

INSEAD CONSULTING CLUB HANDBOOK 2011



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INSEAD CONSULTING CLUB

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1. Introduction

ICC (INSEAD Consulting Club) is pleased to present the ICC Handbook 2011, following up on the tradition created by the 2005 class. This book is created with the aim of assisting INSEAD students to prepare for a career in consulting and be successful in their job search and recruiting process.

The purpose of the ICC Handbook is to provide you with the background knowledge you need to consider a career in consulting and to conduct informational interviews. The book has two distinct sections, Overview (sections 1-8) and Case preparation (sections 9-11).

The first section gives a general overview of the management consulting industry and opportunities offered to MBA graduates. It then features the profiles and some additional insights on the Consulting firms that visit the INSEAD campus for each recruiting campaign. Next it goes on to share the career progression and what to expect in a consulting job. We have also included samples of cover letters to serve as guidance to the first stage of the recruiting process. Finally we share a list with a variety of other resources available for INSEAD students to help them in their pursuit of a Consulting career.

The Case section of the book gives guidance on case interview preparation. It explains how to prepare for a case interview, types of cases, and possible tools and frameworks to use while cracking the case. In addition it provides thirteen case examples on how to solve actual cases.

We would like to acknowledge the support we received from The Boston Consulting Group (BCG), who is continuously sponsoring the production of this book. Since the inception of the ICC book in 2005, BCG has been a leading contributor to each edition, providing access to their resources, case materials, and offering advice and support on how best to compile the information.

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

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

ICC Board, 2011

2. Consulting job search at INSEAD

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

Despite the crisis recruitment in 2010 remained strong, with over a third of all graduates choosing this sector. Proportion of INSEAD graduates returning to their previous consulting employers also remained high following on a trend of 2009.

In terms of geographical the latest available data (2009) shows distribution 60% of the students who chose consulting joined firms in Europe. The slowdown of activities in Dubai explains the decrease of opportunities in the Middle East while other emerging markets and specifically Asia Pacific and Latin America keep attracting a growing proportion of graduates.

The job market conditions are becoming cautiously optimistic in 2011 compared to the previous years. And INSEAD is being continuously placed as one of the leading recruitment pool for consulting firms. The selection process remains rather rigorous though, with a stronger emphasis on being well prepared for interviews and increasing importance being given to an applicant's background and expertise while assessing their potential as consultants.

Top INSEAD employers for Consulting positions							
Classes of 2006		Classes of 2007		Classes of 2008		Classes of 2009	
McKinsey & Company	75 (27)	McKinsey & Company	106 (36)	McKinsey & Company	97 (39)	McKinsey & Company	78 (49)
Bain & Company	46 (16)	Bain & Company	40 (9)	BCG	51 (22)	BCG	44 (21)
BCG	36 (9)	BCG	35 (13)	Booz Allen Hamilton	39 (8)	Bain & Company	43 (17)
Booz Allen Hamilton	17 (3)	Booz Allen Hamilton	21 (9)	Bain & Company	21 (10)	Booz Allen Hamilton	23 (13)
A.T. Kearney	8 (2)	A.T. Kearney	12 (1)	A.T. Kearney	13 (2)	A.T. Kearney	11 (5)
Roland Berger	6 (2)	Roland Berger	9 (4)	Accenture	6 (3)	Roland Berger	8 (5)
Deloitte Consulting	5	Monitor Group	6	Roland Berger	6 (1)	PricewaterhouseCoopers	7 (1)
Mercer Management Consulting	5	L.E.K. Consulting	4 (1)	Oliver Wyman	5 (2)	Monitor Group	6 (3)
Mercer Oliver Wyman	3	OC&C Strategy Consultants	4	Deloitte Consulting	4	Accenture	5 (3)
L.E.K. Consulting	3	Trinsum (formerly Marakon)	4	Monitor Group	4	Deloitte Consulting	4 (2)
Siemens Management Consulting	3	Arthur D. Little	3	Opera Solutions	3	Oliver Wyman	3 (2)
Marakon Associates	3 (1)	Oliver Wyman	3	PricewaterhouseCoopers	3 (1)		

Table 1: Top INSEAD employers in Consulting over the most recent years. Numbers in brackets are former employees

Source: INSEAD Career Services reports

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

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

Timeline of consulting job preparation

December promotion

P1-P2	P3	Summer break	P4-P5
Self Assessment & Internship hunt	More Sector Research	Internship	Go For It!
- Attend Mock-interview sessions - Prepare CV & Motivation letters - Do Informational interviews - Interview preparation with Peers - Apply for Summer Jobs	- More Research - Just CHILL! - More informational interviews (especially with the firms not coming on campus)	- More Informational Interviews (during the summer project) - Networking	- Attend company presentations - Company case-interview workshops - Interview preparation with Peers - Consult job postings - On-campus recruitment

July promotion

P1	P2	P3	P4-P5
Self Assessment	Prepare CV & Network	Network	Go For It!
- Career Orientation - Self Assessment - Counselling / Advising sessions - CHILL!	- Prepare CV and Motivation letters - Network - Informational Interviews	- Research Consulting Sectors & Companies - Network - Interview Preparations - More informational interviews	- Attend company presentations - Company case-interview workshops - Interview preparation with Peers - Consult job postings - On-campus recruitment

3. Consulting industry: history, structure and global trends

3.1 History

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

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

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

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

include high volume, lower margin work such as system integration. There is a relatively unclear line between management consulting and other consulting practices, such as Information Technology consulting.

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

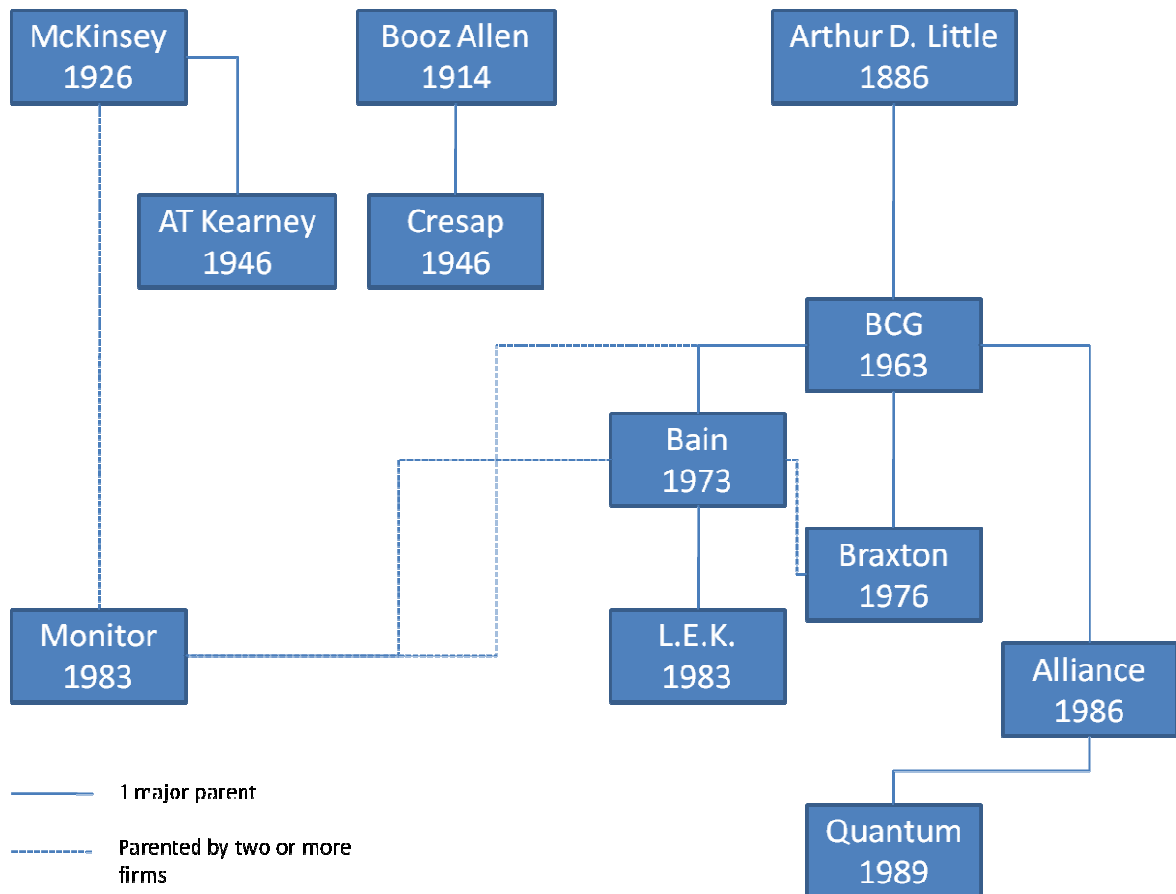


Figure 2: Evolution of the Management Consulting industry
 Source: www.wikipedia.com; McKinsey; BCG

3.2 Structure

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

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

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

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

SEGMENTATION OF THE CONSULTING INDUSTRY

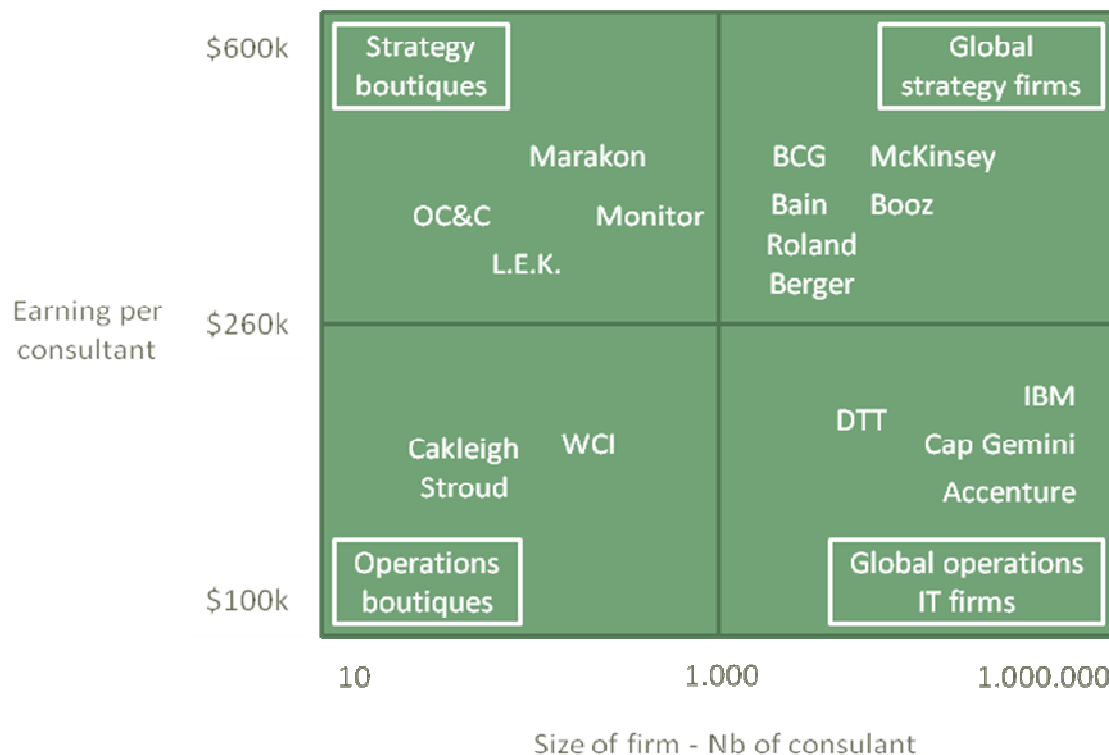


Figure 3: Structure / segmentation of the consulting industry

Source: "<http://www.ADD-Resources.com>"

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

Generalist firms:

- Provide the whole range of management consulting services (strategy, operations, marketing, finance, organizational redesign, etc.) to all industries, across a wide geographical range
- Typically larger firms, with long track record and substantial accumulated knowledge base
- Usually multi-regional office array, covering both developed and high-growth emerging markets
- Often structured around industry and/or function practices, to better leverage personal experience

Specialized firms and boutiques

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

3.3 Global trends

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

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

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

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

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

- **Specialization**. Clients are more demanding and ask for consultants specialized in the industry or topic. The major global strategy firms do not want to lose their generalist scope and the ability of their consultants to work across industries. However, they have now more structured organizations across industries and functional lines in order to deal with the increased sophistication of their clients and to successfully compete with specialized firms.
- **Implementation**. Clients ask for a greater focus on implementation rather than only theoretical recommendations or strategic plans. This causes increasing competition among firms in different segments of the consulting industry, but is also an opportunity for consulting firms to develop long-term relationships with their clients.
- **Pay for performance and Measurable Business Results (MBRs)**. Especially during the dot-com boom, some firms agreed on partial/full equity payment. Clients demand more tangible results and pay according to a performance measure (e.g. cost savings in procurement optimization projects).

