KELLOGG
STRATEGY & BUSINESS
DEVELOPMENT CLUB

SBD IPG MATERIALS

Northwestern | Kellogg

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Kickoff

SBD IPG

Session 1

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AGENDA

- Introductions
  - Leaders
  - Participants
- IPG Overview
  - Group Norms
  - IPG Syllabus Review
- Target Companies & Roles
- Week 0 Homework Review
- Week 1 Preview + Homework
- Resources

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[LEADER NAME]

- **Program & Section:** X
- **Hometown(s):** X
- **Pre-Kellogg Home:** X
- **Pre-Kellogg Employer:** X
- **Position:** X
- **Summer Internship:** X
- **Childhood Dream Job:** X
- **Bucket List Vacation:** X

[Photo]

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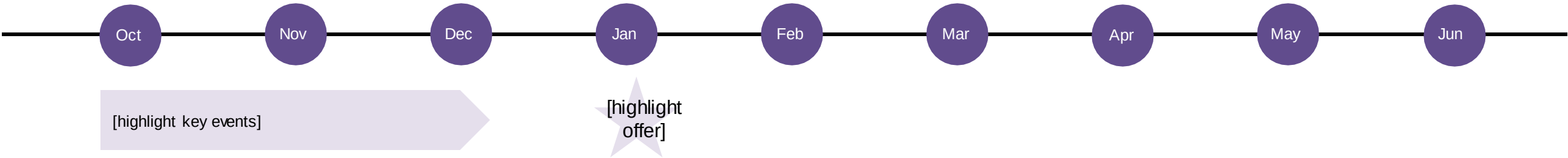
[LEADER NAME]

[#] Resumes dropped

[#] Networking calls

[#] Practice interviews



[highlight key events]

[highlight offer]

Key Resources:

- [insert]

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PARTICIPANT INTROS

Insert photo

Name

Hometown: x
Before Kellogg: x
Industries of interest: x
Fun Fact: x

Insert photo

Name

Hometown: x
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IPG NORMS

- **All sessions are mandatory:** Be on time. Check with your leaders in case of any extenuating circumstances

- **Participate actively:** Commit to the process (active listening and participation, come ready, complete homework, ask questions)

- **Foster an inclusive environment:** Ensure that all participants have equal opportunities to participate. Communicate constructively, respectfully and with empathy

- {Brainstorm additions with IPG} - consider:
  - How would you like to receive feedback?
  - What are you hoping to get out of the IPG?
  - How can the IPG help you thrive, grow and succeed?

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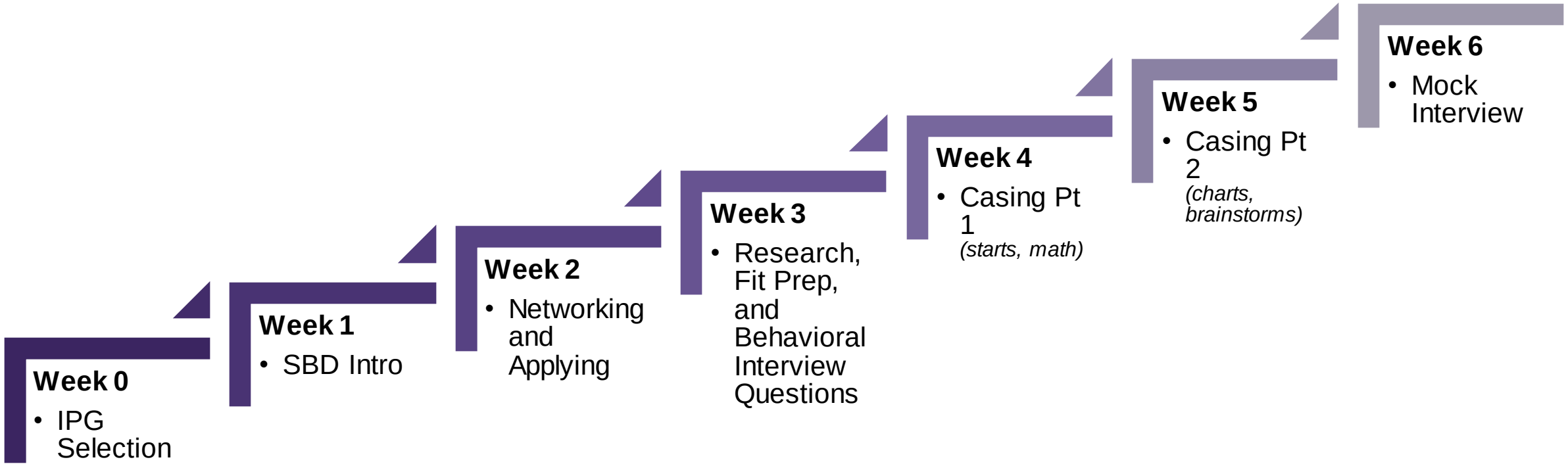
2023 IPG TIMELINE



ABOUT THIS IPG

WHAT WILL THIS IPG DO?

- Explain the SBD job function
- Prepare you for SBD recruiting process
- Act as a support group throughout recruitment

WHAT WILL THIS IPG *NOT* DO?

- Guarantee you a job
- "Recruit" for you

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WHAT ARE SBD ROLES?

At their core, Strategy roles (broadly defined) are **growth-oriented** roles aiming to drive market/ product/business line/customer expansion for the company or a business unit within the company

What's our 5-year plan? How do we win in the market? ← → *What acquisitions can we make to accelerate this roadmap?* → *What partnerships can we make to accelerate this roadmap?*

Enterprise level
Report directly into C-suite to support enterprise-level projects (e.g., restructuring, 5-year roadmap)

Business unit (embedded) level
Report into head / GM of business unit to support segment-specific projects

CORPORATE STRATEGY • Strategic Planning • Internal Consulting	**CORPORATE DEVELOPMENT** • Mergers & Acquisitions • Corporate investments	**BUSINESS DEVELOPMENT** • Partnerships • Opportunity Generation
STRATEGY • Biz Strategy & Ops • Product Strategy • Strategic Advisory		**BUSINESS DEVELOPMENT** • Partnership Development & Management

Companies that hire MBAs for SBD roles

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TECH

Google, Meta, amazon, salesforce, DOORDASH, Rakuten, CISCO, Adobe, SAMSUNG

MEDIA & ENTERTAINMENT

Disney, Activision Blizzard, Spotify, hulu

HEALTHCARE

UnitedHealthcare, Oak St. Health, Optum, Medtronic

CONSUMER & RETAIL

Nike, Starbucks, AB InBev, DICK'S Sporting Goods, New Balance, Walmart

FINANCIAL SERVICES

American Express, JP Morgan Chase & Co., VISA, INTUIT

Note: only a subset of the above are on-campus recruiting partners for Kellogg. Many companies / roles will be found on LinkedIn and other job sites. Strategy teams are typically small and may only hire a handful of MBA Interns across North America in any given year.

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HOW DO SBD ROLES DIFFER?

COMPANY SIZE / MATURITY

- Start-up
- Growth stage
- Corporation

INDUSTRY

- Healthcare
- Tech
- Media and Entertainment
- Financial services
- Consumer packaged goods
- Retail

TEAM SIZE

- Small – 5 people or less
- Medium- 5-10 people
- Large- 10+ people

SCOPE

- Line of business
- Geography
- Function

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WHY SBD?

Influence	• Influence the **direction** of a company
Problem solving	• Solve a companies' **largest problems** while 'on the same team' as your clients
More chill than consulting	• Build **similar skillsets to consulting** with a narrower focus and less travel
Cross-functional	• Apply **several functions**, including finance and operations
Internal mobility	• Start place for **internal mobility**

WHAT MAKES AN ATTRACTIVE SBD CANDIDATE?

Problem Solving

Analytical Skills

Self-starter

Ownership

Curiosity

Collaboration

Passion

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HOMEWORK FOR NEXT SESSION

- **Resume**
  - Should have been working on this over the summer per CMC, but if not, a good time to dial in
  - Review 'Strategy Impact Statements' document

- **Personal pitch**
  - 2:00, target 250 words or less
    - *Where are you coming from?*
    - *Why are you making the transition to SBD?*
    - *What are your applicable skills/experience/etc.?*
    - *Where are you going and how will this internship help?*
  - Be prepared to practice live during next IPG session

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Networking & Applying

SBD IPG

Session 2

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- Breaking up one's career in **"chapters"** while connecting them through **narrative**
- Keeping a **conversational manner** (Practice! But make sure you **don't sound scripted and rehearsed)**

Golden Rule: **Be authentic!** Follow guidelines, but tell **your story**

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PITCH – THE 2 MIN STRUCTURE

2 Explain the WHY behind your transitions
Focus on Why this industry, Why Strategy/Biz Dev

1 Begin with where you are coming from

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Skills Gained
- Skill 1

WHY?

Experience 1

Skills Gained
- Skill 2
- Skill 3
- Other skill

WHY?

Experience 2

Skills Gained
- Skill 4
- Other skill

WHY?

Kellogg

Skills Gained
- Other Skill

WHY?

Kick-ass Internship

3 Highlight skills that match the role's requirements

4 Where are you going?
How will this internship help you get there?

Why ROLE?
Why COMPANY?

SKILLS
- Skill 1
- Skill 2
- Skill 3
- Skill 4
- Skill 5
- Skill 6

PITCH – EXAMPLES

0:30

2:00

PITCH – TIPS

DON'T DO this

- **Regurgitate your resume** – people can read;
- Use the **same pitch** for every role;
- **Apologize for** non-traditional background;
- Badmouth your **previous job or industry**;
- Be underprepared **OR** too rehearsed.

Instead, **DO** this

- Focus on the **WHY**;
- **Customize, Customize, Customize** – Pull out different relevant skills and experiences depending on who you are talking to;
- **Own** your experience;
- **Reframe** negatives as positives;
- Sneak in your answer to **"Why Company?"** at the end.

PITCH – IDEAL OUTCOMES

*After hearing your pitch, the i**nterviewer should think** these three things:*

1. This person always knew what they wanted, and **chose to be here today for a sound reason.**
2. This person's previous experience trained them on the **skills required for the position.**
3. Icing on the cake: They are **approachable, likeable**, and don't sound like a robot!

PITCH – PRACTICE

- First person shares their **2-minute pitch:**
  - OK to refer to notes but try to minimize this!
  - Remaining participants listen & take notes
  - IPG Leader will keep the time (you'll get a :15s remaining warning to wrap up)

- Once person finishes: **Feedback!**
  - Share things that worked well!
  - Share constructive feedback in an applicable way
  - IPG Leader shares feedback last

- Repeat process with next person until everyone has gone

PITCH – RESOURCES

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CMC Training: Develop Your Personal Brand - Pitch

CMC Pitch Section

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COVER LETTER – WHAT MAKES A SUCCESSFUL PITCH?

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In general, a Successful Cover Letter answers 3 key questions: Why you? Why this role? Why this Company?

- Identify key skills the company is looking for and recount **2-4 key stories that demonstrate these;**
- Weave your **"Why's" and your experiences** together in a coherent thread;
- Demonstrate your **research/knowledge of the company's** industry and products, recent news;
- **Avoid generalities** that could easily apply to other companies;
- Communicate **excitement, passion, interest.**

Be authentic! Demonstrate personality, while remaining professional.

COVER LETTER – THE STRUCTURE

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1. **Create a template** you can adjust for each company/role (AI tools can be helpful to start)
2. Highlight 3-4 skills and **tie them to the specific role** (ok to use bullets)
3. Keep it concise!
4. **Show your research** on the company (conversation with individuals, etc.)
5. Note that cover letters are **required for all on-campus roles**

EXAMPLES OF A SUCCESSFUL **COVER LETTER**

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Dear Hayley,

I am excited to apply for the position of Corporate Strategy Manager Intern in the Chief Strategy Office at Cisco.

