



# Thoughts on Consulting

October 26, 2015

**Colorado College**

**DRAFT**

# Things to talk about

---

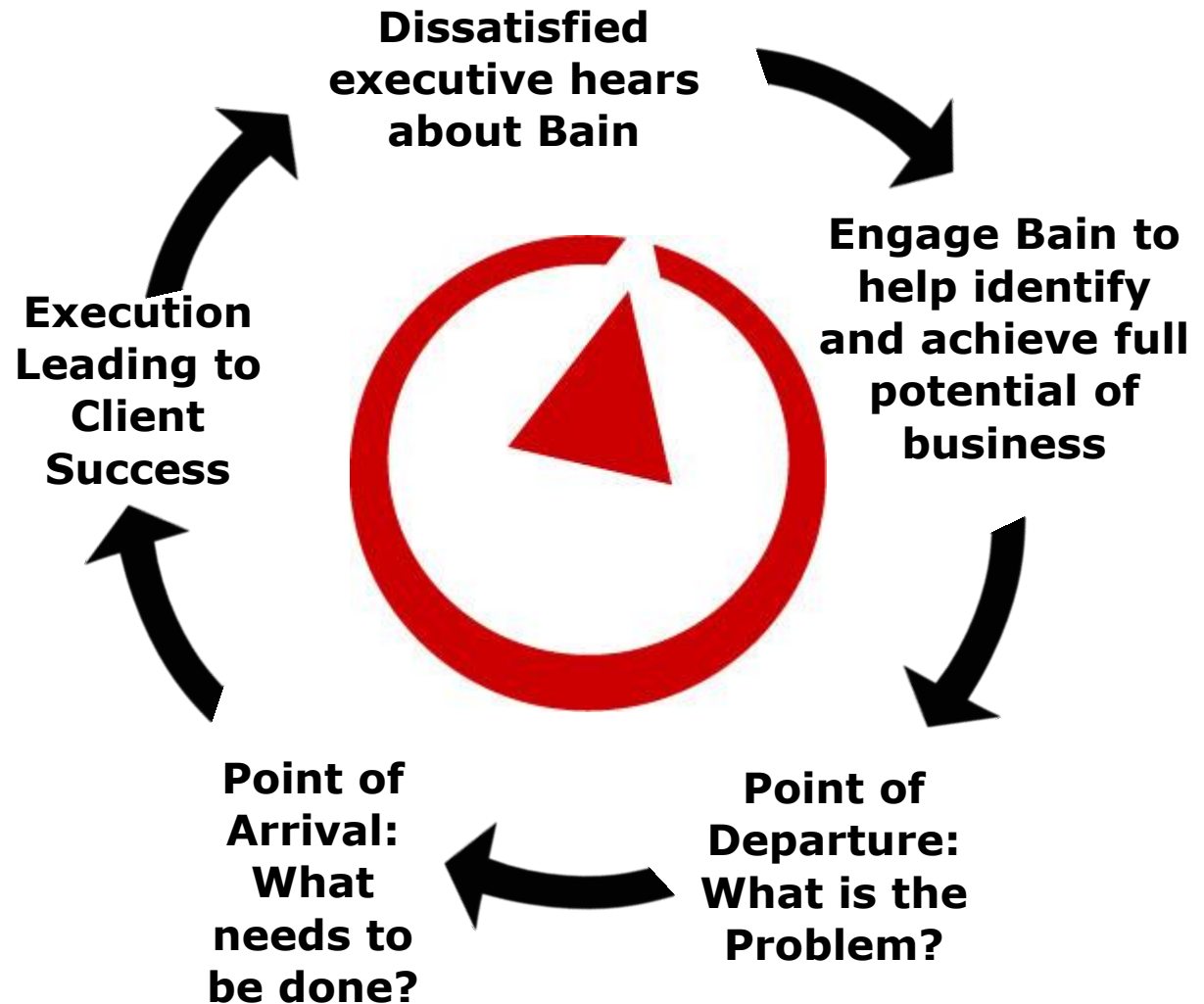
- Introductions
- The World of Management Consulting
- Strategy Segment
- Case Interviewing