- **New geographies.** The market for Consulting is growing extremely rapidly in China, Russia and Middle East (Abu Dhabi, Dubai). Markets such as Latin America and India are also growing very fast. Major firms are heavily investing in these geographies, opening or expanding offices. They compete aggressively to recruit the candidates who have a connection with these regions or possess the right language skills (Mandarin, Russian, Arabic, etc.).
- **Fragmented markets.** In some markets, a large number of former employees start their own small consulting firms. For example, in China, this trend has led to a very fragmented market, with hundreds of small and medium-sized firms.

4. Profiles of consulting firms

The objective of this chapter is to share general information on some of the Consulting firms that recruit INSEAD graduates on a regular basis. It is mostly based on public information and direct input shared by all the firms. The 'Insider Scoop' provided for some of the big firms is based on the feedback from ex-consultants currently studying at INSEAD.

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

4.1 Accenture

Accenture is a global management consulting, technology services and outsourcing company. Combining unparalleled experience, comprehensive capabilities across all industries and business functions, and extensive research on the world's most successful companies, Accenture collaborates with clients to help them become high-performance businesses and governments. With more than 186,000 people in 52 countries, the company generated net revenues of US\$23.39 billion for the fiscal year ended Aug. 31, 2008.

Accenture's Strategy practice is a dedicated network of nearly 2,000 worldwide that provide a different approach to strategic consulting services that helps our clients consistently outperform their competitors.

What sets us apart from strategy-only firms is our ability to leverage Accenture's deep operational expertise, industry insights and know-how in the integrated global economy to ensure that the strategic solutions we deliver are pragmatic and can actually be implemented to improve and sustain client performance.

As a Fortune 500 company listed on the New York Stock Exchange, we know better than most the challenges our clients face in the competitive global economy. This understanding not only helps us shape the solutions we design for our clients, but gives us real, grounded experience on how to best implement them in a public environment.

We have also lived through our own strategic transformation. Over the last decade we have restructured our business, completed a successful public offering, and led one of the world's most successful corporate re-branding efforts. Accenture knows how to help our clients adapt to the dynamics of new competition and changing global markets, because we have done it.

Accenture is a longstanding member of the INSEAD Corporate Affiliation Program (CAP) and employs a large number of INSEAD alumni around the globe. Accenture has a regular on-campus presence at INSEAD, both in Europe and Asia. Any enquiries can be emailed to INSEAD.recruiting@accenture.com

Source: Accenture

Insider scoop

'The strong hands-on approach to tasks and the easy accessibility of my colleagues, who readily help each other are some of the things I valued most at Accenture.'

Source: ex-Accenture INSEAD student July' 09

4.2 Arthur D. Little

Arthur D. Little is a global management consulting firm, with over 1,000 staff members and offices in 30 countries worldwide. It was founded in 1886 and is the world's first management consulting firm. It combines industry knowledge, functional experience and technology skills to help clients grow and create value. Together with their partners at Altran Technologies they have 17,000 professionals at their client's disposal.

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

Arthur D. Little was an important INSEAD employer in 2007 year and is a regular presence in the on-campus recruiting events.

Source: www.adlittle.com

4.3 A.T. Kearney

A.T. Kearney is one of the oldest management consulting firms. Since 1926, A.T. Kearney has been providing high-value management consulting services — that is 80 years filled with significant growth and geographic expansion, and long-term relationships with major companies across the globe.

In 1995, A.T. Kearney joined forces with EDS, a leader in global technology services. In 2006, A.T. Kearney once again became an independent, privately owned management consultancy, with 100 percent of the equity owned by officers in the firm. Today, the firm operates with 2,500 employees in 52 offices in 35 countries around the world.

Across all industries, in all geographies and within markets local and global, A.T. Kearney's collaborative approach is a time-proven one: to deliver tangible results. As one of the largest high-value management consulting firms in the world, it has a broad range of capabilities and expertise, offering a full spectrum of services from strategy to operations, business technology and enterprise services transformation.

Developing strategy, seeing it through to implementation and supporting it with business technology solutions is the unique specialty of A.T. Kearney. They know what makes businesses grow, and can deliver the results to make it happen.

Source: AT Kearney

Insider scoop

'AT Kearney's one main focus is its people, and the firm makes continues efforts to foster and develop talents. All of the project managers I worked with provided not only support for engagement tasks but also support for my career advancement.'

Source: ex-AT Kearney INSEAD student July'09

4.4 Bain & Company

Bain & Company is a top-tier consulting firm with 4,800 employees worldwide, working in 44 offices in 29 countries. Bain's largest region, Europe, recently opened offices in Helsinki, Copenhagen, Frankfurt, Kiev and Moscow to better serve their clients. Bain's business is helping to make companies more valuable. Bain's clients have historically outperformed the stock market by 4:1. Our people are our strongest asset. Bain is made up of exceptionally talented individuals with diverse backgrounds and interests. They are passionate about achieving results in all areas of life.

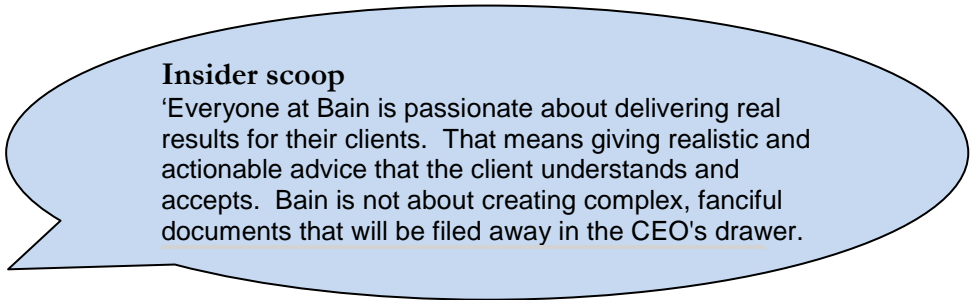
Bain was founded on the principle of "results, not reports." Since its founding in 1973, Bain has maintained a relentless focus on driving bottom-line impact for their clients. Bain measures their clients' results and clients choose them for that. Bain works with the world's leading corporations, private equity firms and nonprofit organizations. Bain is the global market leader in private equity consulting, maintaining powerful partnerships with nearly all the top private equity firms around the world. Bain consultants give back to their communities by serving many local non-profits through their pro bono work.

At Bain, we have broad and deep expertise across every economic sector and region of the world. We draw on this experience base to help clients produce exceptional results. We bring together perspectives from a wide range of industries, business models and capabilities. Many Bain consultants start as generalists and enjoy the opportunity to explore multiple industries and capabilities. Over time, the consultants build increasing expertise in one sector. Bain experts keep the firm's name in the news with many published articles, research papers and books. In 2008, Chairman Orit Gadiesh and Hugh MacArthur, leader of the firm's global private equity practice, co-authored *Memo to the CEO: Lessons from Private Equity Any Company Can Use*. The book asserts that the most successful private equity masters follow a basic set of disciplines any senior executive can use to achieve successful results in his/her company. Also in 2008, consultants Mark Gottfredson and Steve Shaubert wrote *Breakthrough Imperative*, which cracks the code on how the best business leaders get outstanding results from their organisations. *Decide & Deliver*, Bain's latest book, authored by Marcia Blenko, Michael Mankins and Paul Rogers, offers five practical steps to transform an organization into a decisive, nimble high-performer.

Bain has a tradition of pushing the boundaries of the consulting industry, particularly around results. They are known as the industry's innovator. Bain's confidence in delivering results resulted in their pioneering the practice of taking equity in lieu of fees—they prosper only if their clients prosper. Bain started Bain Capital to leverage their results capability and apply it as a principle investor. Bain's success translated into spinning off Bain Capital and pioneering private equity consulting. Bain's passion for local office pro bono work, environmental sustainability engagements and grassroots community service efforts illustrated that a 'Bain for nonprofits' could be a powerful lever for change. Today, Bain's affiliate, Bridgespan, is the largest nonprofit consulting organization with a blue chip list of clients.

For the eighth year in a row, Consulting Magazine ranked Bain as the #1 'Best Firm to Work For'. Bain also finished first in career development, culture, job experience and work/life balance. Bain also took the top spot in Vault Europe's 'Best Firm to Work For' in all three regions - Asia Pacific, Europe and North America. These rankings are based on consultants themselves describing what it is really like to work at their firms. The recognition hints that Bain consultants believe that they are not only best positioned to pursue career development and advancement, but that they like the work they do, the people they work with and the environment they work in.

Source: Bain



Insider scoop

'Everyone at Bain is passionate about delivering real results for their clients. That means giving realistic and actionable advice that the client understands and accepts. Bain is not about creating complex, fanciful documents that will be filed away in the CEO's drawer.'

Source: ex-Bain INSEAD student July'09

4.5 Booz & Company

Booz & Company is a leading global management consulting firm, helping the world's top businesses, governments, and other institutions to create and deliver essential advantage. With more than 3,300 people in 61 offices across more than 34 countries worldwide, we bring foresight and knowledge, deep functional expertise, and a practical approach to build capabilities and deliver real impact.

For nearly a century, they have helped their clients realize the essential advantage needed to survive, thrive, and win. In 2008, they separated operations from their U.S. Government consulting business, which retains the name Booz Allen Hamilton. The firm continues to work with businesses, governments, and organizations around the world, now under the name Booz & Company.

Booz & Company have been involved in some of the most celebrated business episodes of our day, including the dawn of the contract system for Hollywood movies, the merger of the National and American football leagues, the rescue of the Chrysler corporation from bankruptcy, and the creation of Deutsche Telekom from government agencies that had grown up on both sides of the Iron Curtain all involved Booz & Company assignments.

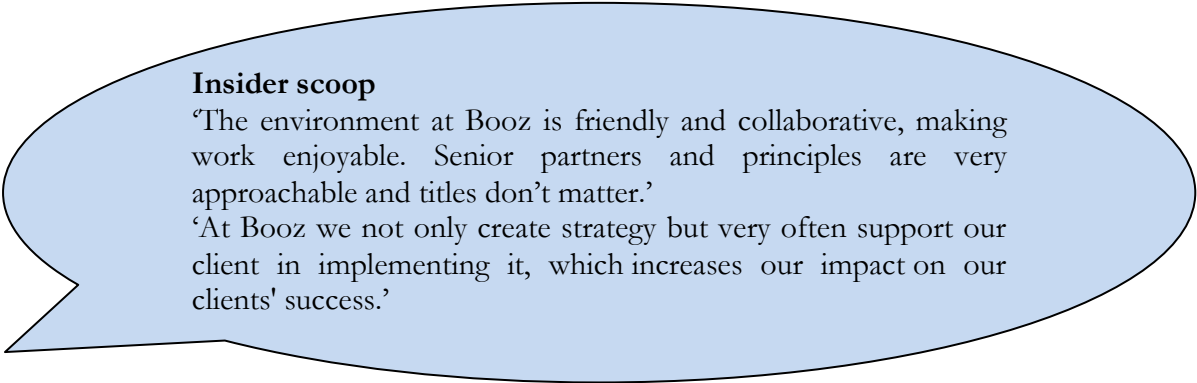
The firm's clients benefit from their experience in a wide array of sectors as well as from their diverse functional capabilities. Their experience in such diverse industries as aerospace and health allows them to handle the most profound and urgent challenges of our day. And their deep functional expertise, whether in organization and change, information technology, operations, or some other area, provides them with the knowledge to solve their clients' toughest problems while building their capabilities.

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

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

INSEAD has a strong reputation within Booz & Company. There are 100+ alumni registered on our alumni directory currently working for the firm, including several of the firm's Partners. They have indicated that Booz & Company has a strong focus on INSEAD as a recruiting target and have a dedicated INSEAD Recruiting team (composed mainly of INSEAD Alumni). Additionally, Booz & Company has been ranked as one of the top employers at INSEAD.

Source: Booz



Insider scoop

'The environment at Booz is friendly and collaborative, making work enjoyable. Senior partners and principles are very approachable and titles don't matter.'

'At Booz we not only create strategy but very often support our client in implementing it, which increases our impact on our clients' success.'