In my past roles, I have seen how cutting-edge technology can expand access to financial services and education. Through these experiences I have become drawn to work for an organization, like Cisco, which leverages the power of technology to spread opportunity globally. I am particularly inspired by Cisco's initiatives around providing Digital Learning and E-Learning resources to education institutions at a steep discount.

The Corporate Strategy team at Cisco engages in an exciting mix of strategic and forward-looking projects, similar to the type of work I have enjoyed in the past and would leverage the following skills that I have honed.

- **Strategy & Program Management Expertise:** As a financial services consultant at Strategy& and internal strategist at the University of California's Office of the President (UCOP), I gained deep experience in both designing and executing solutions to unstructured, complex problems for expansive organizations. At UCOP, I was asked by the Chief Strategy Officer and Chief Operating Officer to lead strategic planning for multiple executive teams and manage an update process for some of the University's highest-priority initiatives and technology implementations.

- **Analytical Acumen:** I taught myself VBA coding skills at Strategy& to automate reporting for a Fortune 500 investment bank and trained 50+ PwC new hires on Microsoft Excel usage. I have enjoyed building financial and workforce planning models as well as presenting complex analyses in intuitive formats to executive leaders. I am confident I can apply these analytical skills to add value to Cisco's Corporate Strategy team.

- **Collaborative Approach:** I have facilitated groups of senior clients, ranging from banking vice presidents to chief medical officers, by developing meaningful working relationships and communicating succinctly. I have regularly guided these diverse, cross-functional teams to solutions on expedited timelines – a background conducive to thriving in Cisco's collaborative and pioneering culture.

A Corporate Strategy Manager internship at Cisco would provide a unique setting for me to use my previous experiences and skills to continue to shape the future of the Internet. I look forward to an opportunity to interview to further demonstrate why I'm a great fit for this role and for Cisco.

Thank you for your consideration,

COVER LETTER – RESOURCES

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CMC Cover Letter Samples

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TARGET LIST (STEP 1)

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✓ **Leverage CMC Resources**

- Historical Internship Data
- Student Directory

✓ **Leverage Online Resources (LinkedIn, Glassdoor, Indeed)**

✓ **Decide what factors are important to you:**

- Long Term Goals
- Location
- Company Size
- Company Culture
- "Importance" of target role at company

NETWORKING/COFFEE CHATS (STEP 2)

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A coffee chat is an optional, informal, and informational discussion ***to help you get your recruiting questions answered***

When to Coffee Chat?

When you have specific questions about a company/role **that you cannot easily answer** via other resources like:

- The company website
- The job descriptions
- SBD Intern Panels

Coffee Chat Tips

- Try to keep to **30 mins or less** and manage the scheduling (if not via CMC);
- **Have strong questions prepared** - and be ready with your pitch;
- CMC spots go fast so **sign up quickly!** (some may be group not 1:1);
- You don't have to buy the other person coffee - ***but please send a quick thank you.***

THE APPLICATION (STEP 3)

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Know where the company recruits:

- **On-Campus Recruiting (OCI)**
- **Off-Campus Recruiting**
  - Kellogg Job Board
  - LinkedIn/Glassdoor/Indeed
  - Google
  - Company Website

Know company-specific nuances:

- Some companies **do (do not) require** cover letters;
- Some companies recruit all MBA interns (role agnostic) **through one application** (ex. Google, Amazon);
- Some companies require you to apply both through **CMS AND the company website.**

THE APPLICATION (STEP 3)

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Keep track of your applications:

- **Create and maintain a tracking doc** for the roles you are interested in/applied to/interviewed for *(Application Tracker Template);*

- **Check daily** (OCI, KJB, Company Website) for new roles;

- **Keep track of due dates** for roles you are interested in

- Submit applications for roles you are interested **as soon as you feel confident in your application** (many are on a rolling basis, so the earlier the better).

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HOMEWORK

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- **Meet with your partner** (*see next slide*) for this week to practice:
  - **Your revised 2-minute pitch + feedback**
- Write the **first version of your cover letter** and ask for feedback for your partner and IPG leader;
- **Create your 'Wishlist' of companies** based on the most important factors for you (Long Term Goals, Location, Company Size, Company Culture, “Importance” of target role at company).

PRACTICE PAIRS

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Group	Partner 1 Name	Partner 2 Name
1		
2		
3		
4		
5		

QUESTIONS?

Great work today!

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Networking & Applying

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- **On-Campus Recruiting (OCI)**
- **Off-Campus Recruiting**
  - Kellogg Job Board
  - LinkedIn/Glassdoor/Indeed
  - Google
  - Company Website

Know company-specific nuances:

- Some companies **do (do not) require** cover letters;
- Some companies recruit all MBA interns (role agnostic) **through one application** (ex. Google, Amazon);
- Some companies require you to apply both through **CMS AND the company website.**

THE APPLICATION (STEP 3)

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Keep track of your applications:

- **Create and maintain a tracking doc** for the roles you are interested in/applied to/interviewed for *(Application Tracker Template);*

- **Check daily** (OCI, KJB, Company Website) for new roles;

- **Keep track of due dates** for roles you are interested in

- Submit applications for roles you are interested **as soon as you feel confident in your application** (many are on a rolling basis, so the earlier the better).

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AGENDA

- **Pitch**
  - What makes a successful pitch?
  - Examples and Practice
  - Resources
- **Cover Letter**
  - What makes a successful cover letter?
  - Examples of Successful Cover Letters
  - Resources
- **Networking & Applying**
  - Target List
  - Coffee Chats
  - The Application
- **Week 2 Homework**

HOMEWORK

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- **Meet with your partner** (*see next slide*) for this week to practice:
  - **Your revised 2-minute pitch + feedback**
- Write the **first version of your cover letter** and ask for feedback for your partner and IPG leader;
- **Create your 'Wishlist' of companies** based on the most important factors for you (Long Term Goals, Location, Company Size, Company Culture, “Importance” of target role at company).

PRACTICE PAIRS

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Group	Partner 1 Name	Partner 2 Name
1		
2		
3		
4		
5		

QUESTIONS?

Great work today!

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Casing Pt. 1

SBD IPG

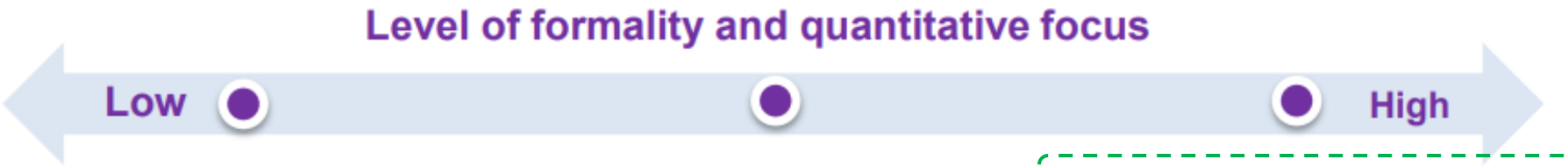
Session 4

Northwestern | Kellogg

AGENDA

- **Case Starts**
- **Case Math**

STRATEGY CASES VARY



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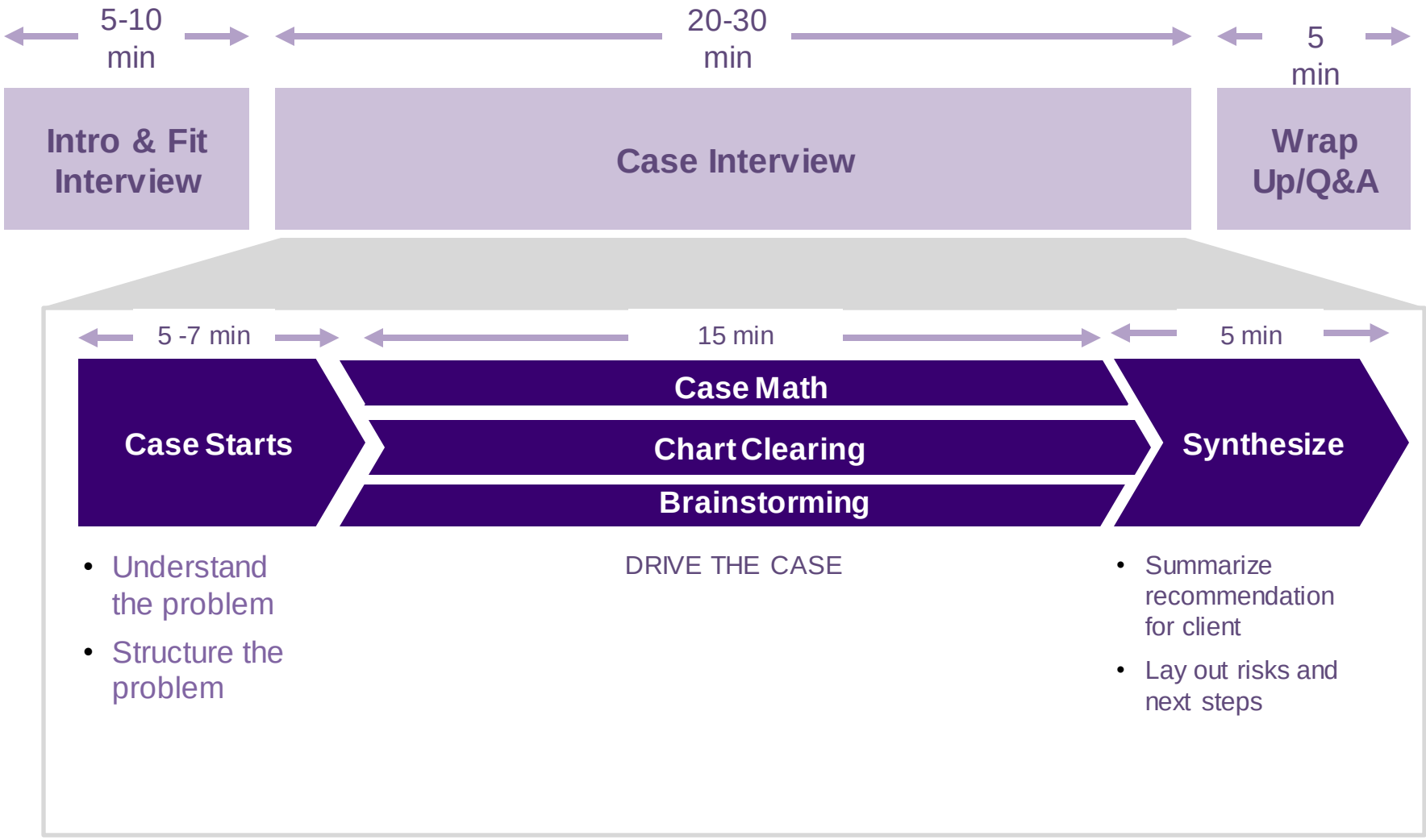
• *If you were to recommend three areas that Mattel should focus on in the future, what would they be?*	• *3M's Health Care business is considering offering disposable medical masks. Can you size the market?*	• *Amex's call centers are at capacity, should we expand our facility in Mexico or outsource to Asia?*

Where we will focus our efforts – note the skills you learn here will be applicable to less formal cases

CASE STRUCTURE OVERVIEW



THE CASE START

Listen to prompt → **Understand the problem** → **Structure the problem**

Introductory conversation (Listen to prompt, Understand the problem)

Framework (Structure the problem)

Listen to prompt

Goal
- Get high-level background information from interviewer

What to do?
- Listen to the prompt and take notes
- Identify the key facts of the case and the "problem at hand"

Understand the problem

Goal
- Get missing information and clarification needed
- Establish rapport and that case will be conversational -> show that this will be a fun and engaging experience for interviewer

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- Recap critical information only (do NOT read full prompt back)
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Goal
- Demonstrate that you have thought about the problem critically and that you have a structured approach to tackle the case

What to do?
- Develop a framework under 2 minutes; walk through under 3 minutes
- Customize the framework to incorporate details and nuances of the case at hand
- Prioritize and hypothesize -> where would you like to start?

