

BAIN & COMPANY

Case Interview Workshop
Dartmouth College
October 8th, 2004

Objectives

- Give you a glimpse into the world of strategy consulting and the issues we address in our work
- Walk through one component of a sample case interview

Strategy Consulting

Advise corporations on their key strategic issues

- Decide which businesses to acquire, retain, or exit
- Pursue growth or profitability improvements within existing businesses
- Assess market opportunities and competitive threats
- Evaluate internal priorities for management focus and investment

What does Bain look for?

Structured Approach

- Understand the question being asked
- Develop an approach to answering the question
- Always draw final conclusion relating discussion to initial problem

Strong Analysis

- Synthesize and filter data provided by interviewer
- Comfort with numbers and ability to make reasonable assumptions

Reasoning & Logic

- Identify and prioritize key issues as they arise
- "Sanity check" – Does the answer make sense?
- Ability to use the original approach and logic to sort out a problem

Professionalism & Engagement

- Enthusiasm and interest in the question
- General understanding of the firm and consulting
- Mature and confident demeanor

Ace The Case

- Discussion
 - Not a cross examination
- Frameworks
 - Structure your answer, but don't rely on a framework that may not be relevant
- Relax and be yourself
 - We want to get to know you

Photo Case Study: Background

- Situation

- Our client, a photography company, currently makes money by selling film and photo paper

- Complication

- They have experienced declining profits over the past five years and have hired Bain to figure out what is wrong

What should our client do?

- Background

- We have determined that our client's declining profitability due to volume declines resulting from digital substitution
- As a result, the client is now considering a few new business ideas to enter digital photography

- Potential Action

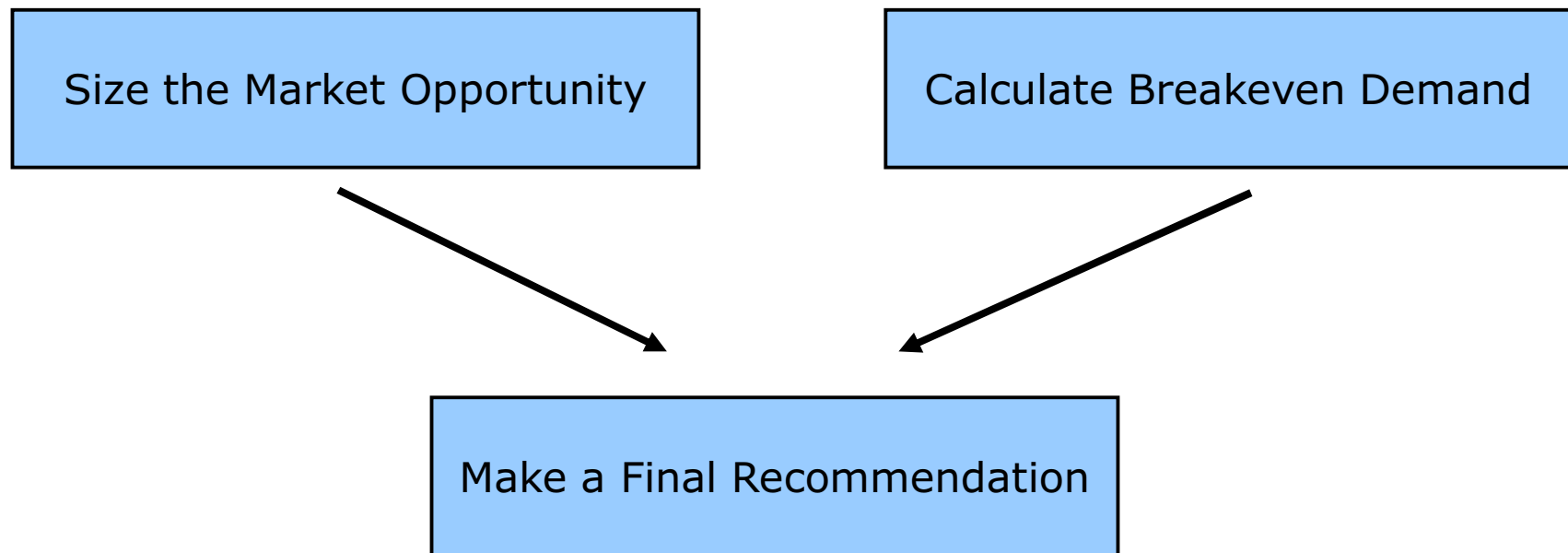
- Our client has been approached by Kmart in order to place "kiosks" within each of their stores
- Kiosks are self-serve stations that allow users to print their digital photos on the client's paper



How do we evaluate the attractiveness of this opportunity?

What should our client do?