Source: ex-Booz INSEAD student July'09

4.6 The Boston Consulting Group (BCG)

BCG was founded in 1963 by Bruce D. Henderson. Since its inception, BCG has grown from Boston to a total of 70 offices in 41 countries and approximately 4,700 consulting staff. The core of BCG's work has been summarized as the "virtuous circle of insight, impact, and trust". It focuses on helping clients achieve sustainable competitive advantage.

In BCG's view, best practices, benchmarks and off-the-shelf tools are rarely sufficient to create lasting value. Instead, each assignment consists in working with the client towards a tailored solution, accounting for the unique set of opportunities and constraints of the specific situation/background. For a newly hired MBA holder, this in practice means having the satisfaction and excitement of helping a client break new ground: "I use BCG to see the unseen" as says one of its clients' CEO. The low consultants-to-partners ratio and continuous training programs stimulate the out-of-the-box thinking. Working closely with the client is a key factor to bring impact into projects, learn how to lead, and not just analyze.

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

BCG alumni believe that one of BCG's key differentiating factors is its people. Clients' surveys characterize BCGers as inspired by "refreshing consultant humility... the first to collaborate and deliver real change". 90% of BCG-business comes from repeat buyers.

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

BCG generally encourages young MBA graduates to start as generalists. Many of them start their consulting life – if they wish so - with projects in the industry of their pre-MBA job and have therefore the satisfaction to leverage their previous experience, while learning a brand new job. Typically 20% of BCG consultants serve on social projects across community, urban development, health/social services, nature and arts. In addition to regular Social Impact cases, BCG provides several other programs for employees to become involved in social impact work. A secondment program allows selected employees to work at one of BCG's partners in the social impact work for up to a year while remaining a BCG employee. A social impact leave-of-absence enables interested employees to leave BCG for several months up to a year to work at a social impact organization.

Consultants have opportunities to gain further international exposure, either by choosing to work on projects outside the home office, or by asking for a temporary (one to two years depending on the program), or definitive, transfer to another office. Generally, knowledge of the local language of the chosen BCG office is required.

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

BCG has traditionally been ranked as one of the top employers at INSEAD by the Universum Student Survey.

Source: BCG

Insider scoop

'I love the curiosity of the people working at BCG - they are happy to discuss any topic and express an original perspective. I don't know where else I would learn new things about international politics, the genetics of altitude sickness and the ethics of private equity investing in a single 20 minute coffee break.'

Source: ex-BCG INSEAD student July'09

4.7 L.E.K Consulting

L.E.K. Consulting specialises in strategy, transaction services and performance improvement consulting, advising the largest private and public sector organisations, private equity companies and smaller, more entrepreneurial businesses. The firm was founded in 1983 and employs over 900 staff in 20 offices across Europe, North America and Asia Pacific.

With a reputation for resolving the most complex commercial issues, L.E.K. helps business leaders consistently make better decisions, deliver improved business performance and create greater shareholder returns. The firm's approach is based firmly on rational deduction and in-depth analysis, combining a detailed examination of the facts with extensive sector experience to develop the best strategic options for its clients. Partners are fully engaged in the day-to-day case process, dedicating a large proportion of their time to client work and case team interaction.

This approach to consulting best suits those with well-rounded interests - individuals who are drawn to a wide range of strategic issues, who have a desire to learn on every engagement, and who possess a healthy scepticism of the status quo. L.E.K. prides itself on utilising the intellectual capital of all its staff, encouraging those at all levels to offer their ideas from day one.

A number of L.E.K. staff members across the world are INSEAD alumni, including 15 partners. According to one INSEAD Alumnus, L.E.K.'s people, the size of the firm, and the culture of client service and delivery is what distinguishes L.E.K. from other Consulting firms.

Source: LEK

4.8 Marakon Associates

Marakon is a high-end strategy and organisation consulting boutique. Since its founding in 1978, the firm has brought uniquely tailored and integrated advice to clients, backed by distinctive ideas, rigorous analytics, holistic thinking and domain experience. The practice has evolved over 30 years but maintained a high degree of integrity, objectivity and focus and has been described by Fortune magazine as “the best kept secret in consulting”.

Marakon works with the boards and senior management teams of highly ambitious multinationals as well as large and medium sized corporations to help them deliver superior results and accelerated value growth. Many of Marakon’s long-standing clients rank amongst the world's most respected companies. The business focused on the key aspects of helping companies achieve superior performance in both the near term and, importantly, over time. This is achieved through a holistic framework combining growth, return and risk with intrinsic value creation. There are two main business offerings that often work in tandem:

- Strategy development and implementation: a structured, highly disciplined and value-based approach to strategic decision-making and effective execution. Client work includes: Corporate and Business Unit strategy, portfolio management, organic growth and M&A, and strategic risk management
- Organisational effectiveness: improving the way that organisations are managed and make decisions to improve long-term performance. organisational Client work includes: design and governance, definition of purpose and objective function,, simplification, de-layering, and accountability, designing of key management processes

Marakon typically develops rich client relationships with the CEO and other members of the Board or Executive Committee, working on the issues that can move the needle in terms of their performance and long term value. Engagements are typically longer on average versus other consulting firms, as the firm believes that most value is added through longer term engagement and commitment. This coupled with the firm’s meritocratic approach to progression, offers consultants great opportunities to own significant parts of cracking the biggest issues for clients, as well as take on meaningful firm responsibilities.

Marakon a Charles River Associates company, works all over the globe with truly international teams based out of our offices in London, New York and Chicago. The small firm feel and culture means that everyone knows each other well and works very much as one firm. A comprehensive international training programme (recognised by clients as one of the best in the industry), as well as international engagements, give consultants plenty of opportunity to get to know people from other offices. There is also a strong emphasis on people development with structured development plans for each consultant.

Contact

Dustin Woodward: dwoodward@marakon.com

Source: www.marakon.com

4.9 McKinsey & Company

Founded in 1926 by James O. McKinsey, McKinsey has grown into a global partnership with over 8,000 consultants working in more than 90 offices in over 50 countries around the world. The global network makes McKinsey distinct. The collective expertise, talent, and experience of its members help deliver lasting impact to clients, provide employees with a wide array of choices, and create opportunities for exceptional professional and personal growth. McKinsey serves more than 70% of Fortune magazine's most admired companies. It serves governments in more than 35 countries and conducts over 150 pro bono engagements each year. Clients come to McKinsey for advice on their most critical issues – when they have major strategic, operational or organizational challenges.

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

McKinsey is very effective in concentrating the global knowledge and expertise on the topics of interest to their clients. It has also a loyal and important alumni community of 23,000-plus alumni. As an example, more than 150 McKinsey alumni have become CEOs of companies with more than one billion dollars in annual revenues and about 25% have founded their own business.

McKinsey is a non-hierarchical organization, where knowledge, insight and the quality of ideas trump seniority. It is a merit-based organization, where advancement and recognition is based on the merit of the individual's contribution. There are various training programs available and an ongoing, frequent feedback process to support people's development. The McKinsey Global Rotation Program, which consultants can join after 9 - 12 months, provides a unique global consulting experience, customized to consultants' interests and experience level, through a pair of 6- to 12-month rotations in two regions outside of the home region. With its worldwide presence and client portfolio of leading institutions McKinsey is uniquely positioned to deliver such a program.

McKinsey puts strong emphasis on developing its people into leaders - future leaders for the firm, and for the world. It has been recognized by Fortune Magazine for being a Top Company for Leaders as the only professional services firm in the top 25.

Often, men and women considering joining McKinsey wonder whether anyone works other than full-time and, if so, whether these individuals are successful at the firm. The fact is, McKinsey has been supporting flexible working arrangements, including a variety of part-time options, for more than 15 years. Since the firm started formally offering flexible programs in 1992, more than 900 consultants have spent time on part-time programs, with more than 40 of them having been elected partners while doing so.

McKinsey has long been INSEAD's largest recruiter and more than 100 partners and 480 consultants are INSEAD alumni. There is a dedicated recruiting team for INSEAD students, which centralizes all INSEAD recruiting activities on behalf of the global offices & practices. There is also a dedicated website for INSEAD students, which provides details on events, activities and the application process (www.mckinsey.com/INSEAD, general careers website www.mckinsey.com/careers and www.mckinsey.com/careers/women).

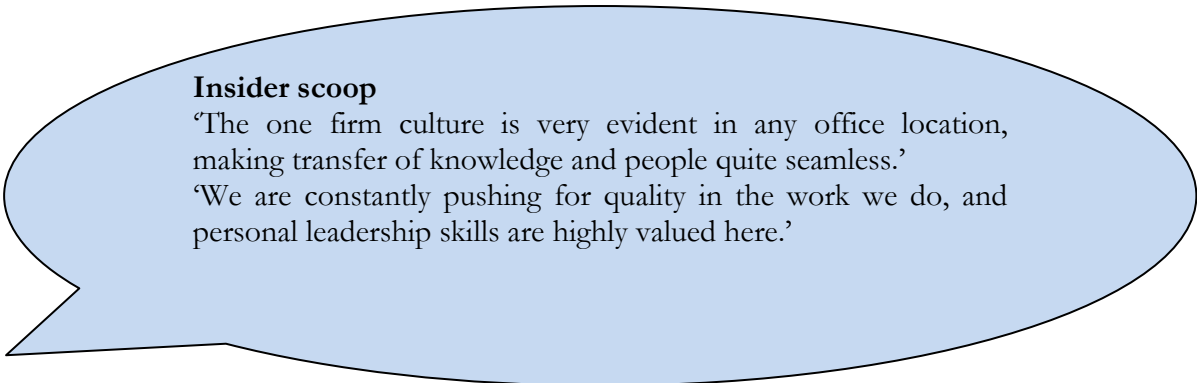
McKinsey typically recruits for generalist Associate positions, but also Associates for specific functional practices such as Business Technology, Marketing, Oil & Gas, Operations and Corporate Finance. In most offices, consultants are required to speak the local language. The majority of Associates work as "generalists" to explore multiple industries and functions, with growing seniority, specialization is a natural progression. Overall, the firm has a culture of "making your own McKinsey", enabling consultants to determine their own career path. McKinsey maintains this culture with its broad reach across industries, functions and geographies.

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

If you would like to explore if McKinsey is right for you, please take advantage of the events organized on campus for INSEAD students.

For further information, please contact Christina Gervais, senior recruiter at McKinsey responsible for INSEAD, at Christina_Gervais@mckinsey.com or +44 207 961 5075.

Source: Mckinsey



Insider scoop

'The one firm culture is very evident in any office location, making transfer of knowledge and people quite seamless.'

'We are constantly pushing for quality in the work we do, and personal leadership skills are highly valued here.'

Source: ex-McKinsey INSEAD student July'09

4.10 Oliver Wyman

Oliver Wyman combines deep industry knowledge with specialized expertise in strategy, operations, risk management, organizational transformation, and leadership development. The firm works with clients to deliver sustained shareholder value growth. We help managers to anticipate changes in customer priorities and the competitive environment, and then design their businesses, improve their operations and risk profile, and accelerate their organizational performance to seize the most attractive opportunities.

We have more than 35 years experience serving Global 1000 clients. Our 2,900 consultants operate from offices in more than 40 cities in 16 countries; it is truly a global firm, with frequent cross-location staffing. Oliver Wyman is among the 4 largest management consulting firms by revenue and is the fastest growing, with a compound annual growth rate of 22% (2003 to 2007).

Whether the challenge is to find new avenues of growth, optimize operations, improve the risk profile, or inspire the organization to act in different ways, clients have confidence that we will make a real impact on their top and bottom lines.

We bring a number of important advantages to client engagements:

- Specialized industry and functional expertise. From senior partners to junior consulting staff, our experts are dedicated to specific industries and functional areas. We know your business and tailor solutions accordingly.
- Rigorous, proven methodologies. Our strategy and operational improvement methodologies deliver outstanding results. We have the most robust framework for risk and financial management in the financial services industry. And through a blend of management and behavioral approaches, we give clients proven tools to transform organizational performance.
- Collaborative working style. We deliver results, not reports. To that end, we work side by side with clients to create and implement practical solutions.
- Agenda-setting research. Our professionals challenge conventional thinking. We continually invest in applied research through many books, our own suite of periodicals, and frequent contributions to leading business publications

Consultants describe the environment at Mercer as very relaxed, non hierarchical, and fun. INSEAD has a strong reputation within Oliver Wyman, who has consistently participated in on-campus recruiting.