Sample Frameworks in Appendix

UNDERSTAND THE PROBLEM: ASK CLARIFYING Q'S

Business model	• Can I think about our client like a Harris Teeter or a Publix? • Should I focus on traditional, in-person grocery sales only or is there an online or pick-up format I should be considering?
Objective	• I know we are focused on improving profitability of carbonated beverages...
Metric	• ...is there a specific profitability target ($ or % increase) I should have in mind?
Geography	• N/A (we know we are focused on the southeastern U.S. from the prompt)
Timeline	• And is there a certain timeline over which we want to achieve the profitability target?

UNDERSTAND FRAMEWORK FUNDAMENTALS

MECE: Mutually Exclusive Collectively Exhaustive

Mutually Exclusive: Categories do not overlap

- External vs. Internal (Good)
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Collectively Exhaustive: Categories cover all relevant topics

- Recruiting for strategy vs. not recruiting for strategy (Good)
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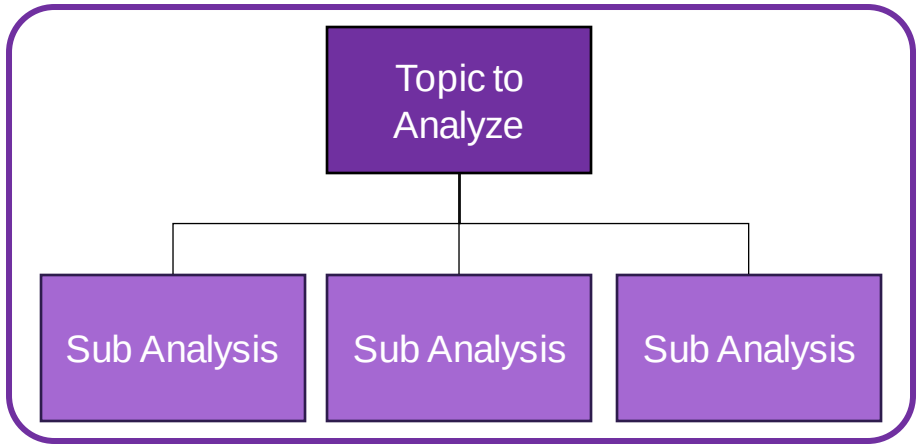
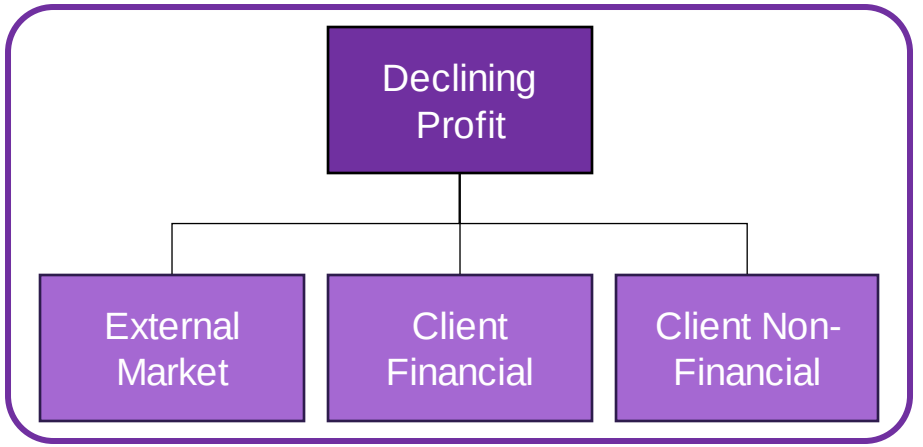
Decision Trees: The structure of frameworks

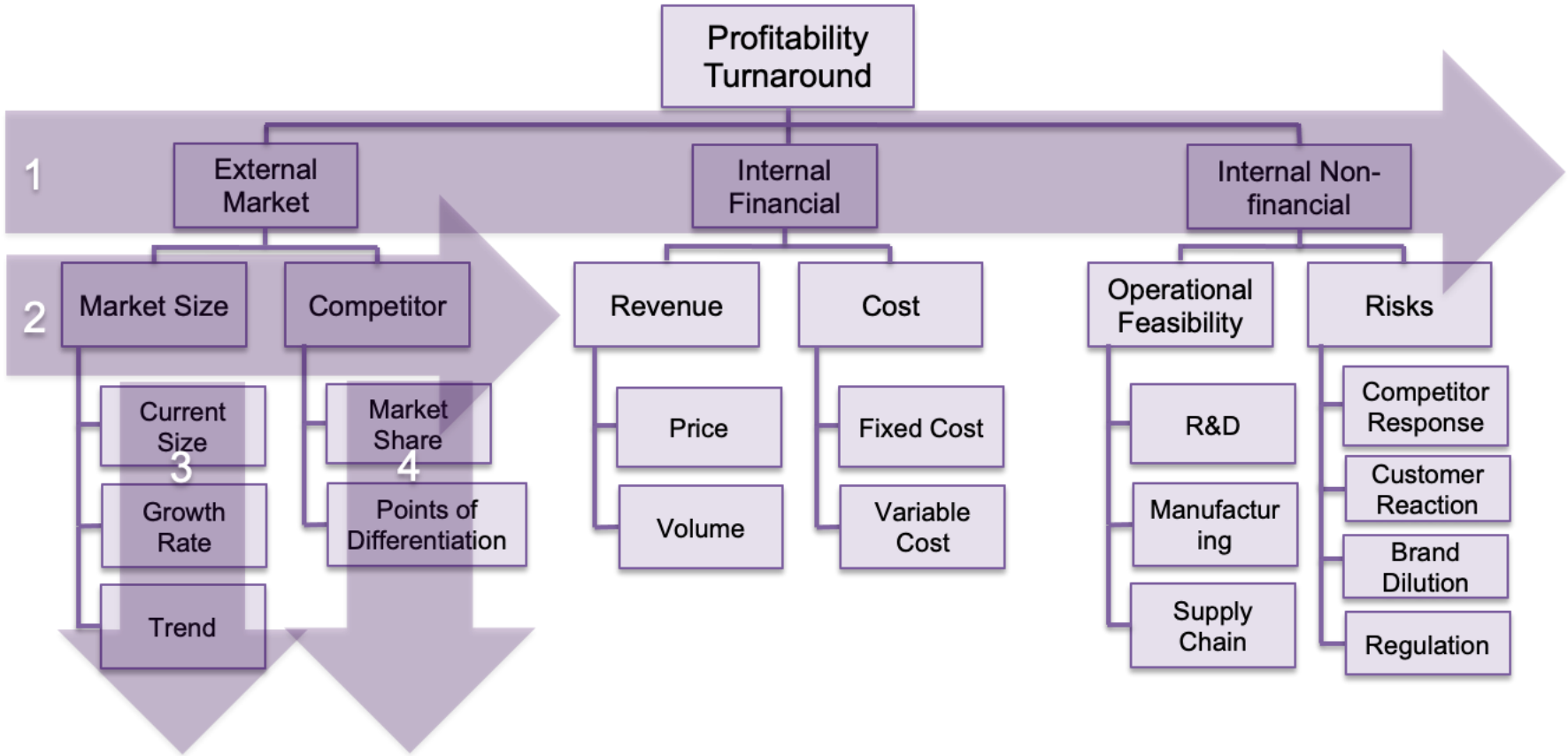
Structure



Example

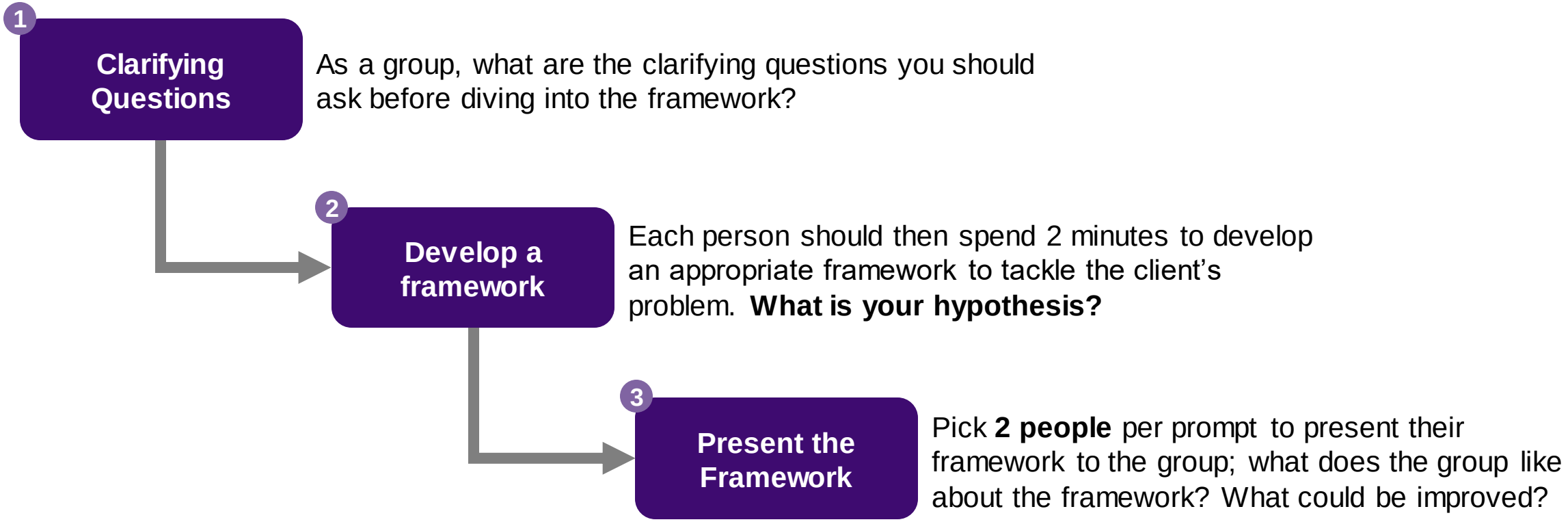


CLEAR THE FRAMEWORK



"MECE"

CASE START EXERCISES



Case Start – Exercise #1

Our client, RadioHut, is thinking about creating a new wearable fitness device after seeing FitBit's success. The new device will track caloric intake automatically and is meant to be used with a mobile app aimed at improving people's dietary health. However, RadioHut is unsure if this new device will be a worthwhile investment. Should the client proceed with the idea?

Case Start – Sample Framework for #1

Market

- **Size and growth** of wearable fitness device market
- **Competitiveness** of wearable fitness device market (lots of competitors? many new entrants? Will FitBit be a problem?)
- **Customer segments** – is there a segment that we can target and own? How is customer preferences towards fitness trending?

Profitability

- **Revenue:**
  - how many units of the device can we expecting to sell? What share of the market can we capture?
  - How much can we charge?
- **Costs:**
  - How much initial investment will the fitness device cost?
  - What FC and VC will be incurred? (e.g., marketing, manufacturing, COGS)

Execution

- **Capabilities** – does RadioHut have the technical expertise to design a wearable device and the app? How well does it align with RadioHut's core competency?
- **Method of entry** – build from scratch, partner with a firm, or just acquire?
- **Branding** – how well does the existing brand translate to wearable fitness devices?

Case Start – Exercise #2

The client is a regional supermarket chain. Historically, olive oil has been one of the more profitable categories as health trends drove more consumers to use olive oil over canola oil. In their most recent fiscal year, however, the olive oil category manager noticed that profits were flat to declining. What should the client do to reverse this profitability trend?

