



# UCC Summer Case Prep

---

Frameworks for  
Case Interviews

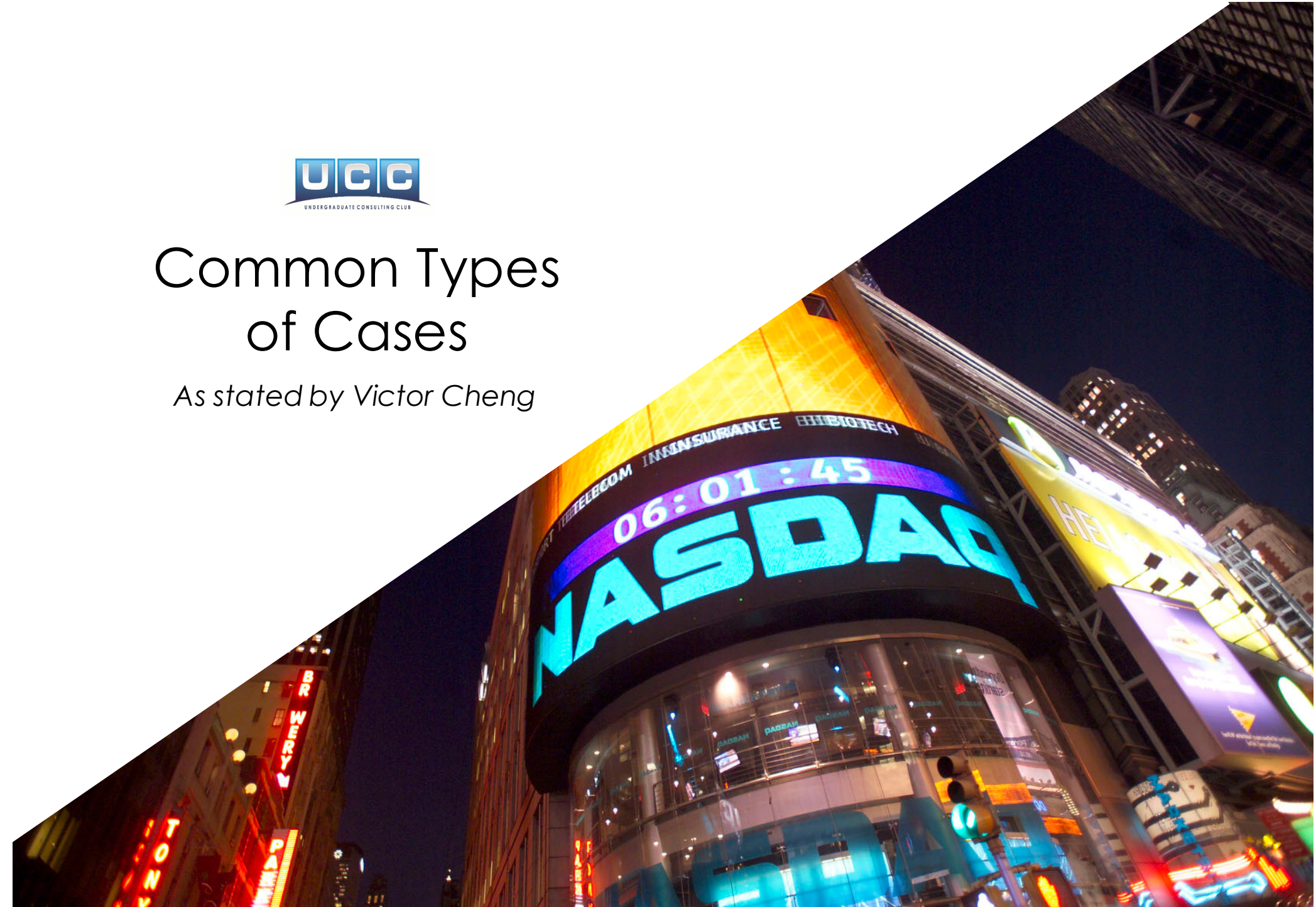
*Summer 2016*



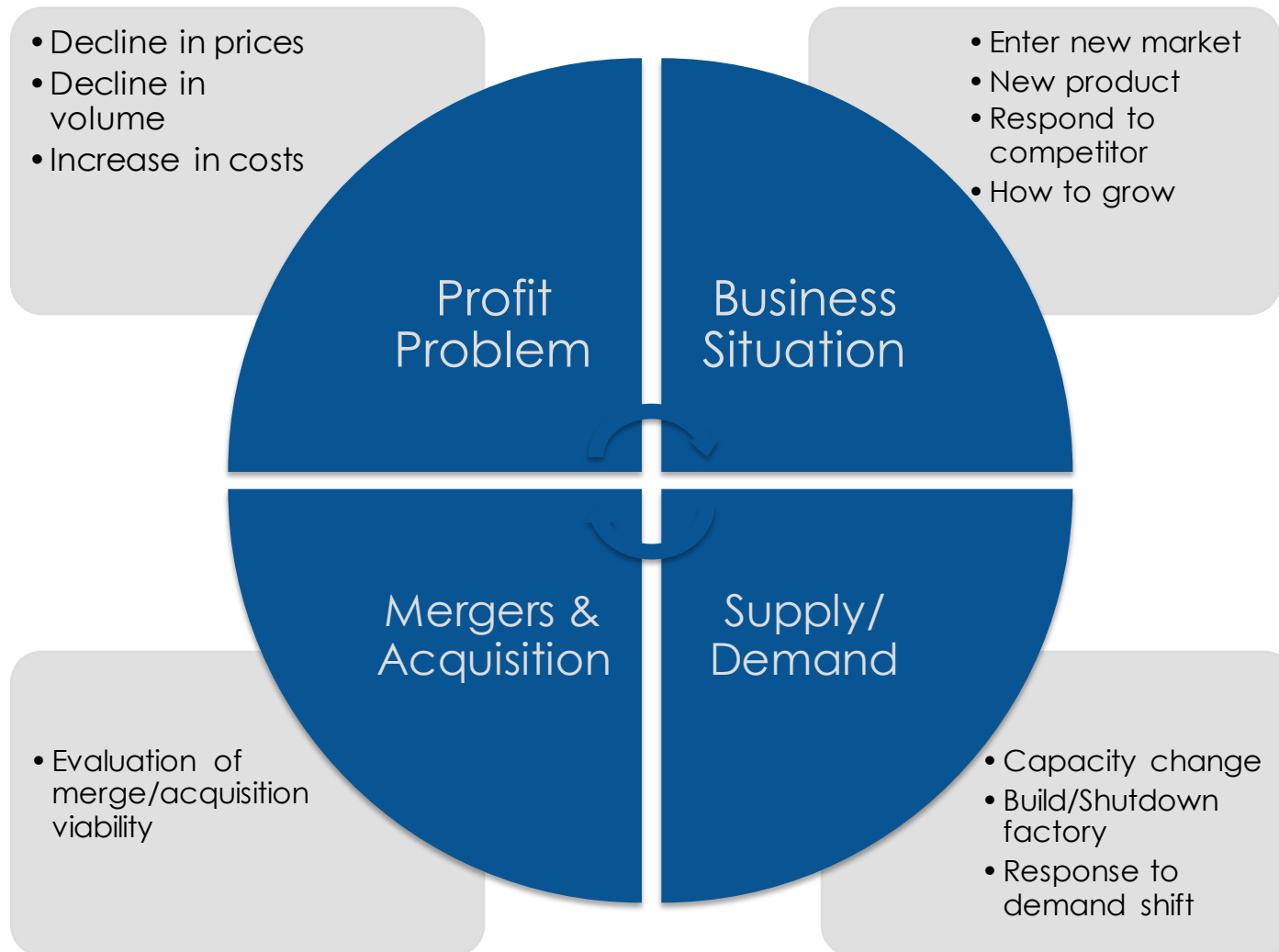


# Common Types of Cases

*As stated by Victor Cheng*



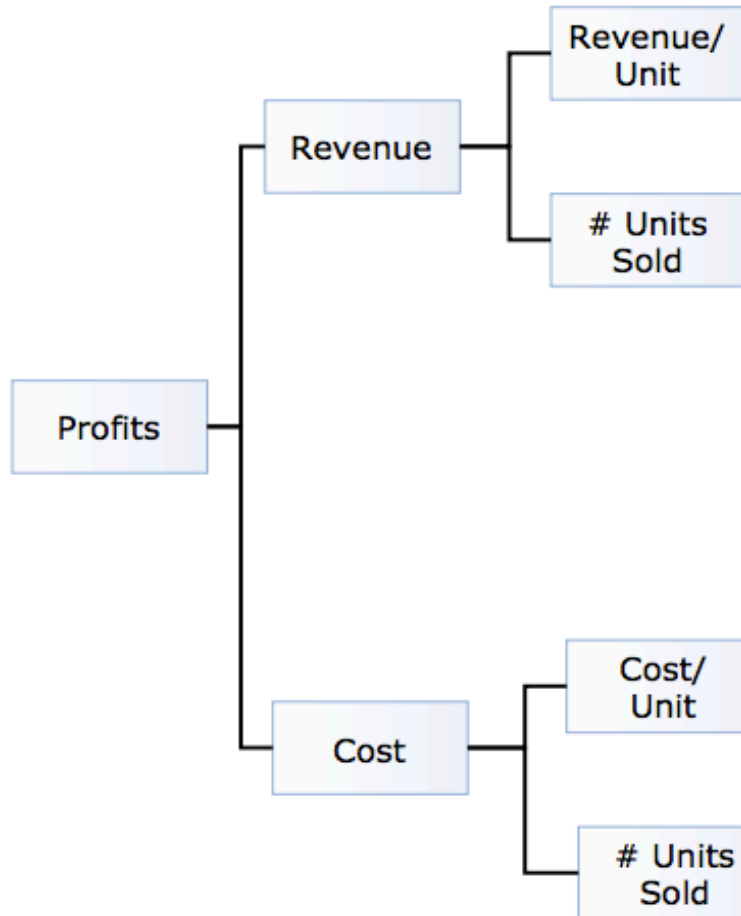
# Most Common Types of Cases





# Framework for a Profit Problem

## PROFITABILITY FRAMEWORK



For the problem branch (e.g., Revenue/Unit or # Units Sold)

- 1) SEGMENT the number, break it up into its component parts, compare to historical metrics to find where the shift is coming from
- 2) ISOLATE the key driver causing bulk of problem
- 3) EXPLORE possible resolutions

Possible Segments to get data for, isolate & explore:

- \* By product / product line
- \* By distribution channel
- \* By region
- \* By customer type (new/old, big/small)
- \* By industry vertical

Once you know mathematically what's causing the problem, you need to understand WHY the number has declined in the context of the marketplace. This may be a "compound framework" problem requiring you to use a general market analysis framework. If so, most often you will want to start with the customer (demand side) analysis and potentially may have to use the entire framework.

For problem branch (e.g, fixed or variable cost)

- SEGMENT into its component parts
- \* Segment cost by logical components
  - \* Segment costs by value chain

Value Chain Example:

Identify fixed costs in each of the following:  
Raw Materials -> Factory -> **Distribution** -> Customers

Compare to historical. Find the problem component.