Source: Oliver Wyman

4.11 Roland Berger Strategy Consultants

Founded in 1967, Roland Berger Strategy Consultants has grown to become one of the world's leading strategy consultancy firms. With 39 offices in 27 countries, Roland Berger operates successfully in the global market. In 2009, the 2,000 employees generated EUR 616 million in revenues. The strategy consultancy is an independent partnership, owned solely by its currently 180 Partners.

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

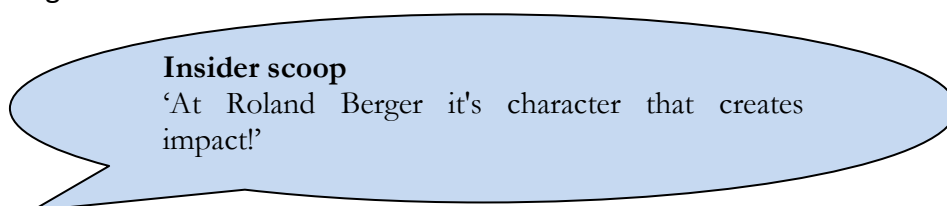
Roland Berger is based on global Competence Centers that are organized along functional and industry lines. This allows offering tailor-made solutions devised by interdisciplinary teams of experts drawn from different Competence Centers. Roland Berger's consulting advice boosts the value of their clients'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

The company's culture can be characterized by its three core values: excellence, entrepreneurship and partnership.. Working at Roland Berger will allow you to meet and work with smart but pragmatic and not arrogant people. The Roland Berger approach is based on the entrepreneurial character and individuality of the employees – also reflected in the company claim: "It's character that creates impact!" Your advancement at Roland Berger will be based on a meritocracy basis; even if the company does not apply an up-or-out policy and allows its employees to develop at their own pace. This experience will rapidly allow you to take responsibility in projects and be exposed to senior managers.

Roland Berger is currently recruiting for all its offices. Please note that the local language is a pre-requisite for the application to most offices. . The recruitment process will start on-campus with a first round of 2 interviews followed by 1 or 2 round(s) at your chosen office.

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

Source: Roland Berger



Source: ex-Roland Berger INSEAD student July'09

4.12 Others

Other consulting firms recruiting at INSEAD in 2009 are:

Corporate Value Associates

For more information visit: <http://www.corporate-value.com/index.asp>

Diamond Management & Technology Consultants, Inc.

For more information visit: <http://www.diamondconsultants.jobs/fit/careerpath.aspx>

Monitor Company

For more information visit: <http://www.monitor.com/tabid/151/Default.aspx>

OC&C Strategy Consultants

For more information visit: <http://www.occstrategy.com/>

PA Consulting

For more information visit: <http://www.paconsulting.com/Home>

PricewaterhouseCoopers

For more information visit: <http://www.pwc.com/>

PRTM

For more information visit: <http://www.prtm.com/>

RSM Robson Rhodes Consulting

For more information visit: http://www.emperordesign.co.uk/ourwork_272.asp

Spectrum Strategy Consultants

For more information visit: <http://www.spectrumstrategy.com/>

Strategic Decisions Group

For more information visit: <http://www.sdg.com/>

Theron Consulting

For more information visit: <http://www.pwc.com/>

XP Consulting

For more information visit: <http://www.consulting-xp.com/>

5. The Consulting job

5.1 Career development paths

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

TYPICAL CAREER PATH IN THE CONSULTING INDUSTRY

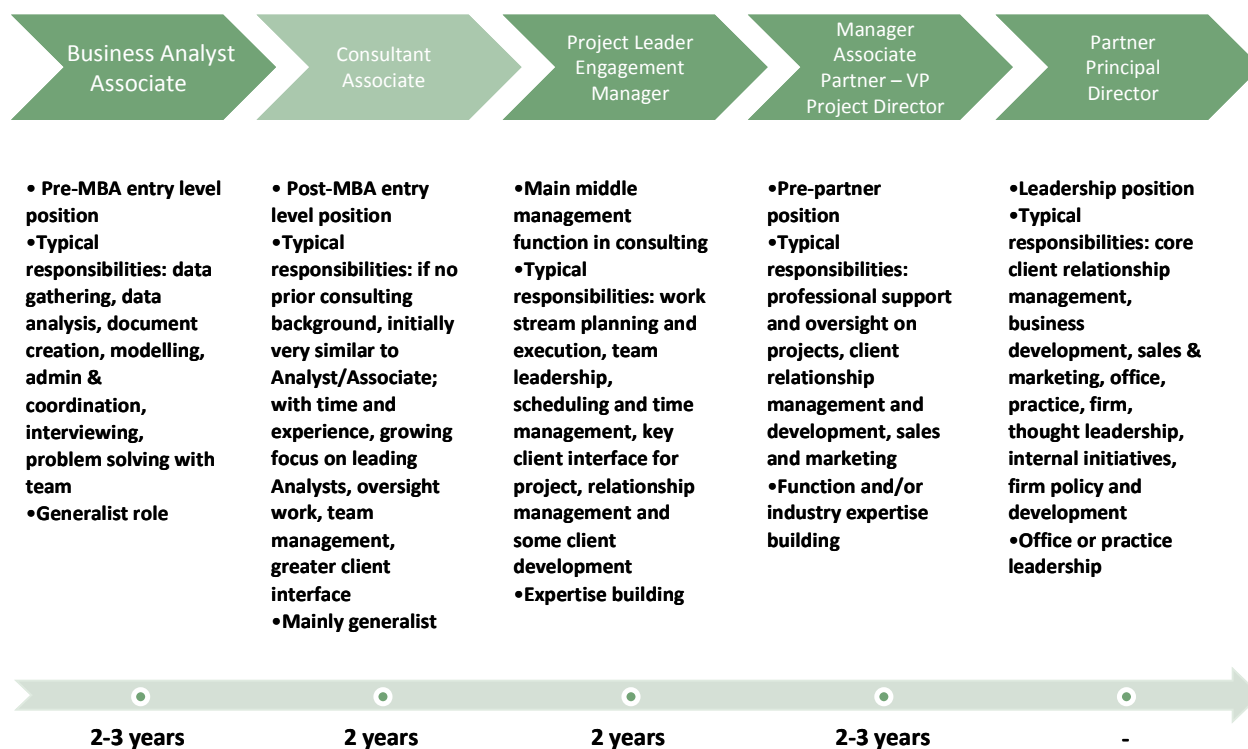


Figure 4: Typical career path in the Consulting industry

5.2 Processes: staffing, promotions, opportunities

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

Therefore, especially initially, you must manage your luck:

- Network - up, down and sideways
- Identify what interests you
- Consider your willingness for in-town / out-of-town engagements.

At the beginning of your career as a consultant:

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

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

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

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

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

The management consulting career has a very fast career track, as showed in figure 4. Average compensations in top consulting firms are above Industry, particularly after the first

years, and comparable to Investment Banking positions. The Consulting industry career is also quite stable, much less volatile than Finance positions. As a final point, bonuses recovered after the 2001-2002 economical downturn and are significant, especially after reaching Project Leader/ Manager positions and onwards.

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

5.3 The everyday work – key tasks

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

Information gathering

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

Problem-solving

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

Quantitative analyses

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

Team management

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

Process management

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

Client presentation

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

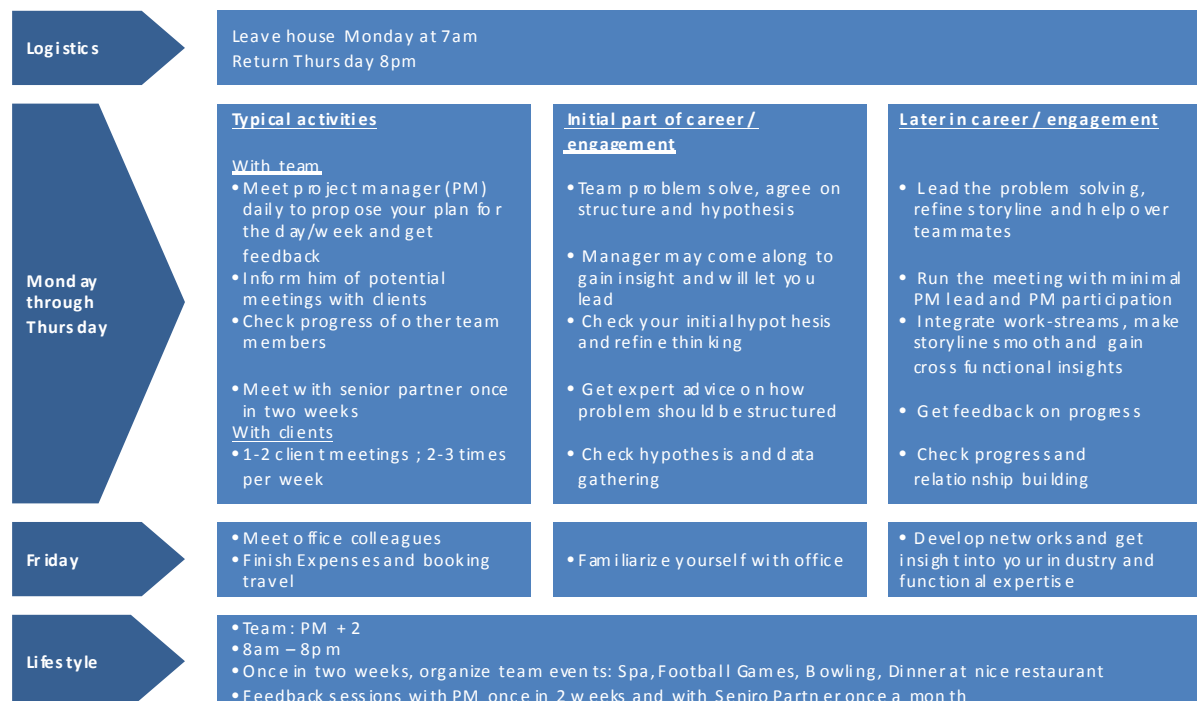
Client relationship management

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

Source: INSEAD Alumni

5.4 A week in the life of a Consultant

A WEEK IN THE LIFE OF A CONSULTANT IN A TYPICAL OUT OF TOWN ENGAGEMENT



Source: July '09 student currently with McKinsey

6. Networking with Consulting firms - Why and how?

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

Informational interviews are useful to

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

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

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

6.1 Tips for informational interviews

Contacting people to interview

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

Preparing for the interview

- To make best use of your interview time, know in advance what questions you are going to ask. Examples of questions:
 - What is a week on this job really like?
 - What do you like about your job? What do you dislike about it?
 - Is your job typical of others in this field / for this company?
 - What is the corporate culture like at the company, and at the particular office?
 - Which firms do you think are your toughest competitors in your local market, and how do they differ from your company?

- How do you stay current in your knowledge?
- What kind of experience or training is required?
- What are employers looking for (in terms of skills, education and experience)?
- What is the potential for advancement?
- What are current job prospects like?

Conducting the interview

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

Following up

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

7. Cover letter and CV preparation

7.1 Goal of your cover letter and CV

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

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

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

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

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

Key skills to focus on are:

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

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

Leadership and impact

- Track record, advancement path, development curve
- Increasing responsibilities over time, number of people managed
- Unusual/outstanding responsibilities and challenges
- Results and achievements – preferably concrete quantifiable impact (\$\$\$, time etc.)

Quantitative skills

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

Analytics and problem solving

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

Communication

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

Teamwork

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

7.2 Tips for cover letters and CVs

Cover letter

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

CV

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

7.3 Sample cover letters

Sample cover letter 1

INSEAD
Boulevard Constance
77305 Fontainebleau
France

INSEAD Recruiting Manager

Company Name

Dear Name,

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

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

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

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

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

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

Sincerely Yours,

Name

Sample cover letter 2

Dear Sir or Madam,

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

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

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

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

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

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

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

Sincerely Yours,
Name

Sample cover letter 3

Dear Name,

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

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

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

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

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

Yours truly,
Name

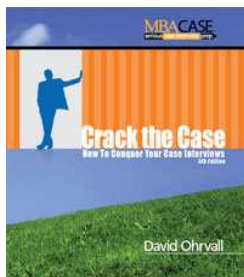
8. Other resources

Although both volumes of the ICC Book give you an exhaustive overview of the consulting industry, provide you key insights on the interview process in general and gets you started in practicing case interviews, it is very important that student go beyond these references to improve skills in solving cases.

On average, a student should go through 50 cases on average to be well prepared to the case interview. Whether this statement is true or not, one thing is certain which is that practice make perfect. So below, you will find a list of the most reliable resources on the market, most of which are found in INSEAD's Doriot Library.