Case Start – Sample Framework for #2

Market

- **Size and growth** of olive oil market declining recently?
- **New supermarket competitors** putting downward pressure on sales and / or profits
- **Customer preferences** – has the historical health trends cooled down and consumers not buying as much olive oil?
- **Substitute** – another oil is replacing olive oil as the healthy oil of choice?

Profitability

Revenue

- **Volume:**
  - Declining units of olive oil sold (category vs. supermarket overall)
  - Change in volume mix shift between private label vs. branded olive oil
- **Price:**
  - Olive oil price discounting
  - Promotional activities

Costs

- **Variable Costs:**
  - Increasing costs to produce (private label) or to acquire (supplier negotiations)
  - Distribution costs
- **Fixed Costs:**
  - Marketing expenses
  - Salary of category managers
  - Overhead allocation to olive oil category (e.g., rent, utilities)

Benchmark costs against competitors and historical levels

AGENDA

- **Case Starts**
- **Case Math**

CASE MATH

- Know why you're doing the math
- Write your equation in words first
- Use smart estimations

- Format your math page like an Excel table
- Have separate scratch paper
- Manage your 0s in a consistent way
- Box your answers

- Engage your interviewer throughout
- Remain calm and confident
- Don't be afraid to take a step back and acknowledge mistakes

MATH SETUP EXERCISES

1. **Case Context + Clarifying Questions**

As a group, quickly review case context information to understand overall objective of case and ask for potential missing data

2. **Math Setup**

Everyone will spend 1-2 minutes setting up the math on paper and solving the prompt

3. **Clear the Chart + Walk through math**

One person will walk through the math; What was done well? What could be improved? **Was there a so what?**

Math Setup – Exercise #1

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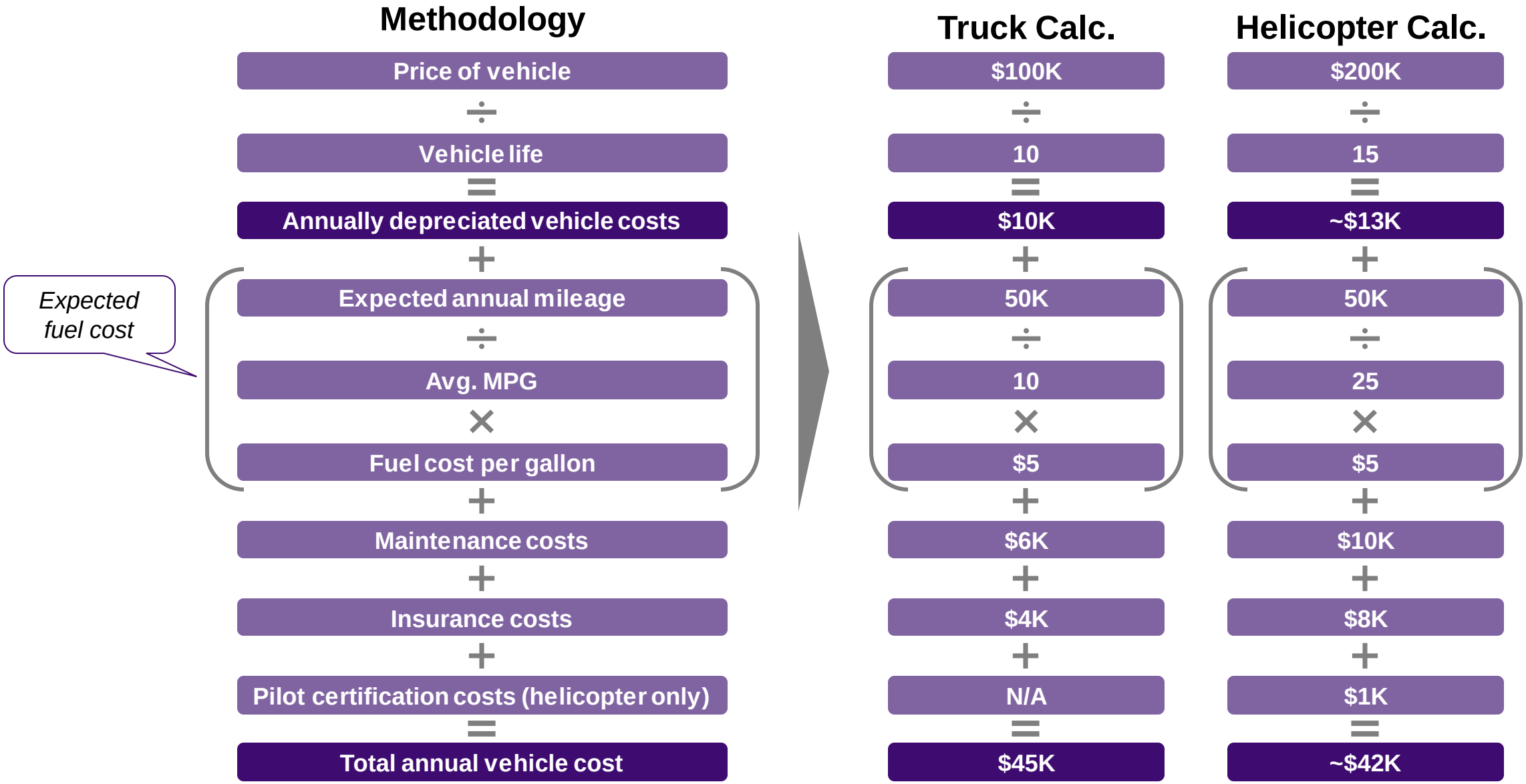
Case Context

- The client is Friendly Deliveries who pride themselves on timely one-day delivery services
- As a part of their fleet renewal, they are deciding if they should keep buying trucks or replace them with helicopters

	Truck	Helicopter
Price	$100,000	$200,000
Vehicle Life	10	15
Expected Annual Mileage	50,000	50,000
Avg. MPG	10	25
Maintenance Costs	$6,000	$10,000
Insurance Costs	$4,000	$8,000
Pilot Certification	-	$1,000

Math Setup – Exercise #1 (sample math setup)



Math Setup – Exercise #2

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Case Context

- Client has a new product technology that could reduce costs for Product X
- Product X is expected to generate $50M of revenue – how much money could the client save by adopted the new technology?

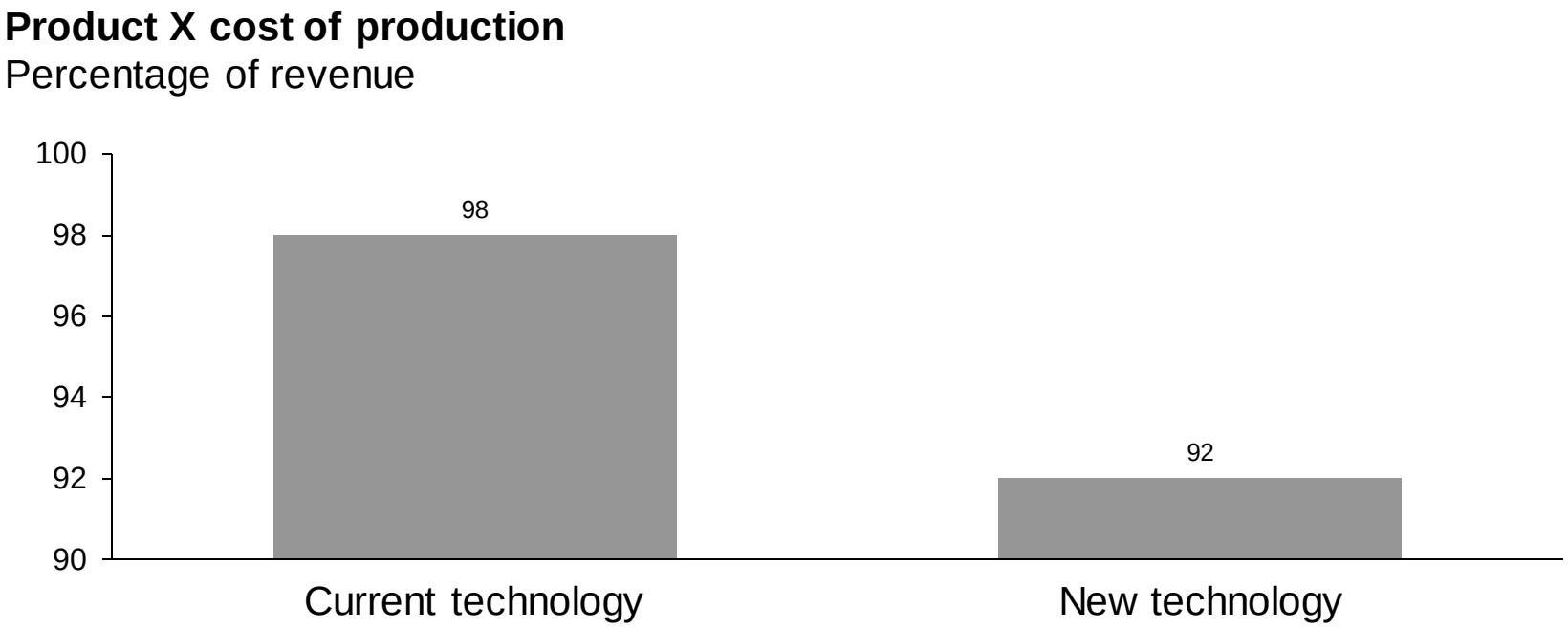

Chart Clearing / Math Setup – Exercise #2 (sample math setup)

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Methodology	Calculations
Cost % currently	98%
−	−
Cost % with new tech.	92%
=	=
Δ in cost %	6%
×	×
Product revenue	$50M
=	=
Cost savings	$3M

Math – Exercise #3 (Part 1 of 2)

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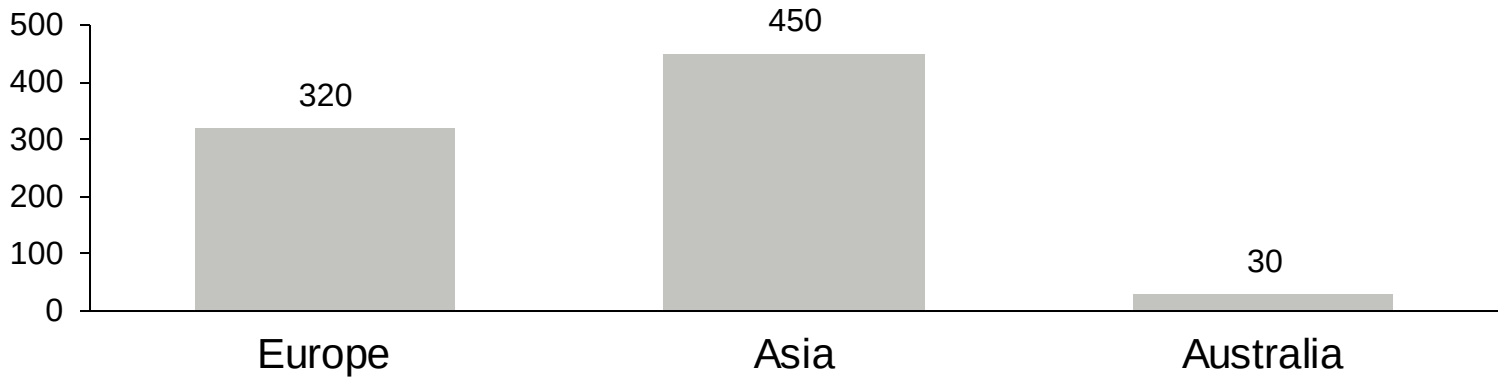
Case Context

- PhatCheddar made its name in the U.S. with its secret recipe nacho cheese sauce for make-at-home nachos and is looking to grow internationally through M&A
- Which market should PhatCheddar look to enter via acquisition?

