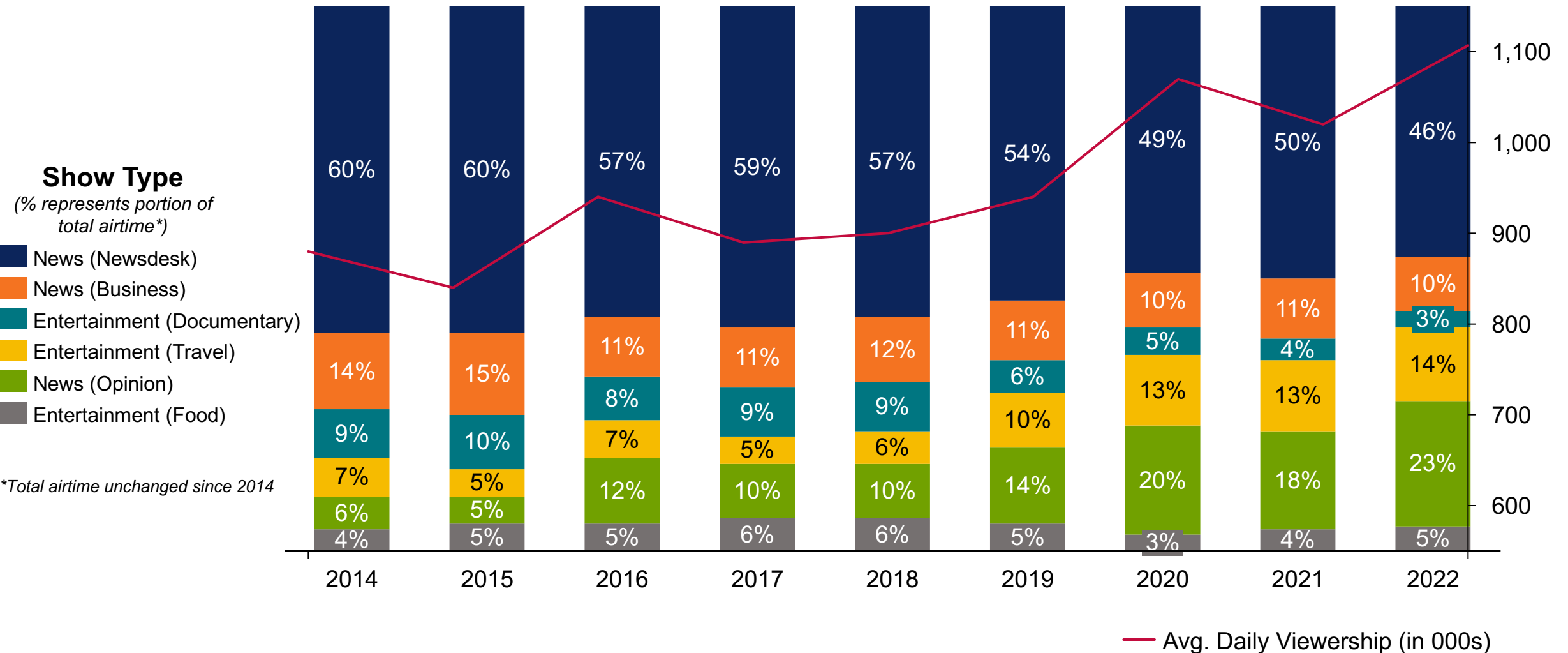
Candidates must not suggest a "Financial" category but instead focus on internal and external factors affecting trust. Candidates can acknowledge that lack of trust can have financial implications but that is not the primary focus. *If a candidate lists a "Financial" category, ask how examining financials will aid in understanding the cause of declining trust.*

Candidates should note that NewsCo.'s trust rating has decreased and inquire about changes in its programming or operations. Refer to Exhibit 1 and prompt with questions as needed to progress.



EXHIBIT 1

Airtime Allocation and Annual Viewership



Question 1

Our client provided us with data about their programming for the last nine years. What insights are you seeing?