Crack the Case by David Ohrvall

Mr. Ohrvall is considered the guru of case interviews and provides a very interesting approach to cracking the case using his own methodology. Included in this book are 10 detailed cases with thorough solution and analysis.



For more information about the book or the author, you can visit his website at: <http://www.mbacase.com/default.aspx>

WetFeet Editions

WetFeet provides five case books with some 12 cases in each. (On career Services Website) This collection of books is a very important practice source since it provides around 60 well designed, tough and challenging cases.



Ace Your Case: Consulting Interviews
Ace Your Case II: Mastering the Case Interview
Ace Your Case III: Market-Sizing Questions

Ace Your Case IV: Business Strategy Questions
Ace Your Case V: Business Operations Questions

Also you will find a collection of books about consulting.

25 Top Consulting Firms
Careers in Management Consulting



Finally, WetFeet provides detailed information on each consulting firm.

Vault Guides

Vault is the most famous interview and career resource in academic circles. For the consulting interview, three main books are available and should be used to complement the other two resources. (On Career Services Website)

The case interview book will give you an overview of the methodology used to solve consulting case interview along three levels of frameworks (the most advanced pointing to frameworks such as Porter's Five Forces, the Four Cs etc.)



Other Books

There are other books in the library available to the students to prepare for the case interview. Another famous book is the Case in Point book.

Other ICC Resources

These resources should be provided to you by the ICC board. Please refer to them in case you don't have access to these resources.

Collection of cases

Presentations of consulting firms on campus, other consulting books

9. The consulting interview process

9.1 Case & Fit interviews- what is being tested?

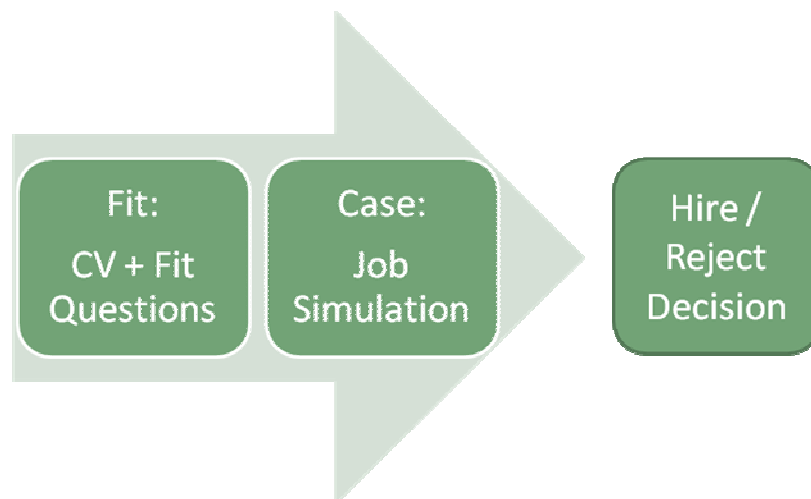
For getting a consulting job, applicants will have to make their way through multiple interviews.

The first round is generally organized on campus: applicants will have two 1 hour interviews with Associates/ Project Leaders.

The second round is often at the offices you are applying to, with more senior people.

During an interview you can face three different exercises:

- Questions on your CV, your story (Why consulting?)
- Questions testing your fit with the company culture on teamwork, leadership etc. (why firm xxx?)
- Case interview – a job simulation



You have to be prepared for all three sections of the interview; they are all crucial and very important for getting a job into a consulting firm.

What are consulting companies looking for during an interview

Leadership and Impact	Teamwork	Communication	Problem Solving	Quantitative skills
<ul style="list-style-type: none"> • Ability to lead teams • « Make it happen » • Personal initiative • Entrepreneurship • « can do » attitude 	<ul style="list-style-type: none"> • Build on other's people ideas • Manage information flows • Willingness to follow when appropriate 	<ul style="list-style-type: none"> • Ability to convince • Understanding • Comfort with ambiguity • Empathy • Presence 	<ul style="list-style-type: none"> • Business sense • Ability to structure complex business issues • Analysis and synthesis capabilities • Creative thinking 	<ul style="list-style-type: none"> • Comfort with numbers • Ability to simplify complex calculations • Confronting numbers with reality/business sense

Figure 5: Five key dimensions for evaluating consulting interviews

Source: BCG

What do the interviewers tend to evaluate?

Structure:

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

Quantitative/analytical ability:

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

Issues/Prioritizations:

- Does the candidate quickly identify a list of issues that are most relevant to the business problem?
- Can she prioritize/organize the issues or is it more like a laundry list?

Energy/Presence:

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

For the fit interview, the firms have their own needs, according to the different cultures:

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

Bain & Company:

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

Booz & Co:

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

Boston Consulting Group:

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

McKinsey & Company:

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

9.2 Case interview overview

During case interviews consultancies watch precisely how candidates analyze, structure and solve business problems. Case interviews are in fact an excellent indicator of how good you will be as a consultant, both in terms of your problem-solving skills and your personality.

Main problem solving skills:

- Analyze a problem with structure
- Recognize critical issues
- Gather, select and organize information
- Formulize and test hypothesis (very important!)
- Think creatively
- Have business and common sense

Candidates will face a typical business problem, giving them an insight of the consulting job. Management consultants are problem solvers, thus case interviews test mainly problem solving skills. However, during a case interview, consultancies will also evaluate your quantitative, communication and teamwork skills; your own energy, flexibility and personal human maturity. Finally, the interviewer will look if you have enjoyed the case preparation and interview. If you did so, you will most likely enjoy the problem solving in your job as a consultant.

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

9.3 How to prepare for the case interviews?

Practice!

And start practicing early. Most students don't ace cases naturally. You don't have to do all the cases you can find but the process is much easier if you have done a couple of them before interviews are scheduled.

Preparation tips

- Do research on the firm (Peers, Internet, database resources in library)
- Do online case simulations available on the consultancies' websites
- Practice with your peers in mock interviews
- Read the financial newspapers. Look for new ideas in HBR and in corporate papers depending on which company you target (the McKinsey Quarterly, Booz strategy + business, etc...).
- Remind yourself of your High School and GMAT Math. You are expected to make quick calculations on paper or in your head. Consultants love back-of-the-envelope calculations

General interview tips

- Be prepared
- Demonstrate that you did your homework
- Don't hesitate to quote your personal readings, or to compare business problems with your previous experiences
- Have a point of view
- Clearly voice your opinion and be prepared to defend your point of view with a couple of good arguments
- Practice answering behavioral questions
- Listen to the questions asked by the interviewer, they might contain some hints
- Identify your high priority employer and try to interview with him last
- Use the interview to find out if you really want to work for the company

Case interview tips

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

9.4 Types of cases

Business case

A business case is an analysis of a broad business problem. You are expected to analyze the problem and to formulate recommendations. Most of the time, the case will be presented without written information. Interviews include sometimes written information such as complete cases (Monitor), printed charts or graphs.

Some cases include no information at all on the business considered in the case. You will then have to make reasonable assumptions.

The business cases are as different as the consultants' engagements. A good preparation to the case interview won't consist in learning the typical problems and usual frameworks for solving it. You should focus on developing a sensibility to general business problems and develop their own structured methodology to solve them. This is the best way to do well while being under pressure and stress. You could even build your own business cases based on previous experience or on newspaper articles.

However, most of the business cases faced by MBA students belong to one of the following families:

- Profitability
- Market entry
- Launch of a new product
- Competitive response
- Reaction to a change in a market
- Mergers and Acquisitions
- Market sizing

A consultant deals on a daily basis with numbers – may it be for evaluating the impact of the project he is working on or for conducting an industry analysis. With market sizing cases, consultancies test your quantitative skills. The candidate has to estimate an unknown amount, showing logical thinking and making reasonable assumptions. Such cases are rare at MBA-entry level but are regularly integrated in a business case.

Ex: How many ties are being sold in Brazil every year? How many golf balls in Japan?
Make assumptions and be sure to argue them well! A good exercise for backing up your arguments in general

Brainteaser

Brainteasers problem are often questions that you have never asked yourself before. Brainteaser interviews tests your creativity, ability to structure an uncommon problem and to break it into component parts.

Ex:

Why are manhole covers round?

How do you think M&M's are being manufactured?

Why are our watches showing the time in the clockwise rotation and not counter-clockwise?

These are seldom used in consulting interview, as it does not really test your analytical capabilities. Nevertheless, you can easily prepare to the most important ones with the standard case interview books.

9.5 How to ace a case?

Don't forget it's all about structural and logical thinking. Here is a common interview approach that should allow you to address the business cases with serenity.

Understand

Listen carefully to the situation

The interviewer will first introduce the case to you by giving information on the industry, the business situation and some initial information. Some cases are deliberately left with little information to see how candidates will deal with initial ambiguity. Make sure you listen very carefully, take some notes with a pen and paper. Your interviewer won't appreciate to have to repeat information.

Firmly establish your understanding of the case

You may want to verbally paraphrase the situation to show you have a firm understanding of the case.

Ask the first clarifying questions

You should here make sure you have all the information you need to successfully structure the problem. Are there any additional constraints? Do you have the big picture of the problem?

Structure

Take time to evaluate the problem

Candidates may ask for a short time, about a minute, to think about the problem. This can help you to get rid of your stress if you feel you are not ready to structure the case.

Give a roadmap to your interviewer

This is the main part of the case interview. You should develop an approach to solve the problem. Very often you will divide it into sub-problems. Successful candidates focus on critical issues, use classical frameworks as well as their own creativity. Write your roadmap on a piece of paper in front of you to make sure you don't forget it throughout the case. Your interviewer can give you feedbacks, pay attention to them but don't let him solve the case for you. While explaining this roadmap, prioritize the issues you want to address and to identify key information you need.

Analyze

Ask focused questions

Here is the time to gather the information you need to analyze the sub-problems you have just defined. Make sure you don't forget the big picture of the problem. If you think the information is not worth a question, make an assumption and check it with the interviewer.

Evaluate the situation

Now that you have the information you need, analyze the sub-problems you have defined. Think aloud and show your logical thinking. Compare the importance of each sub-problem; evaluate their impact using, for example, back-of-the-envelope calculations. You should be very careful while evaluating all alternatives, don't focus on the first solution you will find. An efficient approach is to analyze the sub-problems using a '**hypothesis driven approach**'. If you feel confident enough with the business case, try to prioritize the sub-problems by guessing their relative importance and start with the most relevant ones. It's very beneficial, if not crucial, to formulate a couple of hypothesis early on. This is the consultant's bread and butter.

Conclude

Give to your interviewer a brief overview of the alternatives you have analyzed and which actions you recommend. Explain clearly the reasons that push you to prioritize certain alternatives. Remain focused and pragmatic: consultants don't like academic minds.

Additional advice:

- Don't forget there is no "right" way of solving a case. The interviewer will focus on your analytic and structured approach to the problem rather than the solution itself or specific business knowledge
- Hone the problem on the most important issues, instead obsessing over the details
- You should interact with the interviewer; the interview is a dialogue, not a monologue
- Pace yourself, don't rush to conclusions, but watch at the time.
- Most important, relax and have fun... and show your passion and enthusiasm for the job. Your interviewer will probably conduct several interviews on the same day. Make sure he is enjoying the interview as well.

9.6 Using a Framework

Classical business cases

Consultancies use sometimes classical business cases. You will find here useful frameworks to analyse them. Using these frameworks can help you feeling secure while you are analyzing. Don't forget frameworks remain tools at your disposal and should be used only if they are relevant in the case you are facing.

Profitability

These cases are about companies willing to increase their profitability, and you are asked about how to achieve it.

Start with the following formulas:

Profits = Revenues – Costs

Profits = Price*Volume – Fixed costs – Variable costs

Profits = Unit contribution margin*Volume – Fixed costs

Explore the following potential causes:

Price

Market competition market power vs. price taker

Product differentiation generic strategies

Price discrimination selling products at customers' valuation

Volume

External factors/demand substitutes/complements, competition...

Internal factors/supply distribution, capacity, supply chain...