Nacho consumption in select markets (2019)

Millions of servings of nachos



	Europe	Asia	Australia
% of meals dined out	60%	40%	70%
Avg. spend on cheese for nachos	$5	$2	$3

Math – Exercise #3 (Sample Setup Part 1 of 2)

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	Europe	Asia	Australia
	320M servings of nachos	450M servings of nachos	30M servings of nachos
	×	×	×
1 - % of meals dined out	40% meals eaten at home	60% meals eaten at home	30% meals eaten at home
	×	×	×
	$5 avg. spend on cheese	$2 avg. spend on cheese	$3 avg. spend on cheese
	=	=	=
	$640M avg. spend on cheese	$540M avg. spend on cheese	$27M avg. spend on cheese

Math – Exercise #3 (Part 2 of 2)

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Case Context (con't)

- There are 3 companies in Europe that PhatCheddar is considering to acquire – which one should it buy?

Potential European Acquisition Targets (2019)

	HQ Location	Market Share (Europe)	Growth Rate (2009-19)	Growth Rate (2019-29)	WACC*	Net Profit Margin**	Asking Price
Company A	UK	10%	5%	3%	8%	15%	$200M
Company B	France	15%	3%	5%	15%	25%	$210M
Company C	Switzerland	5%	10%	10%	15%	20%	$150M

* Weighted Average Cost of Capital; ** Net Profit Margin = Net Income / Revenue

Math – Exercise #3 (Sample Setup Part 2 of 2)

$$PV = \frac{Cash\ flow}{Discount\ Rate - Growth\ Rate} = \frac{Market\ size \times market\ share \times net\ profit\ margin}{WACC - expected\ growth\ rate}$$

Company A

$$\frac{\$640M \times 10\% \times 15\%}{8\% - 3\%} = \$192M$$

Company B

$$\frac{\$640M \times 15\% \times 25\%}{15\% - 5\%} = \$240M$$

Company C

$$\frac{\$640M \times 5\% \times 20\%}{15\% - 10\%} = \$128M$$

ADDITIONAL MATH PRACTICE

RocketBlocks

Good resource for focusing on chart clearing and math drills (similar to what we did today) with large number / variety of charts

Practice Cases

Use older casebooks to practice chart clearing and math setup (avoid burning more recent casebooks for drills)

Also focus on re-clearing charts and setting up math "perfectly" as part of reviewing practice cases you've done

Class Materials

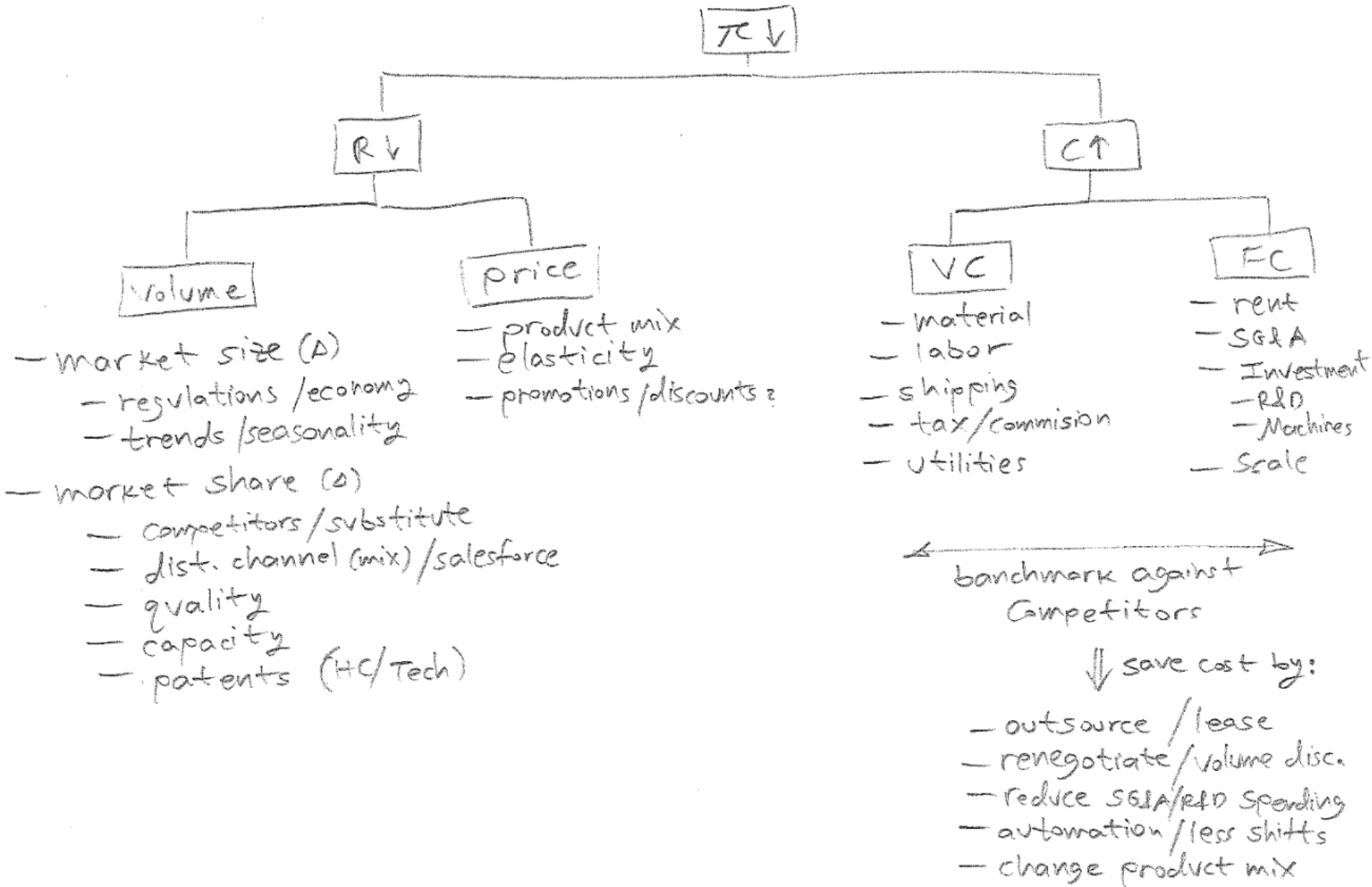
Who said STRT-431 isn't useful? Many of your cases and lectures will have charts and exhibits – can you try clearing them?

APPENDIX:
SAMPLE FRAMEWORKS, EXTRA MATH

IMPORTANT NOTE

These are sample frameworks for illustrative purposes only. These will NOT work for every case, and they certainly will NOT work for everyone. It may help to learn general framework skeletons, but good frameworks come from thoughtful adaptation to the nuances of each case.

Profit


π ↓
R ↓
C ↑
Volume
price
VC
FC
– market size (Δ)
– regulations / economy
– trends / seasonality
– market share (Δ)
– competitors / substitute
– dist. channel (mix) / salesforce
– quality
– capacity
– patents (HC/Tech)
– product mix
– elasticity
– promotions / discounts
– material
– labor
– shipping
– tax / commision
– utilities
– rent
– SG&A
– Investment
– R&D
– Machines
– Scale
benchmark against Competitors
⇓ save cost by:
– outsource / lease
– renegotiate / volume disc.
– reduce SG&A/R&D spending
– automation / less shifts
– change product mix

Entering a Market

client
- specific π/R goal? strategic?
- advantages (IP, brand, size, dist.)
- product mix (π of each)
- capabilities/capital limits

opportunity ⟹ R
- market size
- market growth (volume/$)
- comp. landscape/share
- customers (segment/drivers)
- pricing

R → π B/E ← C

cost ⟹ C
- Initial Investment
- ongoing costs → FC, VC
- opportunity cost

Go strategy
- build
- M&A
- partner

⇓

Barriers to Entry
- capital
- IP
- regulations/anti trust
- dist. channel

⇓

additional risks:
- comp. reaction
- brand/focus
- currency

Growth

client

- Goal (π↑/R↑)?
- capacity/capital limit?
- Inorganic growth? alterntives?
- product mix

market

- market size
- market growth/trends
- Competitive landscape/share
- Customer (segment, drivers)

R↑

Volume

- new products
  - geographies (local/global)
  - dist. channel (online/retail)
  - segment (ext./new products)
- steal share
  - marketing↑
  - price↓
- increase freq/amount of sales
- Aquire a competitor
- balance seasonality (product mix)

price

- underpriced?
- premium brand
- add value/features

risks:

- comp. reaction
- capacity
- brand/quality — prod. / service
- new prod. — cannibalization
- new geo. — currency

M&A

client

- Goal? (market share, product diversity, denying comp., synergies)
- capabilities / capital limits
- product mix

Market ⟷ target

Market

- market size
- market growth (units, $)
- comp. landscape
- customer (segment, drivers)

target

- π (comp. to market)
- advantages (IP)
- expected synergies
  - C↓ (scale)
  - R↑ (bundling, cross-selling)
- management
- culture
- other options

Cost

- price < Current Value + synergies
- cost of M&A (leagal)
- opportunity cost

risks:

- comp. reaction
- unknowns at target
- management ability to execute merge
- mgmt. attention
- anti trust

KEY FORMULAS

Profitability

$$Profit = Revenues - Cost$$

$$Profit = (P * Q) - (Q * VC + FC)$$

$$Profit\ margin = \frac{Revenue - Costs}{Revenue}$$

Return on Investment

$$ROI = \frac{Return - Investment}{Investment}$$

Net Present Value

Present Value of a Cash Flow

$$PV = \frac{Cash\ Flow\ at\ time\ t}{(1 + Discount\ Rate)^t}$$

Present Value of a Perpetual Cash Flow:

$$PV = \frac{Cash\ Flow}{Discount\ Rate - Growth\ Rate}$$

Breakeven

$$Breakeven\ Price = \frac{Total\ Fixed + Investment\ Costs}{Qty} + Variable\ Costs$$

Math Setup – Exercise #3

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Case Context

- Davis Car Rental historically had continued profitable growth but in recent years have seen negative profit trends
- It would like to get to a 10% operating margin (*Math hint: how much additional profit is needed to hit the goal?*)

Davis Car Rental Annual Revenue (2016-20F)
Thousands of USD

	2016	2017	2018	2019	2020E
Revenue	$1,026	$1,172	$1,328	$1,545	$1,607
- COGS	$667	$750	$876	$1,082	$1,093
Gross Margin	**$359**	**$422**	**$451**	**$464**	**$514**
- Marketing and Ads.	$62	$82	$106	$139	$193
- Rent	$31	$32	$33	$34	$35
- Insurance	$103	$106	$109	$112	$116
- Misc. Expenses	$62	$62	$62	$62	$62
Operating Income	**$103**	**$141**	**$142**	**$117**	**$110**

Math Setup – Exercise #3 (sample math setup)

Methodology	Calculations
Current revenue	$1.6M
×	×
Target profit margin	10%
=	=
Target profits	$160K
−	−
Current profits	$110K
=	=
Additional profits needed	$50K

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Casing Pt. 1

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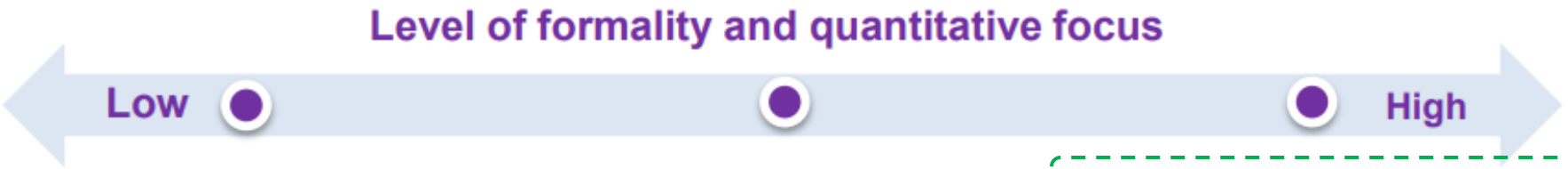