Exhibit or Question Guidance: Candidates are not expected to calculate anything here. Rather, they should visually examine the exhibit and glean important insights.

Expected Insights:

- News (Newsdesk) and Entertainment (Documentary) coverage has declined the most since 2014, with News (Opinion) and Entertainment (Travel) coverage increasing the most during the same period. Bonus points for contextualizing the % change (e.g., “Opinion shows are being aired roughly four times more frequently in 2022 than in 2014”, or “Newsdesk shows are aired about 25% less in 2022 than in 2014”).
- Viewership has increased steadily since 2014, by over 200k viewers/day. Bonus points for estimating the % change as a 25%-30% increase.
- **Candidates should offer a hypothesis explaining why this matters.** Good hypothesis: Opinion shows may be less trustworthy than Newsdesk and Documentary shows due to lower journalistic standards. Therefore, increasing preference towards Opinion may result in more biased and less trustworthy news.

Great Insights:

- Candidate notes last survey took place in 2018 and observes sharp increases in Opinion and Travel, and large decreases in Newsdesk and Documentary.

Outstanding Insights:

- Candidate identifies a positive correlation between Opinion airtime and viewership (more Opinion = more viewers and vice versa). Candidate integrates this observation into their hypothesis and infers that Opinion shows are driving TV viewership.

To move on, candidate should hypothesize that increased Opinion airtime may be boosting nightly viewership at the expense of trustworthiness. However, they need data to validate this and should ask for data about how each show type affects trustworthiness.

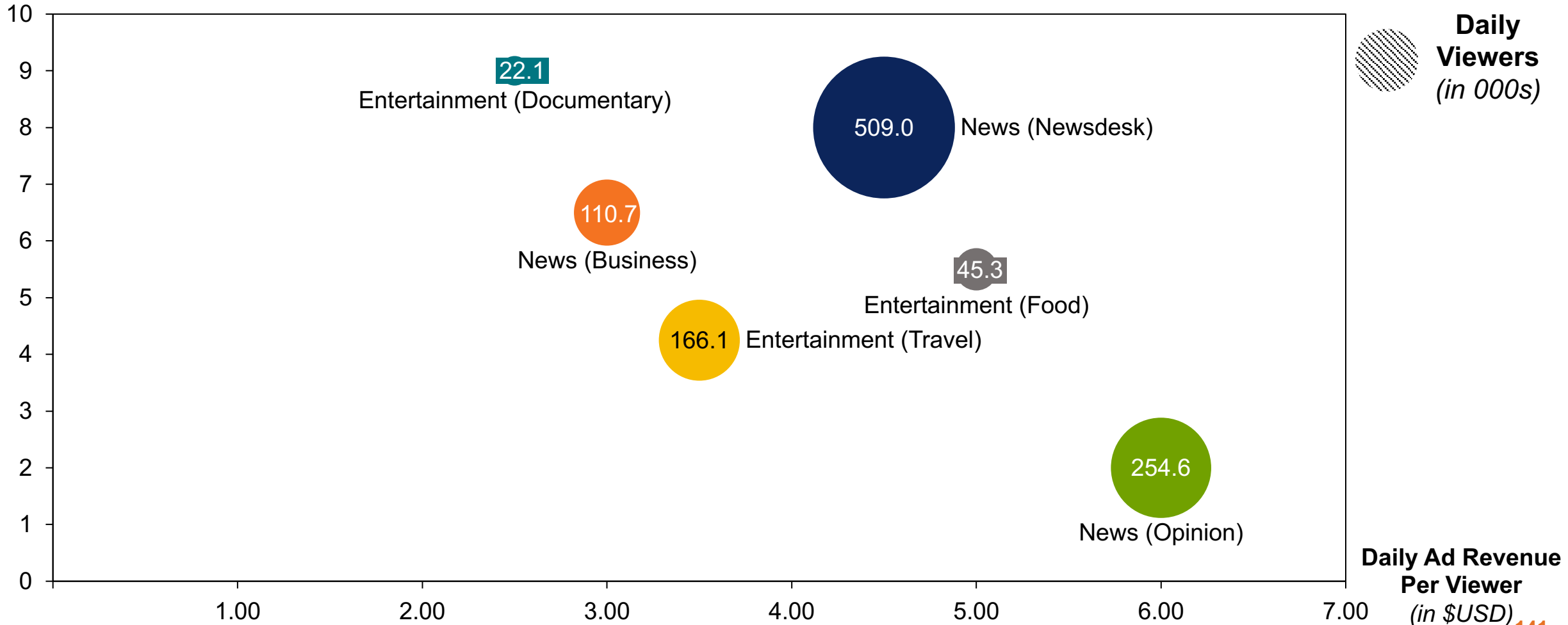
If needed, ask candidate to provide hypothesis and make connections explicit.