Growth strategies new customers, new products possibilities

Fixed costs vs. variable costs

Evaluate the weight of the fixed costs in the industry

Short run vs. long run costs

Benchmarking with competitors

COGS vs. SG&A

Market entry

In this case you face a company which plan to enter a new market. You will have to evaluate activeness of the market for this company. It's time to open again your strategy and marketing books and/or use some of the following steps:

- Industry value chain
- Market: size, profitability, costs structure
- Legal regulations

- Risks/opportunities; BCG growth/share matrix
- Competitive pressure: Identify competitors (Analysis with SWOT), market share, concentration, barrier to entry, reaction to entry, Porter's 5 forces
- Customers needs: segmentation, marketing plan
- Ability of the company to be successful: core competencies, investments
- Complements
- Blue ocean opportunities

Launch of a new product

In this situation the frameworks of the market entry may be useful, however further frameworks can be helpful:

Marketing-mix
 BCG Matrix
 Core competencies
 Break even analysis

Competitive response

In such cases, the interviewee has to advice a company following a change of the competitive landscape:

4 C's: customer, competition, costs, capabilities
 Core competences
 SWOT
 ABC Analysis

Mergers and Acquisitions

Here you will have to evaluate the positive effects – or synergies of different merger or acquisition scenario:

5 C's: character, capacity, capital, conditions, competitive advantage
 Value of targeted companies: actual value + potential optimizations + potential synergies

 Value chain

Other useful frameworks:

Strategic tools

Industry analysis: Industry value chain, market size and growth, competitive pressures (Porter's 5 forces)

The 3 C's: Customers, Competitors, Capabilities

The marketing mix (or 4 P's): Product, Price, Place, Promotion

SWOT Analysis: Strengths, Weaknesses, Opportunities, Threats

BCG Growth/Share matrix

BCG matrix		Market share	
		High	Low
Industry growth rate	High	Star	?
	Low	Cash Cows	Dogs

Product/Market expansion matrix

Product/Market Expansion		Products	
		Current	New
Markets	Current	Market Penetration	Product Extension
	New	Market Development	Diversification

Product/Technology life cycle: Introduction, Growth, Maturity, Decline

Synergies analysis

Synergies can come from:

- Price Increase market power and higher pricing opportunities
- Costs Paying the fixed costs over a higher production level
- Demand Increasing sales though higher brand recognition
- Supply Value chain improvements, increase capacity utilization of plants
- Others Increase international presence

Porter generic strategies

<u>Generic Strategies</u>		Costs	
		Low	High
Market Scope	Broad	Cost Leadership	Differentiation
	Narrow	Segmentation	

Operations tools

Lessons from “The Goal”: throughput, inventory, and operational expense

Learning curve: the more a company produces, the cheapest it can produce it through lower costs, higher quality, and more effective pricing and marketing. The firm with the largest market share should have the lowest per unit cost.

Supply chain analysis through costs, quality, delivery (speed, reliability), flexibility

Just-in-time production / lean manufacturing vs. Division of work

Push vs. Pull manufacturing

Economics tools

NPV

Cost driver analysis

10. Case examples

10.1 Discount retailer case (BCG)

Step 1: Actively listen to the case

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

Step 2: Establish understanding of the case

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

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

Step 3: Set up the framework

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

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

Step 4: Evaluate the case using the framework

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

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

Do CanadaCo and the competition sell a similar product mix?

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

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

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

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

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

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

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

Is that because it has bigger stores?

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

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

It's your job to figure that out!

Is CanadaCo better managed than the competition?

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

How so?

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

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

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

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

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

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

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

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

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

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

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

So it probably has lower prices.

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

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

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

How did USCo get so much bigger than the competition?

It started by building superstores in rural markets served mainly by mom-and-pop stores and small discount retailers. USCo bet that people would be willing to buy from it, and it was

right. As it grew and developed more clout with suppliers, it began to buy out other discount retailers and convert their stores to the USCo format.

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

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

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

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

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

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

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

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

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

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

How much volume does CanadaCo actually sell?

About \$750 million worth of goods annually.

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

Can you be more specific?

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

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

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

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

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

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

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

I would agree with that conclusion.

Step 5: Summarize and make recommendations

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

Can you suggest possible strategies for CanadaCo?

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

Anything else?

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

What might be a potential problem with that?

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

Any other suggestions?

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

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

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

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

Additional Case Questions

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

1. A German luxury car manufacturer is interested in entering the sport-utility vehicle market (for example, Jeep Cherokee) after noticing that the market has grown dramatically worldwide in the past two years. How would you advise the manufacturer? What does it need to know before making an entry decision? If it chooses to enter, what might a viable strategy be?

2. A North American manufacturer/retailer of high-end glassware experienced a dramatic decline in same-store sales at its retail outlets last year. How would you begin to assess the reasons for the decline? Using your analysis as a basis, what strategy would you recommend for the manufacturer?

3. A large public utility formerly had a monopoly in the British electricity market. Now that the market has been deregulated, small power-generation companies have already captured a five percent share from the utility by offering to provide large businesses in the U.K. with their own in-house power-generation capabilities. The CEO of the utility wants to understand whether this trend will continue and how she can prevent further loss of share. How would you answer her question?

4. A U.S.-based pharmaceutical company that focuses on discovering, developing, and selling drugs for the treatment of cancer has been experiencing flat growth and is interested in expanding into new businesses. In view of the growth and profitability of stand-alone cancer treatment centers in the U.S., the company is considering establishing and operating similar centers in China. This would be the company's first foray into the cancer treatment center business. How would you evaluate the attractiveness of the opportunity?

5. The Swiss Ski Association has been petitioned by an international snowboarding club to permit snowboarding on the ski slopes within its jurisdiction. (Assume that the association currently forbids snowboarding on all Swiss ski slopes.) If the association is interested in maximizing profits, how should it respond to the petition? What factors would the answer depend upon?

10.2 Medical software industry case (BCG)

Step 1: Actively listen to the case

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

Step 2: Establish your understanding of the case

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

That is correct.

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

Sure, that would be fine.

Step 3: Set up the framework

I would suggest using the following framework: First, I'd want to understand the market size and growth rates for MedCount's market and related software markets. Next, I would like to explore the competition and their market shares. Third, I would like to examine customer

requirements and then, given those external conditions, look at the division's capabilities to understand how well prepared it is to meet the needs of the marketplace.

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

Step 4: Evaluate the case using the framework

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

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

What do those systems do?

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Administration Systems	Sales (\$M)	Growth (%)
MedCount	700	4%
HCS Software Systems	100	7%
Morningside Software	80	3%
Admin Systems Solutions	70	2%
HTI Software	50	15%
Patient Administration	Sales (\$M)	Growth (%)
HTI	300	5%
Registration Software Solutions	240	4%
Signup Software	60	3%
HCS Software Systems	30	16%
Patient Software	20	-1%
Physician Support	Sales (\$M)	Growth (%)
HCS Software Systems	150	16%
Physician Support Systems	100	11%
Medical Technology Inc	25	18%
HTI	20	32%
MedSys	5	15%

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

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

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

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

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

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

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

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

Good observation.

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

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

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

That would make sense.

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

How might you find that out?

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

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

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

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

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

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

Interesting. How did HTI perform?

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

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

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

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

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

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

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

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

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

Step 5: Summarize and make recommendations

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

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

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

How would you recommend proceeding?

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

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

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

Those are very interesting conclusions. Thank you.

10.3 Jet fighter manufacturing case (BCG)

Step 1: Actively listen to the case

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

Step 1: Establish understanding of the case

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

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

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

Sure, please do so.

Step 2: Set up the framework

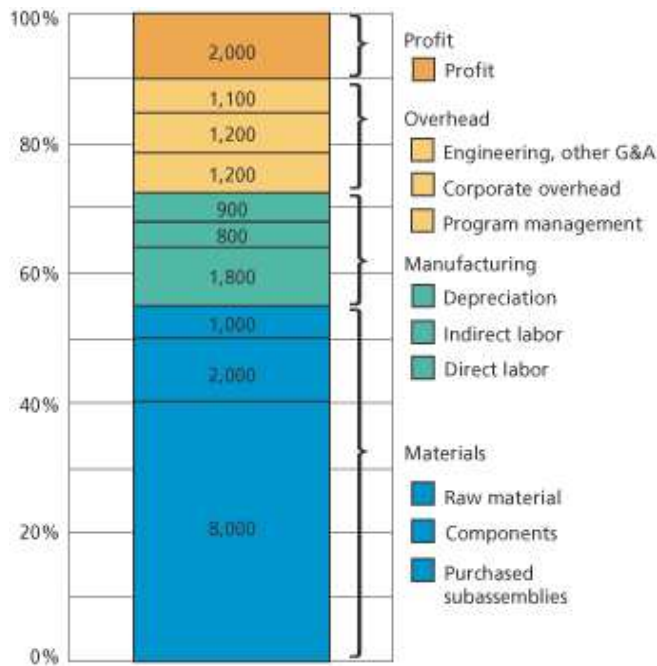
First, I would like to understand the cost structure of the jet to see what we should look at first. Next, I would like to look at major factors driving the costs we are targeting. Finally, I would like to explore potential ideas to reduce cost.

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

Step 3: Evaluate the case using the framework

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

How could you find that out?

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

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

If the cost of subassemblies represents 40 percent of the jet cost and 70 percent of that is purchased materials, total purchased materials would be approximately 28 percent of the cost for subassemblies. Purchases of raw materials and components represent another 15 percent, for a total of around 43 percent of the cost of the jet. If our client could reduce the cost of raw materials by 20 percent, it could reduce the cost of the jet by more than 8 percent, more than enough to offset the 5 percent reduction it would need to win the contract.

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

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

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

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

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

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

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

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

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

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

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

Step 5: Summarize and make recommendations

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

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

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

Where else could you look for savings?

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

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

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

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

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

10.4 Gas retail case (BCG)

Client

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

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

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

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

Situation

Concretely, the market's deregulation means

The end of the monopoly for the gas sales; the arrival of new competitors

The preservation of the monopoly on transportation, but under the surveillance of an independent authority that guarantees equal access to all competitors

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

Today, company market share is 100%

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

Client's question

About the gas sale activity that will be opened to competition

What will be the level of competitive intensity at opening?

What actors are likely to become my competitors?

Evaluate the case

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

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

What are the rules of the game/key success factors (access to suppliers, customer intimacy, cost advantages, branding ...)?

How are other players positioned to enter the market?

What are their competitive advantages thanks to synergies with other activities (electricity, services ...)?

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

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

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

Households: network penetration, share of gas vs. other energies; consumption of gas/household (climate, isolation ...)

Firms: same as households, plus industry growth, productivity, competitiveness with other energy forms

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

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

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

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

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

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

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

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

Gas is sourced at comparable prices

Infrastructure prices are identical for all competitors

New entrants have to invest rather more in marketing

New entrants are not expected to have a productivity lever and only have a small pricing lever.

I would have to check these assumptions.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Channel diffusion/delivery costs

Margins from other services can cover production risk

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

Client back-offices could combine gas and electricity sales

Brand and client acquisition

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

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

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

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

10.5 Consumer ADSL services cases (BCG)

The situation is as follows:

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

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

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

- MDF access tariff is EUR 12 per line per month, set by the regulator

- Required investments for the ADSL equipment is EUR 120,000 per location, depreciation period of 5 years. For simplicity reasons we assume linear depreciation with no interest costs. In total, there are 250 locations where ADSL equipment could be installed, covering all households in Norway

- Internet uplink capacity is commercially available. Depending on the required end-user speed, costs are on average EUR 2 per end-user per month

- For simplicity reasons, we assume that the consumer ADSL modem is client-owned.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

10.6 Call center case (BCG)

The case interview

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

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

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

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

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

Caused by supply

Lack of call center agents (by sickness, by poor planning)

Poor organization of the call center (unstructured call-diverting)