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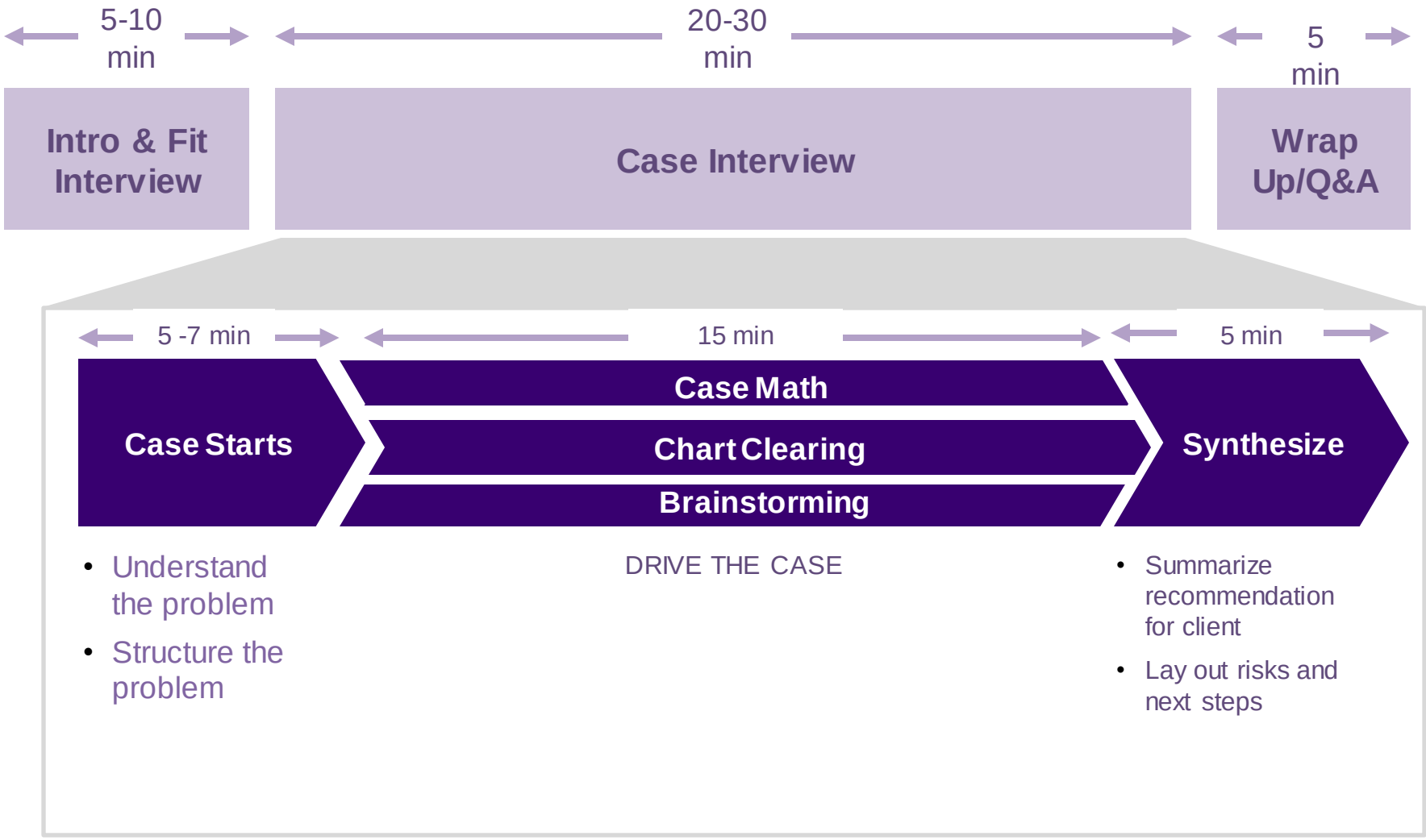

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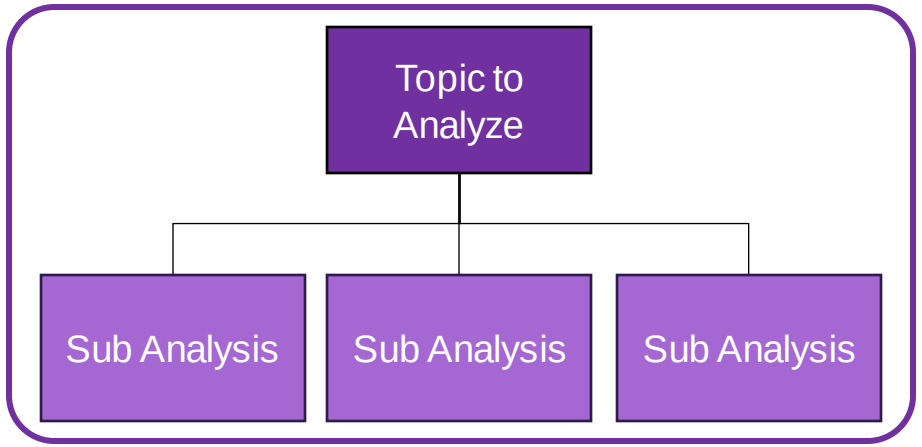

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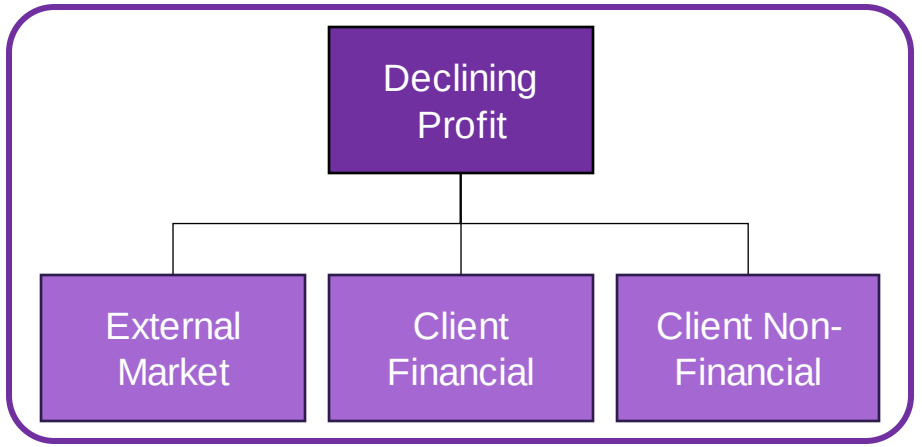

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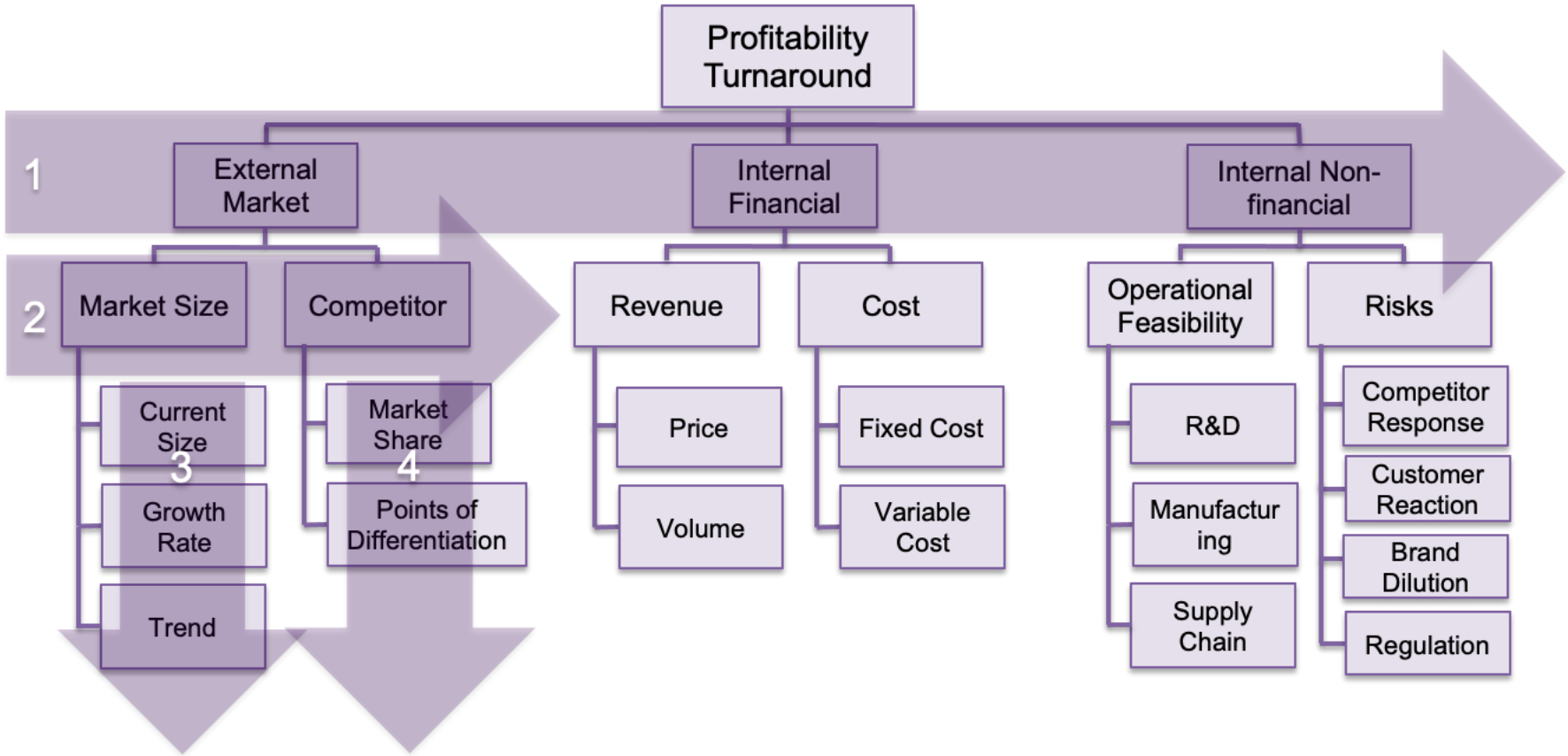

"MECE"

CASE START EXERCISES

1. **Clarifying Questions**

As a group, what are the clarifying questions you should ask before diving into the framework?

2. **Develop a framework**

Each person should then spend 2 minutes to develop an appropriate framework to tackle the client's problem. **What is your hypothesis?**

3. **Present the Framework**

Pick **2 people** per prompt to present their framework to the group; what does the group like about the framework? What could be improved?

Case Start – Exercise #1

Our client, RadioHut, is thinking about creating a new wearable fitness device after seeing FitBit's success. The new device will track caloric intake automatically and is meant to be used with a mobile app aimed at improving people's dietary health. However, RadioHut is unsure if this new device will be a worthwhile investment. Should the client proceed with the idea?

Case Start – Sample Framework for #1

Market

- **Size and growth** of wearable fitness device market
- **Competitiveness** of wearable fitness device market (lots of competitors? many new entrants? Will FitBit be a problem?)
- **Customer segments** – is there a segment that we can target and own? How is customer preferences towards fitness trending?