EXHIBIT 2

Viewer Perception of Trustworthiness

2022 Market Intelligence Report (NewsCo.)



Question 2

“This analysis that explores the relationship between viewer trust and revenue. What is the value of each show type to NewsCo.?”

Exhibit 2 Guidance:

- Candidate should identify that exhibit maps each show category across three dimensions: viewership, trust, and revenue.
- News (Opinion) is the second most-watched show type but has the worst trust rating. Candidate should pull in previous information that News (Opinion) airtime has more than doubled since the last survey and identify this shift as the primary driver in declining trust.
- Candidate should calculate **daily revenue for each show type (prompt candidate if needed)**.

Solution:

Show Type	Daily Revenue Per Viewer	# Daily Viewers (in 000s)	# Daily Viewers (Rounded)	Total Daily Revenue	% of Total
News (Newsdesk)	\$4.50	509.0	510,000	\$2,295,000	46%
News (Business)	\$3.00	110.7	110,000	\$330,000	7%
Entertainment (Documentary)	\$2.50	22.1	20,000	\$50,000	1%
Entertainment (Travel)	\$3.50	166.1	170,000	\$595,000	12%
News (Opinion)	\$6.00	254.6	250,000	\$1,500,000	30%
Entertainment (Food)	\$5.00	45.3	45,000	\$225,000	5%

Candidates not required to calculate the % Total (orange column) but should understand relative order of magnitude between show types



More guidance on next page...



Question 2 (Cont.)

“One of our associates just sent me this analysis that explores the relationship between viewer trust and revenue. What is the value of each show type to NewsCo.?”

Exhibit 2 Guidance (cont.):

Excellent responses will identify some the following insights:

- Opinion news is more profitable per viewer compared to Newsdesk but has the lowest trust rating.
- Food shows are more trustworthy and more lucrative than Travel shows (by \$1.50, the same difference between Opinion and Newsdesk).
- NewsCo. may have an opportunity to streamline its news programming by replacing Travel shows with Food.
- An excellent response will incorporate new insights into hypotheses, such as recognizing NewsCo.'s financial incentive to air Opinion shows despite the declining viewer trust they generate.

To move forward...

Tell the candidate “Our client wants an update on our project status. Please summarize our progress so far and give preliminary recommendations to NewsCo.”



CONCLUSION

To conclude, the interviewee should provide concise recommendation (below is one example, many good recommendations are possible):

Recommendation:

- NewsCo.'s trust rating is declining because it has significantly increased Opinion programming, which viewers perceive to be untrustworthy.
- NewsCo. should reduce Opinion programming, which viewers perceive as untrustworthy and instead explore ways to increase viewer engagement and ad revenue for Newsdesk shows.
- Re-allocating airtime from Travel to Food may help subsidize reduced Opinion airtime in favor of more Newsdesk.

Risks:

- Reducing Opinion airtime may decrease audience engagement and ad revenue.

Next Steps:

- Conduct focus groups to identify innovative ways to capture audience engagement for Newsdesk shows to generate additional ad revenue.

Poor recommendations will...

- Suggest client ignores trust and focuses on revenue (Trust is stated value of client).
- Ignore financial implications of recommended action (Revenue matters too!)

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Feedback:

Total: _____ / 20