Caused by technical difficulties

Calls are not transferred to the centralized call center

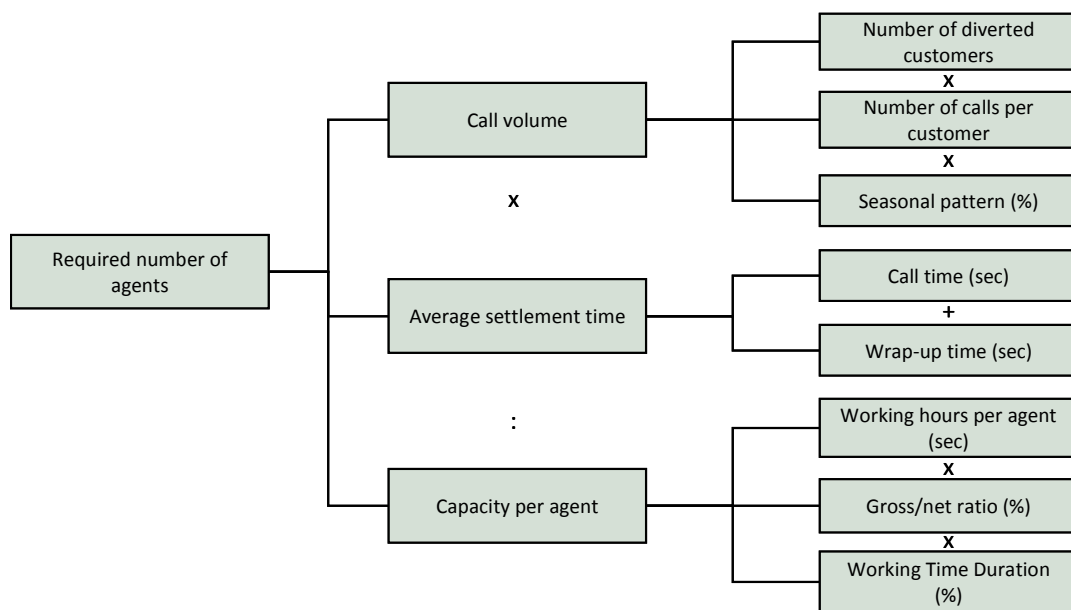
Caused by demand

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

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

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

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



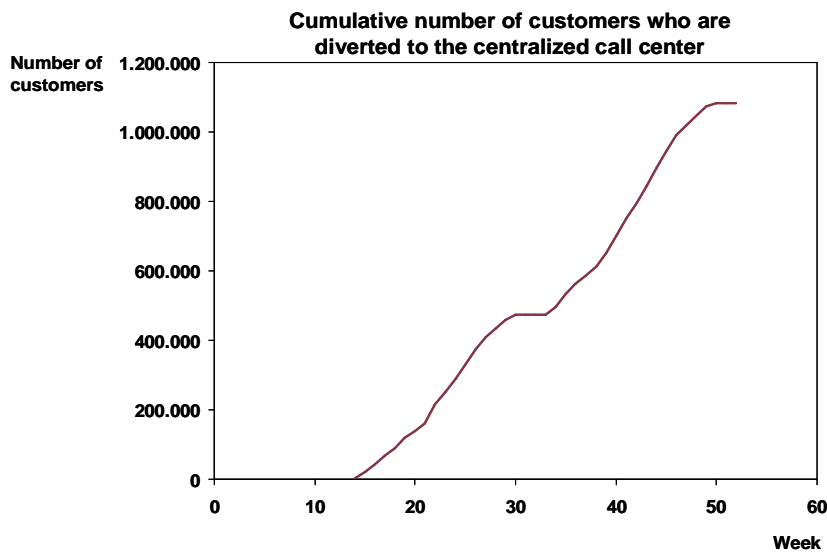
This answer first divides the required number of agents in volume of calls, average time spent on a call and capacity per agent. The next step would be to divide these three main parts into smaller parts. For the volume of calls, the first important driver is the amount of diverted customers. Furthermore,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

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

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

I: How many agents are required in week 20?

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



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

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

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

The last driver is the capacity per agent. The candidate can assume that the number of hours an agent works is 40 per week. To determine the gross/net ratio, the candidate could ask the interviewer, though he/she could also easily make an assumption on own experience: "I assume that of the 8 hours worked in a day, approximately 1.5 hour is lost to lunch and other breaks. This makes the gross/net ratio $\sim 80\%$ ($(8-1.5)/8 = 81\%$). The last number to figure out is the working time duration, this is a hard number to guess without knowledge of call centers, but the candidate could still give it a try. The candidate should then ask the interviewer if the assumption is more or less right. From experience, the number is $\sim 50\%$. This gives the capacity of an agent per week: $40 * 80\% * 50\% = 16 \text{ hours per week}$.

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

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

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

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

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

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

On the first lever:

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

A possible solution to the second lever is:

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

For the third lever, a possible solution would be:

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

10.7 Supermarket deli turnaround case (BCG)

Questions and Facts

1. Client's deli financials

See Exhibit 1

2. Overall industry/ customers

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

3. Competitors

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

4. Client's product mix and recent events

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

5. Info on new products

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

6. Financials of new products

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

See Exhibit 2.

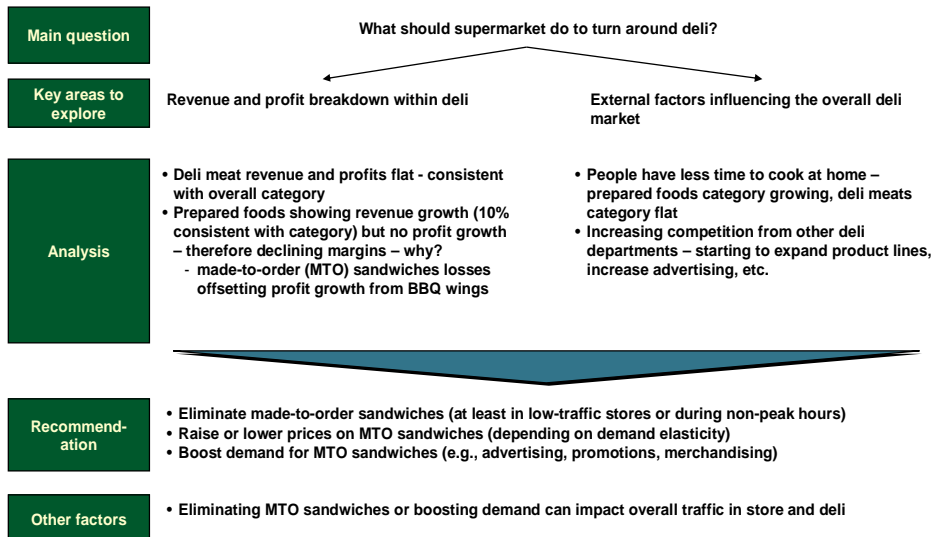
		SUPERMARKET DELI TURNAROUND		
		Exhibit 1		
		\$M		
		2002	2003	2004
Deli meats	Revenues	260	255	260
	COGS	160	155	160
Prepared foods	Revenues	360	400	440
	COGS	190	230	270
Overall	Revenues	620	655	700
	COGS	350	385	430
	Gross margin	270	270	270

SUPERMARKET DELI TURNAROUND Exhibit 2

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

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

SUPERMARKET DELI TURNAROUND Sample Approach



Framework and Analysis

There are three main questions asked to the candidate:

Which part of the business is responsible for the lack of profit growth – deli meats, prepared foods, or both?

Is the lack of profit growth caused by flat revenues, increasing costs, or both?

What is causing the flat revenues or increasing costs (and what should the client do)?

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

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

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

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

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

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

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

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

10.8 China outsourcing case (BCG)

Problem set-up

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

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

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

Question and Facts

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

1. Freezer bags

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

2. Plastic plates and utensils

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

3. Specialty plates and utensils

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

4. Current client production capabilities

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

5. Chinese production options

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

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

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

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

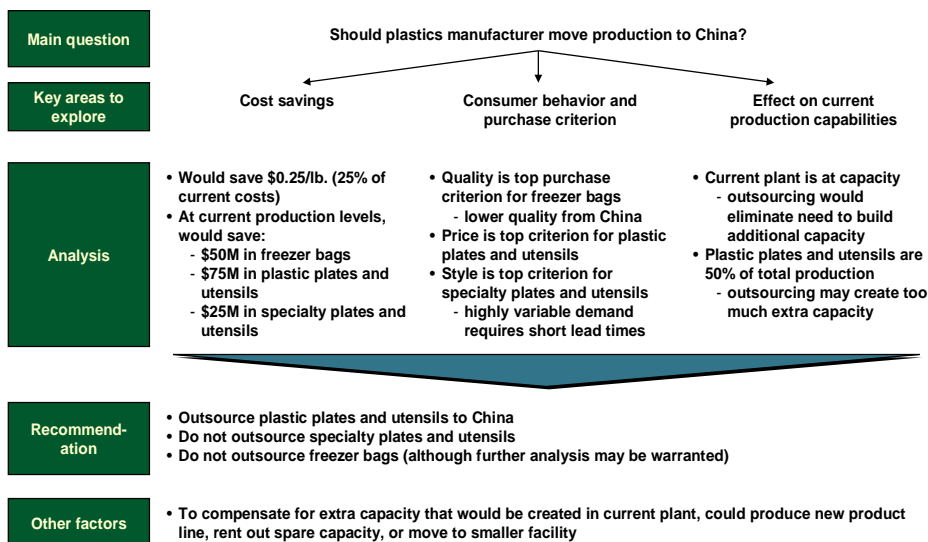
6. Chinese market, current client presence

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

CHINA OUTSOURCING OPPORTUNITY Exhibit 1

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

CHINA OUTSOURCING OPPORTUNITY Sample Approach



Framework and Analysis

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

There are three main questions asked to the candidate:

How much cheaper is producing in China?

What do consumers value and how would outsourcing affect those criteria?

What are the client's current production capabilities and how would outsourcing part/all of their production affect the remainder?

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

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

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

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

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

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

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

10.9 Specialty paper sales case (BCG)

Problem set-up

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

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

GROWING SPECIALTY PAPER SALES Questions and Facts (I)

Topic	Information
Supply chain	<div style="text-align: center;"> </div> <ul style="list-style-type: none"> • Rolls of paper • Adhesive • Non-stick liner <ul style="list-style-type: none"> • Adhesive and liner applied to rolls <ul style="list-style-type: none"> • Rolls of layered paper cut into sheets <ul style="list-style-type: none"> • The client is not capacity constrained in its manufacturing processes • The client's manufacturing and packaging operations are currently configured to package specialty papers in boxes
Customers	<ul style="list-style-type: none"> • There are approximately 24,000 commercial printers in the United States • Printers are roughly categorized into three groups: small, medium, and large • Differences among the groups are driven by the type of printing technology employed and the size of print jobs that the printers are able to serve • Printers prefer to receive product from the specialty paper manufacturers in different forms, primarily driven by the type of printing technology employed <ul style="list-style-type: none"> - Small printers prefer to receive their specialty paper in boxes - Medium printers prefer cartons of specialty paper - Large printers prefer to receive palletized shipments of specialty paper
Market share	<ul style="list-style-type: none"> • The client has approximately 30% market share with small printers and only 10% share with medium and large printers
Client financials	<ul style="list-style-type: none"> • Margins are currently acceptable but management is against cutting price to gain market share, knowing that competitors can match price cuts • Price and cost to serve per equivalent box are different for each customer type

GROWING SPECIALTY PAPER SALES Questions and Facts (II)

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

Framework and Analysis

The problem set-up indicates that the client wants to invest in this business. Investment can take many forms including expansion of manufacturing operations and capacity, expansion of customer-facing activities, and acquisition of competitors. It is interesting to note that this is currently a profitable, no-growth business for the client. Investment decisions cannot

be made unless the management team (and the candidate) understands the market conditions as well as the client's internal capabilities

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

Strong hypotheses might include:

- Assuming the client is not capacity constrained, there are likely groups of customers that represent opportunities for profitable growth

- Depending upon the current go-to-market strategy, the client may need to re-evaluate the way that it is configured to serve existing and potential customers

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

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

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

The following is given to the candidate:

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

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

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

Potential conclusions:

- The carton packaging line is a less-risky investment (requires less up-front capital)

- The solution assumes a static environment. If large printers are growing in number and or usage of specialty paper, this may change the answer

- The investment in a new carton packaging line would need to be evaluated against other potential investments to understand if it is the optimal use of the client's capital

10.10 Oil tanker case (Booz & Co.)

Step 1: Background and question

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

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

Supply-side information

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

Demand-side information

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

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

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

Step 3: Solution

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

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

services, the medium tankers 200 units, and the small tankers 100 units.

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

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

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

Step 4: Discussion

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

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

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

10.11 Video game case (Booz & Co.)

Step 1: Background

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

Step 2: Question

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

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

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

Market share

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

Sales

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

Cost

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

Current

Division estimates much of initial target market (young families) has now purchased the video game hardware
No large new user segments have been identified

Distribution

Primarily outlets of distribution are top and electronics stores

Profitability

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

Product

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

Step 4: Solution

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

1) What is future market potential?

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

2) What is the competitive outlook?

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

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

Issues of prices need to be considered.