Profitability

- **Revenue:**
  - how many units of the device can we expecting to sell? What share of the market can we capture?
  - How much can we charge?
- **Costs:**
  - How much initial investment will the fitness device cost?
  - What FC and VC will be incurred? (e.g., marketing, manufacturing, COGS)

Execution

- **Capabilities** – does RadioHut have the technical expertise to design a wearable device and the app? How well does it align with RadioHut's core competency?
- **Method of entry** – build from scratch, partner with a firm, or just acquire?
- **Branding** – how well does the existing brand translate to wearable fitness devices?

Case Start – Exercise #2

The client is a regional supermarket chain. Historically, olive oil has been one of the more profitable categories as health trends drove more consumers to use olive oil over canola oil. In their most recent fiscal year, however, the olive oil category manager noticed that profits were flat to declining. What should the client do to reverse this profitability trend?

Case Start – Sample Framework for #2

Market

- **Size and growth** of olive oil market declining recently?
- **New supermarket competitors** putting downward pressure on sales and / or profits
- **Customer preferences** – has the historical health trends cooled down and consumers not buying as much olive oil?
- **Substitute** – another oil is replacing olive oil as the healthy oil of choice?

Profitability

Revenue

- **Volume:**
  - Declining units of olive oil sold (category vs. supermarket overall)
  - Change in volume mix shift between private label vs. branded olive oil
- **Price:**
  - Olive oil price discounting
  - Promotional activities

Costs

- **Variable Costs:**
  - Increasing costs to produce (private label) or to acquire (supplier negotiations)
  - Distribution costs
- **Fixed Costs:**
  - Marketing expenses
  - Salary of category managers
  - Overhead allocation to olive oil category (e.g., rent, utilities)

Benchmark costs against competitors and historical levels

AGENDA

- **Case Starts**
- **Case Math**

CASE MATH

- Know why you're doing the math
- Write your equation in words first
- Use smart estimations

- Format your math page like an Excel table
- Have separate scratch paper
- Manage your 0s in a consistent way
- Box your answers

- Engage your interviewer throughout
- Remain calm and confident
- Don't be afraid to take a step back and acknowledge mistakes

MATH SETUP EXERCISES

1. **Case Context + Clarifying Questions**

As a group, quickly review case context information to understand overall objective of case and ask for potential missing data

2. **Math Setup**

Everyone will spend 1-2 minutes setting up the math on paper and solving the prompt

3. **Clear the Chart + Walk through math**

One person will walk through the math; What was done well? What could be improved? **Was there a so what?**

Math Setup – Exercise #1

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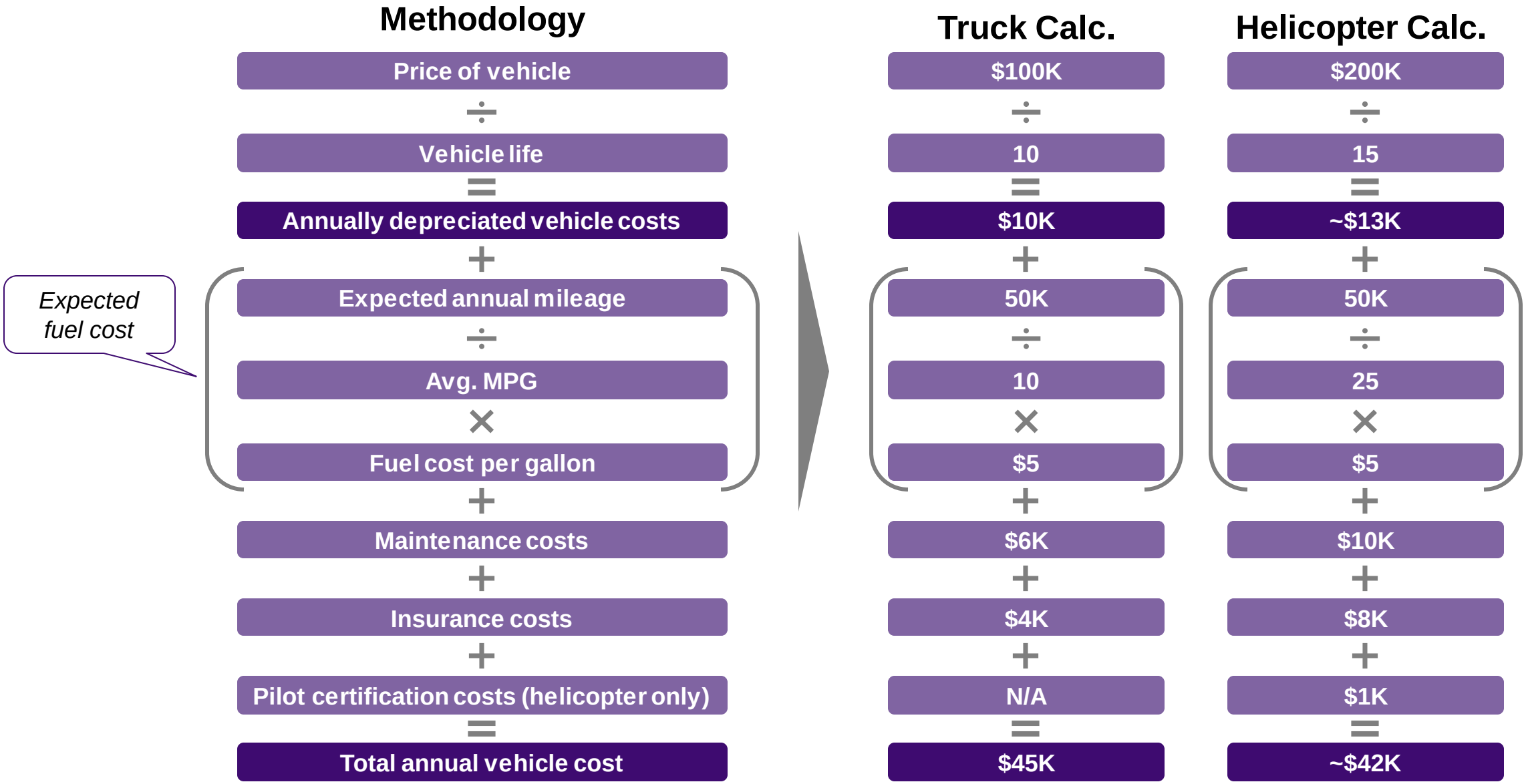
Case Context

- The client is Friendly Deliveries who pride themselves on timely one-day delivery services
- As a part of their fleet renewal, they are deciding if they should keep buying trucks or replace them with helicopters

	Truck	Helicopter
Price	$100,000	$200,000
Vehicle Life	10	15
Expected Annual Mileage	50,000	50,000
Avg. MPG	10	25
Maintenance Costs	$6,000	$10,000
Insurance Costs	$4,000	$8,000
Pilot Certification	-	$1,000

Math Setup – Exercise #1 (sample math setup)



Math Setup – Exercise #2

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Case Context

- Client has a new product technology that could reduce costs for Product X
- Product X is expected to generate $50M of revenue – how much money could the client save by adopted the new technology?

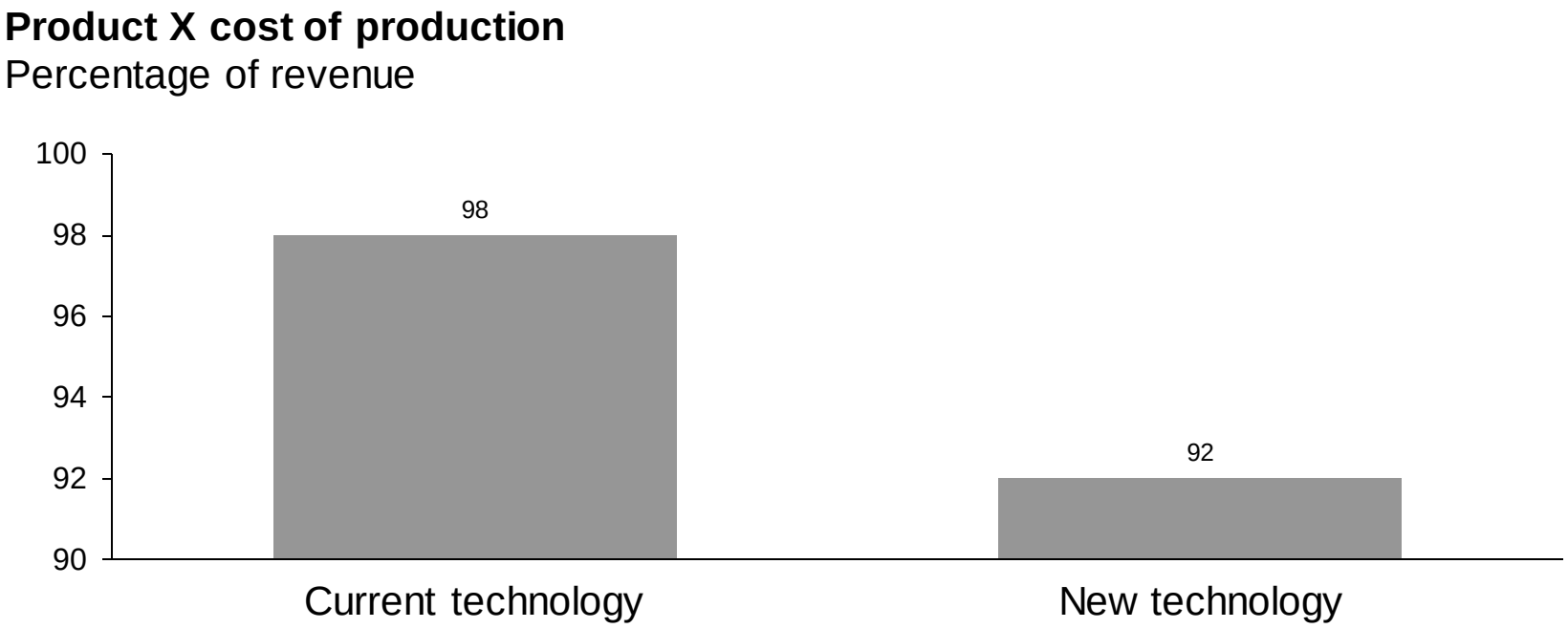

Chart Clearing / Math Setup – Exercise #2 (sample math setup)

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Methodology	Calculations
Cost % currently	98%
−	−
Cost % with new tech.	92%
=	=
Δ in cost %	6%
×	×
Product revenue	$50M
=	=
Cost savings	$3M

Math – Exercise #3 (Part 1 of 2)

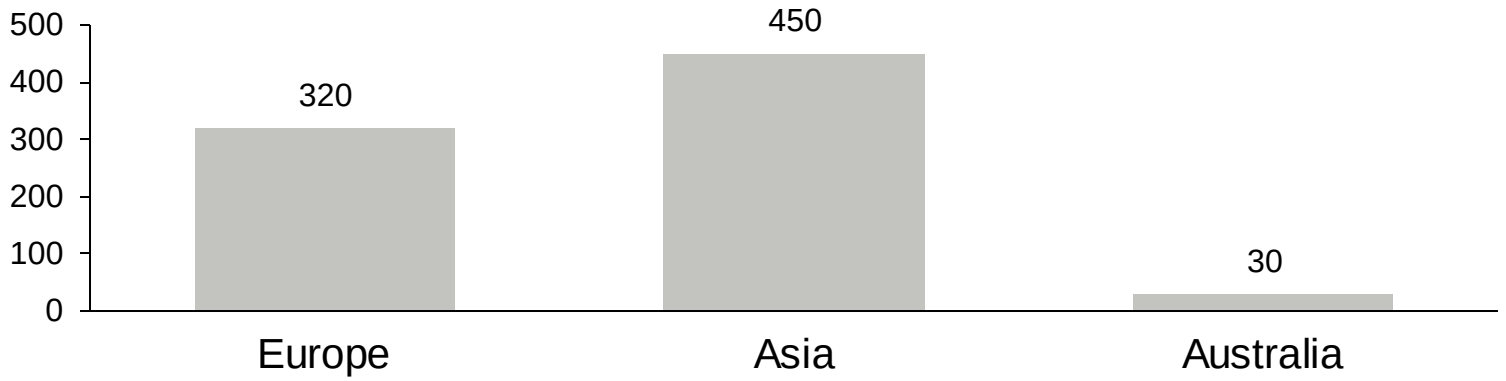
KELLOGG STRATEGY & BUSINESS DEVELOPMENT CLUB

Case Context

- PhatCheddar made its name in the U.S. with its secret recipe nacho cheese sauce for make-at-home nachos and is looking to grow internationally through M&A
- Which market should PhatCheddar look to enter via acquisition?