Step 1: Set-up a framework to tackle the question and **communicate it to the interviewer**



Attack each piece one at a time

Size the Market Opportunity

Step 2: Estimate the potential demand for digital prints per year within a single Kmart store as an example

Top Down

- Start with large number (e.g. total relevant population) and progressively narrow down

Bottom Up

- Start with small number (e.g. number of K-mart customers per day) and progressively scale up



- Exact numbers and order of steps are not important
- Make assumptions that are reasonable
- Once you finish the calculations, step away and ask yourself, "Does this number make sense?"
- If not, go back and refine your original assumptions

Size the Market Opportunity

Top Down

- 1M people in Boston
 - *10% are Kmart customers= 100K
 - *10% of customers go to Kmart to do photo finishing = 10K
 - *5% of these customers use a digital camera = 500 people
 - *average person prints 100 digital photos per year = 50K prints

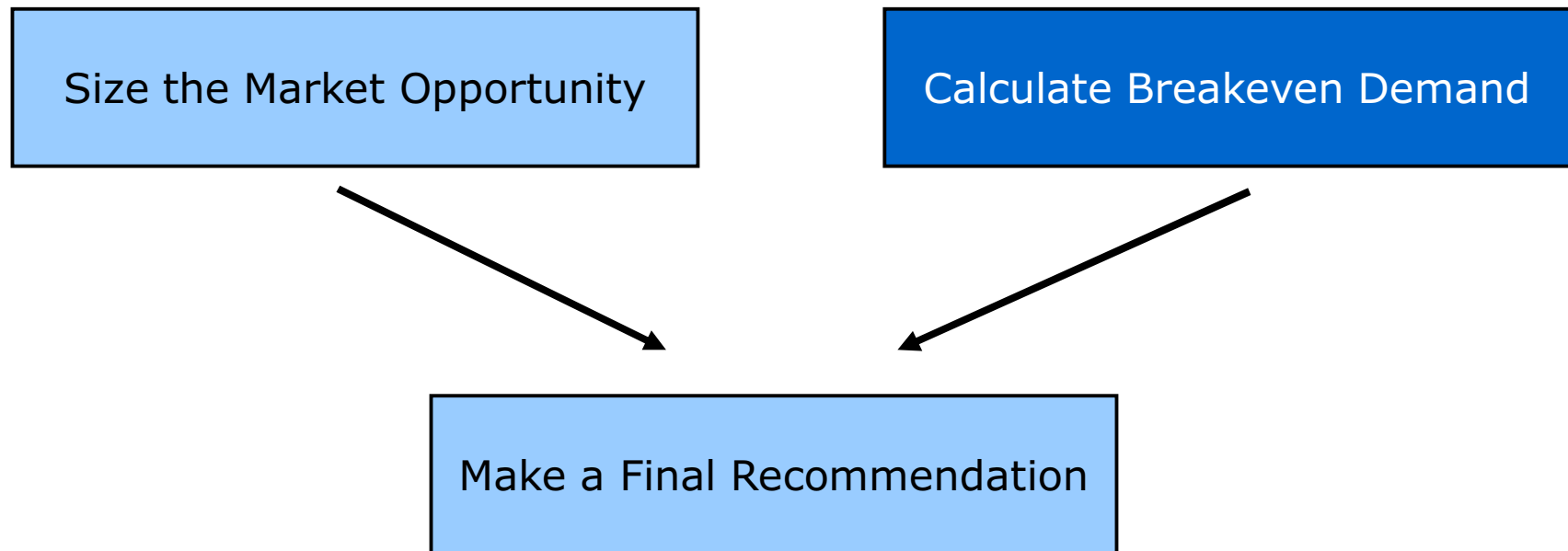
Bottom Up

- How many people go to a single Kmart per year?
 - 2500 customers per day
 - *400 days/yr = 1M visits per year
- How many digital prints will this translate into?
 - Average customer goes to Kmart ten times a year (1M/10) = 100K unique customers
 - *10% of customers go to Kmart to do photo finishing = 10K
 - *5% of these customers use a digital camera = 500 people
 - *average person prints 100 digital photos per year = 50K prints



The potential demand for digital prints
in a single Kmart store is 50,000

What should our client do?



Calculate Breakeven Demand

Key Inputs

- Average price per digital print is \$0.50
- Cost per kiosk is \$1,000 (assume no other fixed costs)
- Average cost per digital print is \$0.10

Calculations

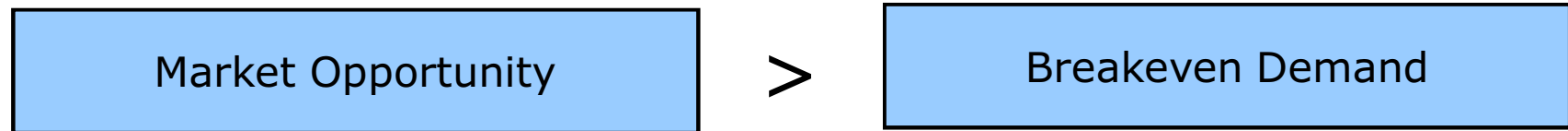
- Breakeven: Revenue = Cost
 $0.5 * Q = 1,000 + (0.1 * Q)$
 $0.4 * Q = 1,000$
 $Q = 2,500$ prints



The client would have to believe that it could sell at least 2,500 prints in order to take this action

Final Recommendation

Client Should Pursue if:



$$50,000 > 2,500$$



Our client should place digital print kiosks in each Kmart Store

Key Tips For Success

- Listen carefully and make sure to answer the question you were asked to evaluate
- If confused, ask for clarification. It will be hard to succeed on the case if you don't understand the facts
- Structure, structure, structure. Use it, it will help you
- Make sure you get to an answer
- Always provide logical back-up to your answers, the thought process is much more important than the actual answer
- React to verbal and physical cues from your interviewer – Remember, the interviewer wants you to succeed on the case
- Be yourself – the interviewer wants to get to know you
- Relax, and have fun