# Introductions: Me, you and Bain



**David Harding**

- Two CC grads
- UC, HBS
- Consultant
- Author
- Investor
- Musician



# The strategy consulting market has become quite segmented

## Strategy Firms

**BAIN**  
& COMPANY

**BCG**  
THE BOSTON CONSULTING GROUP

McKinsey  
& Company

## Functional Specialists

**AT&T**

**Hewitt**

MONITOR

hewlett

Monitor  
**Deloitte.**

pwc  
strategy&

accenture

**IBM**

## Accounting Firms

**KPMG**

**Deloitte.**

pwc

**EY**



# What is Strategy? ... a common view

---

*"Strategy: a plan designed to achieve a particular long-term aim... often contrasted with tactics"*

Oxford English Dictionary

**This is unhelpful: a plan is merely an aspiration**



# Bain definition of Strategy

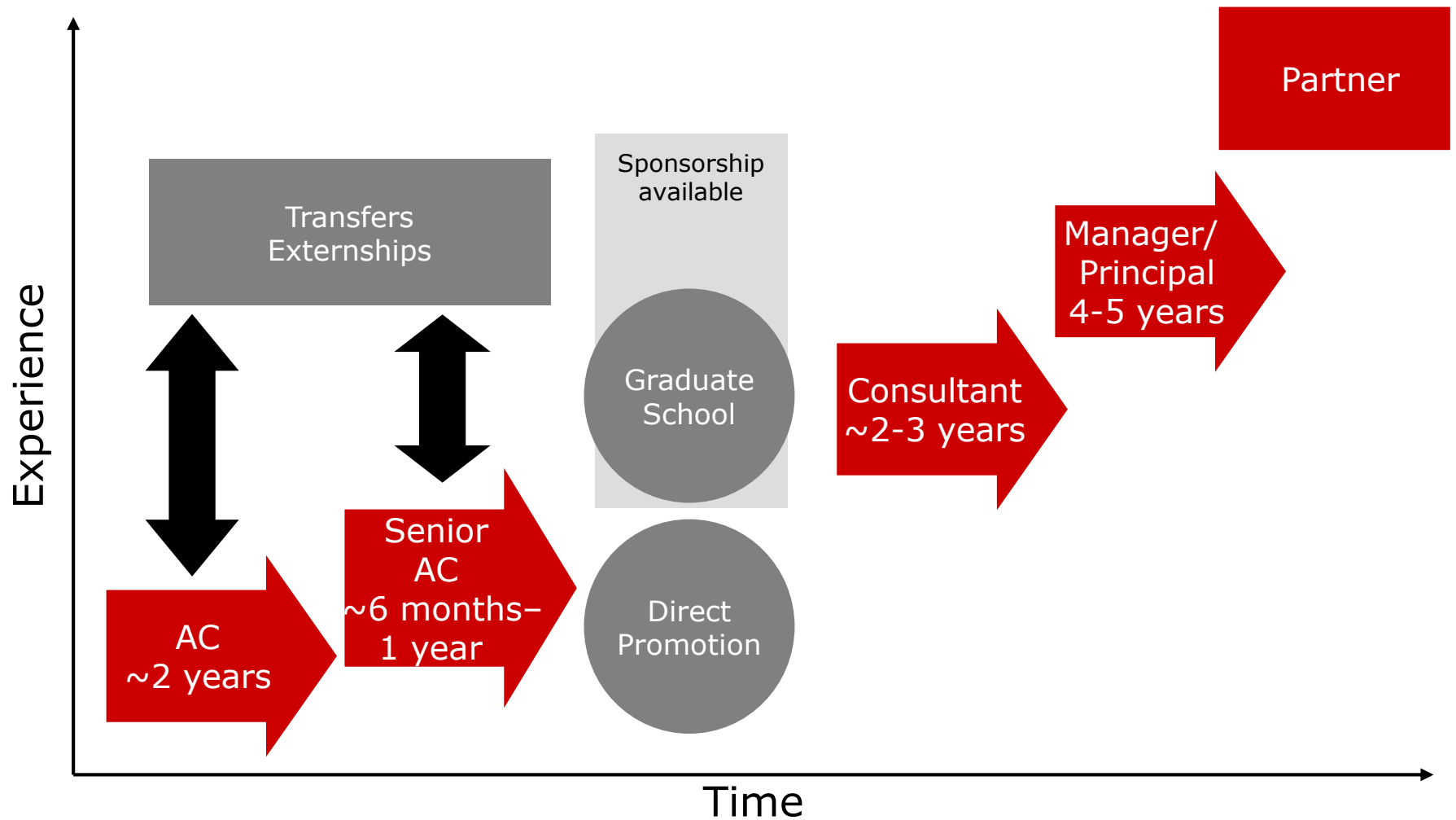


- A **proprietary** set of actions that drive competitive advantage
- The “science” of **allocating scarce resources**