Nacho consumption in select markets (2019)

Millions of servings of nachos



	Europe	Asia	Australia
% of meals dined out	60%	40%	70%
Avg. spend on cheese for nachos	$5	$2	$3

Math – Exercise #3 (Sample Setup Part 1 of 2)

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	Europe	Asia	Australia
	320M servings of nachos	450M servings of nachos	30M servings of nachos
	×	×	×
1 - % of meals dined out	40% meals eaten at home	60% meals eaten at home	30% meals eaten at home
	×	×	×
	$5 avg. spend on cheese	$2 avg. spend on cheese	$3 avg. spend on cheese
	=	=	=
	$640M avg. spend on cheese	$540M avg. spend on cheese	$27M avg. spend on cheese

Math – Exercise #3 (Part 2 of 2)

Case Context (con't)

- There are 3 companies in Europe that PhatCheddar is considering to acquire – which one should it buy?

Potential European Acquisition Targets (2019)

	HQ Location	Market Share (Europe)	Growth Rate (2009-19)	Growth Rate (2019-29)	WACC*	Net Profit Margin**	Asking Price
Company A	UK	10%	5%	3%	8%	15%	$200M
Company B	France	15%	3%	5%	15%	25%	$210M
Company C	Switzerland	5%	10%	10%	15%	20%	$150M

* Weighted Average Cost of Capital; ** Net Profit Margin = Net Income / Revenue

Math – Exercise #3 (Sample Setup Part 2 of 2)

$$PV = \frac{Cash\ flow}{Discount\ Rate - Growth\ Rate} = \frac{Market\ size \times market\ share \times net\ profit\ margin}{WACC - expected\ growth\ rate}$$

Company A

$$\frac{\$640M \times 10\% \times 15\%}{8\% - 3\%} = \$192M$$

Company B

$$\frac{\$640M \times 15\% \times 25\%}{15\% - 5\%} = \$240M$$

Company C

$$\frac{\$640M \times 5\% \times 20\%}{15\% - 10\%} = \$128M$$

ADDITIONAL MATH PRACTICE

RocketBlocks

Good resource for focusing on chart clearing and math drills (similar to what we did today) with large number / variety of charts

Practice Cases

Use older casebooks to practice chart clearing and math setup (avoid burning more recent casebooks for drills)

Also focus on re-clearing charts and setting up math "perfectly" as part of reviewing practice cases you've done

Class Materials

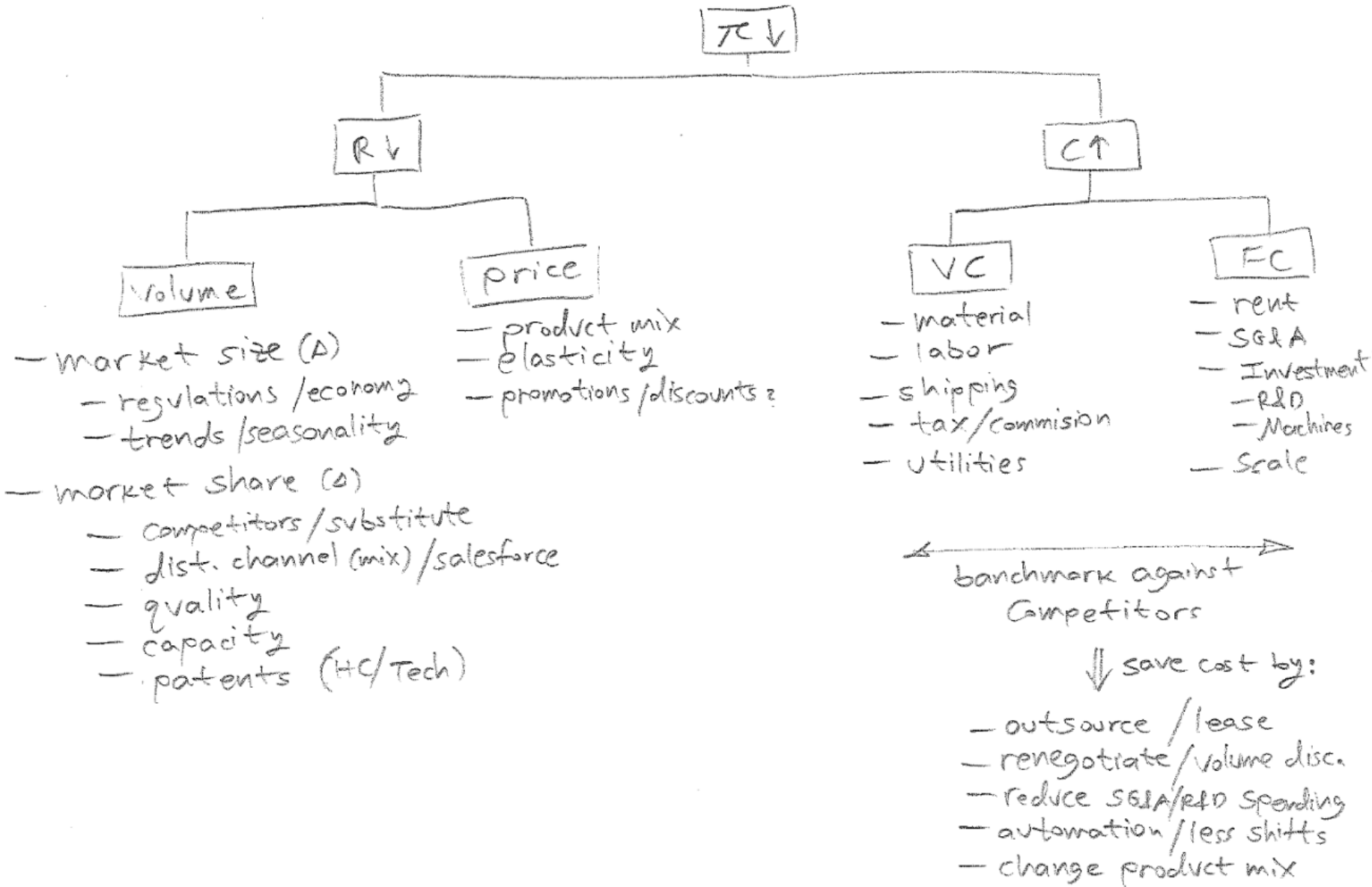
Who said STRT-431 isn't useful? Many of your cases and lectures will have charts and exhibits – can you try clearing them?

APPENDIX:
SAMPLE FRAMEWORKS, EXTRA MATH

IMPORTANT NOTE

These are sample frameworks for illustrative purposes only. These will NOT work for every case, and they certainly will NOT work for everyone. It may help to learn general framework skeletons, but good frameworks come from thoughtful adaptation to the nuances of each case.

Profit


π ↓
R ↓
C ↑
Volume
price
VC
FC
– market size (Δ)
– regulations / economy
– trends / seasonality
– market share (Δ)
– competitors / substitute
– dist. channel (mix) / salesforce
– quality
– capacity
– patents (HC/Tech)
– product mix
– elasticity
– promotions / discounts
– material
– labor
– shipping
– tax / commision
– utilities
– rent
– SG&A
– Investment
– R&D
– Machines
– Scale
benchmark against Competitors
⇓ save cost by:
– outsource / lease
– renegotiate / volume disc.
– reduce SG&A/R&D spending
– automation / less shifts
– change product mix

Entering a Market

client
- specific π/R goal? strategic?
- advantages (IP, brand, size, dist.)
- product mix (π of each)
- capabilities/capital limits

opportunity ⟹ R
- market size
- market growth (volume/$)
- comp. landscape/share
- customers (segment/drivers)
- pricing

R → π B/E ← C

cost ⟹ C
- Initial Investment
- ongoing costs → FC, VC
- opportunity cost

Go strategy
- build
- M&A
- partner

⇓

Barriers to Entry
- capital
- IP
- regulations/anti trust
- dist. channel

⇓

additional risks:
- comp. reaction
- brand/focus
- currency

Growth

client

- Goal (π↑/R↑)?
- capacity/capital limit?
- Inorganic growth? alterntives?
- product mix

market

- market size
- market growth/trends
- Competitive landscape/share
- Customer (segment, drivers)

R↑

Volume

- new products
  - geographies (local/global)
  - dist. channel (online/retail)
  - segment (ext./new products)
- steal share
  - marketing↑
  - price↓
- increase freq/amount of sales
- Aquire a competitor
- balance seasonality (product mix)

price

- underpriced?
- premium brand
- add value/features

risks:

- comp. reaction
- capacity
- brand/quality — prod. / service
- new prod. — cannibalization
- new geo. — currency

M&A

client

- Goal? (market share, product diversity, denying comp., synergies)
- capabilities / capital limits
- product mix

Market ⟷ target

Market

- market size
- market growth (units, $)
- comp. landscape
- customer (segment, drivers)

target

- π (comp. to market)
- advantages (IP)
- expected synergies
  - C↓ (scale)
  - R↑ (bundling, cross-selling)
- management
- culture
- other options

Cost

- price < Current Value + synergies
- cost of M&A (leagal)
- opportunity cost

risks:

- comp. reaction
- unknowns at target
- management ability to execute merge
- mgmt. attention
- anti trust

KEY FORMULAS

Profitability

$$Profit = Revenues - Cost$$

$$Profit = (P * Q) - (Q * VC + FC)$$

$$Profit\ margin = \frac{Revenue - Costs}{Revenue}$$

Return on Investment

$$ROI = \frac{Return - Investment}{Investment}$$

Net Present Value

Present Value of a Cash Flow

$$PV = \frac{Cash\ Flow\ at\ time\ t}{(1 + Discount\ Rate)^t}$$

Present Value of a Perpetual Cash Flow:

$$PV = \frac{Cash\ Flow}{Discount\ Rate - Growth\ Rate}$$

Breakeven

$$Breakeven\ Price = \frac{Total\ Fixed + Investment\ Costs}{Qty} + Variable\ Costs$$

Math Setup – Exercise #3

Case Context

- Davis Car Rental historically had continued profitable growth but in recent years have seen negative profit trends
- It would like to get to a 10% operating margin (*Math hint: how much additional profit is needed to hit the goal?*)

Davis Car Rental Annual Revenue (2016-20F)
Thousands of USD

	2016	2017	2018	2019	2020E
Revenue	$1,026	$1,172	$1,328	$1,545	$1,607
- COGS	$667	$750	$876	$1,082	$1,093
Gross Margin	**$359**	**$422**	**$451**	**$464**	**$514**
- Marketing and Ads.	$62	$82	$106	$139	$193
- Rent	$31	$32	$33	$34	$35
- Insurance	$103	$106	$109	$112	$116
- Misc. Expenses	$62	$62	$62	$62	$62
Operating Income	**$103**	**$141**	**$142**	**$117**	**$110**

Math Setup – Exercise #3 (sample math setup)

Methodology	Calculations
Current revenue	$1.6M
×	×
Target profit margin	10%
=	=
Target profits	$160K
−	−
Current profits	$110K
=	=
Additional profits needed	$50K