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

Market Potential

Recognize that there is a relationship between market penetration and growth in new users which, when combined, yields an industry volume estimate

Address the shifting mix of product purchases, in this case from hardware (player unit) to software

Seek to look at buyer behavior in key buyer segments, i.e., "fad" potential of product

Software

Recognize technology standards are set by industry leaders. In this situation, the division as a secondary player will have to follow these standards

Recognize that different distribution needs may exist for different products (in this case, hardware versus software)

Price/Volume Relationships

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

Company Ability to Compete

Should ask what the capacity expansion is designed to do

Explore the cost position of the client division relative to that of other competitors

Seek to understand reasons for poor profit performance of division

Step 5: Discussion

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

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

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

10.12 Toy manufacturer case

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

Information to be given as a response to student inquiries:

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

Question asked:

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

Suggested answer:

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

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

What would you think could be a reason of the stagnant sales of the client?

Suggested answer:

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

10.13 Pen manufacturer case (Booz & Co.)

Step 1: Background

Penco is a global leading manufacturer of writing products, with divisions in North-America, Europe and South-East Asia. Penco's global sales equals € 50 million whereas its profit amounts to € 25 million. The mayor activities of Penco's European division are within the manufacturing and sales of disposable pens.

Step 2: Question

Within the European region, sales are flattening and profit is decreasing. Penco's CEO has asked you to determine the cause of the decreasing profit in the European pen division, and to come forward with suggestions to bring it back up.

Step 3: Set out the broader structure

First, discuss the mayor aspects you would like to study in order to understand the decrease in profit.

[In a case interview, this step is crucial. Verify whether you understood the objective of the case and write down the main question. During the interview, take the time to determine your structure and make sure to communicate your plan clearly]

Suggested answer

Profit is defined by sales minus costs. Penco's decreasing profit within the European pen division is caused by flattening sales on one hand, and this could be accumulated by increasing costs on the other.

Possible causes for flattening sales

The number of pens sold is decreasing

The price per pen is decreasing

An unfavorable shift is taking place within the product mix

Possible causes for increasing costs

Increasing direct costs

Material costs

Direct wages

Increasing indirect costs

Production costs

Transportation costs

Indirect wages

Marketing & Sales costs

Overhead costs

Excellent addition remark

Within the cost-price of a pen, the share of indirect costs is substantial. For a great part, these indirect costs are determined by the utilization of the production capacity. When production utilization increases, the indirect costs can be distributed over a greater number of products, such that the costs per product diminishes. Therefore, we should test the hypothesis that utilization of the production capacity could be increased.

Step 4: Study the means to increase sales in further detail

Before looking into possibilities of reducing costs, let's first study the opportunities on the sales side a little more.

[In an interview, if you think you need more information, do not hesitate to ask for it. However, make sure you are asking for a specific answer. For example: "Would you want me to look at the sales of pens or would you also be interested in sales of other writing products?" The answer in this case is: "We are only interested in the sales of various kinds of pens".]

In order to provide a delicate answer to the question, the candidate could request the following information

What are the segments in which Penco is operational?

How aggressive is the competition within these segments?

What is the current stage of the pen market?

Suggested answer

I would like to identify a few possible means to increase sales:

Increase sales to existing customers: for example, attach sales of accessories *or fillings* to pen sales

- Initiate sales to new customers: for example by increasing the number of distribution channels and/or intensifying marketing
- Selectively increase the prices
- Launch new products: for example, premium pens
- Get rid of unprofitable pens within the existing product mix, such that sales will shift from unprofitable pens towards more profitable pens
- Cut a deal with retailers: for example, attach a pen to a specific notebook within their assortment

Excellent addition remark

The pen market is highly competitive, especially within the segment of disposable pens –in which Penco is operational. Therefore, to Penco price is extremely important. This makes the sales increase by means of an increase in prices fairly unrealistic. If we would have been looking at premium products (i.e., products with added value which customers are willing to pay for), price would be of minor importance.

Study the launch of new products in order to increase sales in further detail

There seem to be opportunities within the market of premium pens. In this example, we will assume fountain-pens which are produced in vast volumes, with minimum selling price € 10. Penco does not yet operate within this segment. Let’s look into this in some further detail.

1. Estimate the market for premium pens in Europe

[This means: Provide an estimate of the number of premium pens sold per annum within Europe]

[Be prepared to be solving mathematical problems during the case. It is expected that you will do calculations without the use of a calculator. In client situations, there will often not be a calculator either. Make assumptions and round numbers such that multiplying and dividing is easier. Also, make sure to perform a sanity check after deriving an answer]

Suggested answer

I will start with some assumptions, and then calculate the estimated number of premium pens sold per annum within Europe:

- The number of inhabitants of Europe is 400 million
- Persons below the age of 12 do not possess premium pens
- This category represents about 15% of the European population (12/80≈15%)
- On average, 1 out of 4 persons possesses a premium pen
- On average, a premium pen is utilized over a period of 5 years

Over a period of 5 years, the number of premium pens sold in Europe is:
 400 million * (100% - 15%) persons * 0.25 pens = 85 million premium pens.
 This corresponds to a market of 85 million pens over 5 years /5 years = 17 million pens per annum. Let’s assume the total market of premium pens within Europe equals 15 million pens. We round down because the assumed average of 1 out of 4 persons possessing a premium pen seems a bit high.

Excellent addition remark

Besides the direct sales of premium pens, the sales of accessories and fillings encompass essential elements of the total size of the market.

2. Consider entry barriers for Penco

As Penco is not yet operational within the premium pen segment, Penco will have to enter this market as a new player. In order to determine whether launching premium pens is a successful strategy, we first have to consider the barriers to entry.

Suggested answer

There are a few considerations regarding barriers to entry:

Access to distribution channels

Penco holds a distribution network for the current assortment. However, in addition to these channels, premium pens are sold through distribution channels Penco does not yet have access to, such as specialty stores. Therefore, Penco will need to invest in these distribution channels.

Market consolidation in the segment of premium pens

The size of the market for premium pens is relatively small and highly consolidated by established strong brand names, such as Waterman, Mont Blanc, Cartier and Dunhill. A successful launch of a new premium brand name seems impossible unless great risks are taken by major investments in marketing and sales.

Access to resources

Penco is a global leading company, such that access to resources is not expected to be a problem

Image/ reputation of the brand 'Penco'

The main obstacle for Penco is the image it has as a manufacturer of disposable pens. This existing image makes it extremely difficult to position itself within the market of premium pens.

In conclusion, it is difficult for Penco to launch premium pens because the market seems consolidated and dominated by strong brand names.

3. Consider the financial attractiveness of entering the market

As consultant, it is important to support the advice you deliver by analyses. From the previous answers, it became clear that launching premium pens is difficult, but it could still be profitable. Would you advise the client to extend the assortment with premium pens?

Suggested answer

In order to derive a conclusion on the financial attractiveness of entering the market of premium pens, I will estimate Penco's possible market share, its corresponding sales and the resulting profit within premium pens:

Penco's market share within premium pens

Assume the strong brand names cover a consolidated market share of 80%

Assume Penco would indeed be able to position itself and capture a 2% market share

Penco's sales in premium pens

With its 2% market share and a market size of 15 million pens, Penco could sell 300.000 pens. With an assumed average selling price of € 20, this results in € 6 million sales.

Penco's profit in premium pens

The reason people are willing to pay more for premium pens, is the added value of a special design or a brand name.

Premium products usually have a gross profit margin of over 25% (this is the difference between the sales and fixed and variable production costs).

The costs of premium pens are mainly determined by the marketing and sales of the product, instead of the manufacturing. Penco will need to make mayor marketing & sales expenses in order to gain market share. Assuming the profit margin after the marketing & sales expenses to be about 5% results in € 300.000 annual profit.

Compared to the € 25 million total profit, this is extremely small.

In conclusion, launching premium pens is financially not attractive. It seems sensible to study further other possibilities for increasing the sales, or look into the possible means of reducing the costs.

Step 5: Study the means to decrease costs in further detail

In order to resolve Penco's main problem- that is, its decrease in profit- in the beginning we concluded that there are two sub problems we need to analyze. On one hand, it involves increasing the sales; on the other it enhances reducing the costs. In the previous analysis, we looked into the optimization of sales. We would now like to proceed and question whether we could realize a cost reduction.

Suggested answer

I will first create a cost breakdown, and then discuss the possible means to decrease those costs

Penco's main costs

Direct costs

Material costs (both for the pens and packaging)
Direct wages (wages of e.g. temporary employees)

Indirect costs

Production costs (machinery, buildings, maintenance of production lines)
Transportation costs (both inbound and outbound)
Indirect wages (supervision, administration)
Marketing & Sales costs
Overhead costs

Possible means to decrease costs

Reduce material costs

Use economies of scale

Purchase in low-wage country such as China

Use cheaper material for e.g. packaging
Rationalize the product / packaging design
Reduce the complexity of products

Reduce wages

Make use of wage differences among varying groups of employees more efficiently (replace temporary employees by contracted employees, use skilled persons only where necessary)

Move production process to low-wage country

Reorganize the production process

Consolidate factories

Move production process to low-wage country

Computerize parts of the production process

Reduce transportation, Marketing & Sales and Overhead costs

Increase efficiency

Make use of wage differences among varying groups of employees more efficiently

Move production process to low-wage country

Study the move to low-wage countries in order to reduce costs in further detail

What will be the cost reduction when moving the production process to China?

Suggested answer

First, I will assume a cost structure, followed by an assumption on the incorporated differences when moving to China. Next I will use these assumptions to discuss the impact of moving to China.

I assume the following cost structure:

[This could be created with the help of the interviewer]

Direct costs

Material costs: 50%

Direct wages: 20%

Indirect costs

Production costs: 20%

Transportation costs: 5%

Indirect wages,
Marketing & Sales costs,

Overhead costs: 5%

I assume wages in China are about 10% of the wages in Europe

[This could be created with the help of the interviewer]

The resulting impact of moving to China is as follows:

Impact on wages

The costs per pen attributable to direct wages will decrease by 18% (20% - 10%*20%). A decrease in indirect wages will imply an additional cost reduction

Further impact

Reduction in costs could be obtained by the local purchase of materials.

In addition, the change could be used as an opportunity to consolidate factories and better utilize production capacity. This will imply a decrease in production costs, resulting in a smaller amount of indirect costs per product and an increasing profit margin.

A disadvantage is the increase in costs due to increasing distribution costs.

It will be necessary to further investigate whether the cost reductions above offset the increase in distribution costs

Step 6: Summarize and make recommendations

What is your advice to Penco's CEO?

[At the end of the interview, clearly summarize your findings and test whether the outcome answers the initial question. Never forget the main question of the case]

Suggested answer

The goal of the client was to improve the financial performance of the European pen division. The main aspects we investigated are possibilities for an increase in sales and a decrease in costs. A mayor opportunity to reduce costs is to move the production process to a low-wage country such as China- this needs to be investigated further.

1. Possible means to increase sales:

Price optimization seems impossible

The pen market is highly competitive. Especially in the disposable pens' segment, price is extremely important. Therefore, it is incredible that an increase in sales could be obtained by a price increase

Launch of premium pens seems not worth the effort

We studied the possibilities to broaden the Penco's product portfolio by the launch of premium pens. It appeared not to be sensible to enter the market of premium pens, as the market seems consolidated and dominated by strong brand names.

Other means of increasing sales need further investigation

Increase sales to existing customers: for example, attach sales of accessories *or fillings* to pen sales

Initiate sales to new customers: for example by increasing the number of distribution channels and/or intensifying marketing

Launch other new products

Get rid of unprofitable pens within the existing product mix, such that sales will shift from unprofitable pens towards more profitable pens

2. Possible means to decrease costs:

- Move production process to a low-wage country such as China captures opportunities
 - With wages 10 times lower than in Europe, at least 18% of the product costs can be saved
 - Moreover, further reduction in costs could be obtained by the local purchase of materials

Other means of decreasing costs need further investigation

- Use economies of scale
- Rationalize products
- Consolidate factories

11. Conclusion

The INSEAD Consulting Club Handbook will prove useful to all INSEAD students in finding both summer internships and full-time jobs in consulting. We would welcome any feedback on improvements or general comments about the book, in order to ensure that the future editions incorporate these suggestions and build on the last one. Please email the ICC (CLUB.INSEADConsulting@insead.edu).

Please consider this book as one source of preparation for a career in consulting. The INSEAD Consulting Club in association with Career Services also organizes a range of useful events through the year which you would also benefit from attending if you are serious about a job in consulting. Some of these events include peer to peer mock case interview sessions, ex-consultant INSEAD students sharing 'a day in the life of a consultant' experiences and group crack the case sessions. Please make the most of these stimulating events, in addition to seeking more informal opportunities to practice cases with colleagues and friends.

All the best!!