Keep "drilling down" by finding the problem segment, and drill down on THAT segment until you ISOLATE what's mathematically causing the majority of the problem (aka. Find the LEVERAGE point)



# Framework for a Business Situation Problem

## Examples of “Business situation” types:

New Market Entry, New Product, New Business, How to Grow, Strategy, Turnaround

### Customer

#### Who is the customer?

- identify segments (segment size, growth rate, % of total market)
- compare current year metrics to historical metrics (look for trends)

**What does each customer segment want?** - identify key needs

**What price is each segment willing to pay?** - determine price points and price elasticity/sensitivity

**Distribution channel preference for each segment**

**Customer concentration and power\*** (does one customer control all the demand, the "Wal-Mart" effect)

### Product

- **Nature of product** (think out loud about the product, its benefits, why someone would buy it)
- **Commodity good or easily differentiable goods** (could company increase differentiation)
- Identify **complimentary goods** (can we piggy back off growth in compliments or near compliments?)
- Identify **substitutes\*** (are we vulnerable to indirect competitors namely substitutes?)
- Determine **product's lifecycle** (new vs. almost obsolete)
- Packaging (optional) - what's bundled, included (ex. Razor vs. razor blades, with w/o service contract... can change in packaging make product more likely to meet needs of specific customer segments.)

### Company

- **Capabilities and expertise**
- **Distribution channels** used
- **Cost structure** (mainly fixed vs. variable - is it better to have higher fixed cost with lower variable, or vice versa. High fixed cost = barrier to entry.... compare to industry, often insightful)
- Investment cost (optional: only if case involves an investment decision)
- **Intangibles** (e.g., brands, brand loyalty)
- **Financial situation**
- Organizational structure (optional: e.g., is team organization in conflict with how customers want to do business. Ex: We're organized by product line, but customers want one point of contact across all product lines)

### Competition

- **Competitor Concentration\* & Structure** (monopoly, oligopoly, competitive, market share concentration)
- Competitor behaviors (Target customer segments, products, pricing strategy, distribution strategy, brand loyalty)
- Best practices (are they doing things we're not?)
- **Barriers to entry\*** (do we need to worry any new entrants to market?)
- **Supplier concentration\*** (optional: ex: Microsoft or Intel in PC Market... use full 5 forces if this is a likely issue)
- Industry regulatory environment
- Life-cycle of industry

# Framework for an M&A Fit Problem

	<b>Customers</b>	<b>Products</b>	<b>Company</b>	<b>Competition</b>
<b>Company A</b>				
<b>Company B</b>				
<b>Company A+B</b>				

- Identify synergy in new company
- Identify opportunities for one-way or mutual exploitation (Classic good "fit" = Company A has huge sales force buy lousy products, Company B has minimal salesforce but killer products. Potential sources of synergy: customers, products, distribution, resources, expertise, access to markets, physical assets, unique capabilities, overlapping cost structures)
- Hint: Every time there's a synergy, that's one vote in the "good fit" column

# Framework for Supply/Demand Problem

## Demand

Determine growth in overall market  
(How sustainable?)

Determine Growth in firm's market share  
(How sustainable?)

Segment sources of demand  
\* Determine each segments share of total demand  
\* Identify trends in demand by segment

Focus on the largest sources of demand and the largest growth rates... use these few "leverage" points help you understand where the majority of demand is heading

## Supply

Determine industry supply  
Segment industry supply by market / market segment

Identify effect of increases in supply on prices

Possible Benefits

Introduce technology innovations with capacity expansion  
Increase productivity -> Lower marginal costs

heading

## Cost of Expansion

Real costs (can the firm afford it)

Opportunity cost  
- payback period  
- break even point

Alternatives  
- outsource  
- lease  
- sub-contract

- For many if not most capacity related cases, figure out if this is a conceptual case or a numerical case. If conceptual (20% of time), use this framework. **If numerical ( e.g, Company A can produce 20 million units at \$4, Company B 10 million units at \$3.50), then you should graph out supply curves and overlay them with demand curves. (Tip: practice drawing demand curves from data quickly)**
- The typical issue is if we add/reduce capacity, what will happen to the market clearing price... once we know the market clearing price what impact does that have on profitability... and given that impact should the client add/reduce capacity.