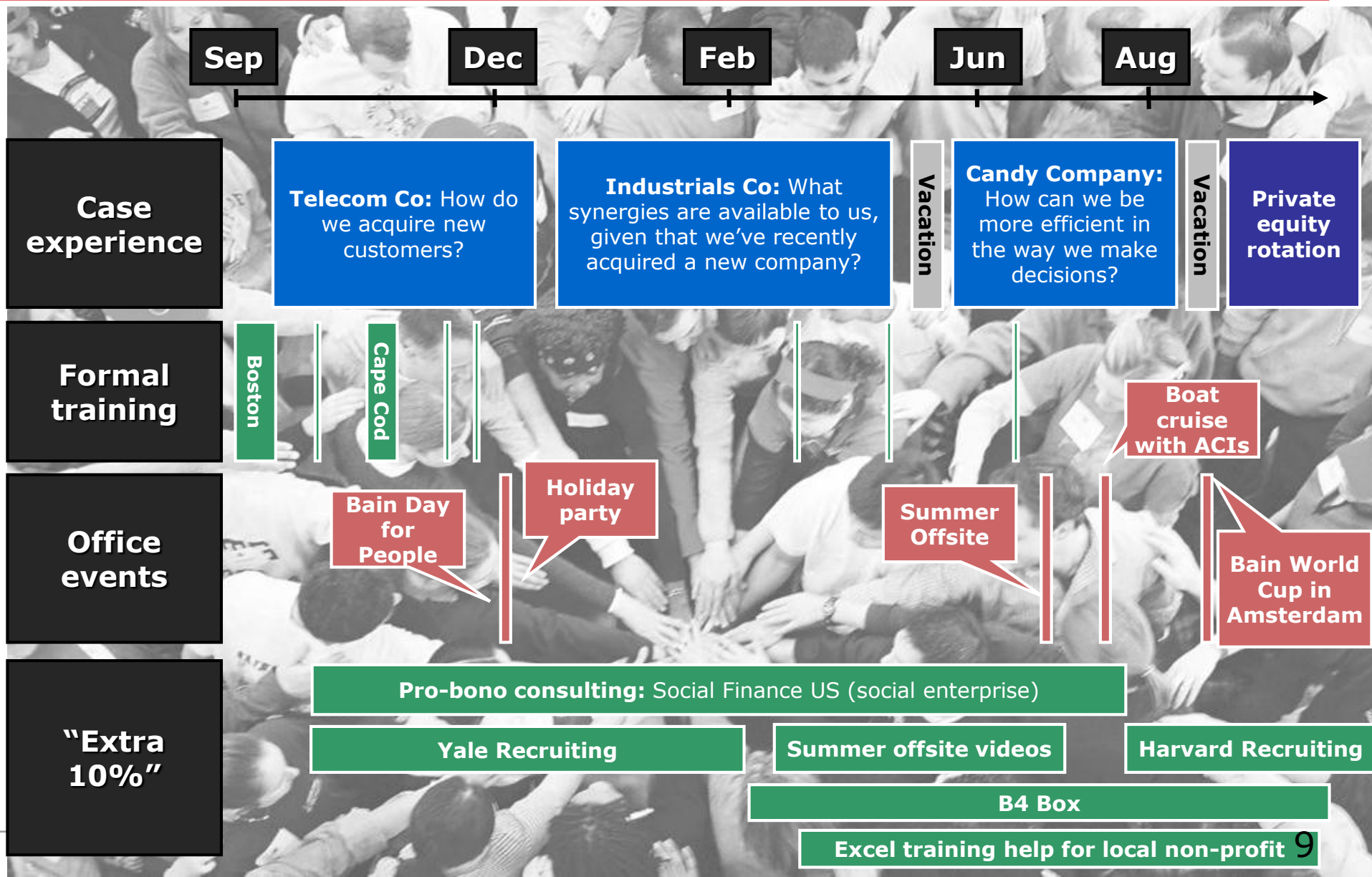
Strategy is about what you do, everyday, to support your target customer, demanding choices on where to excel



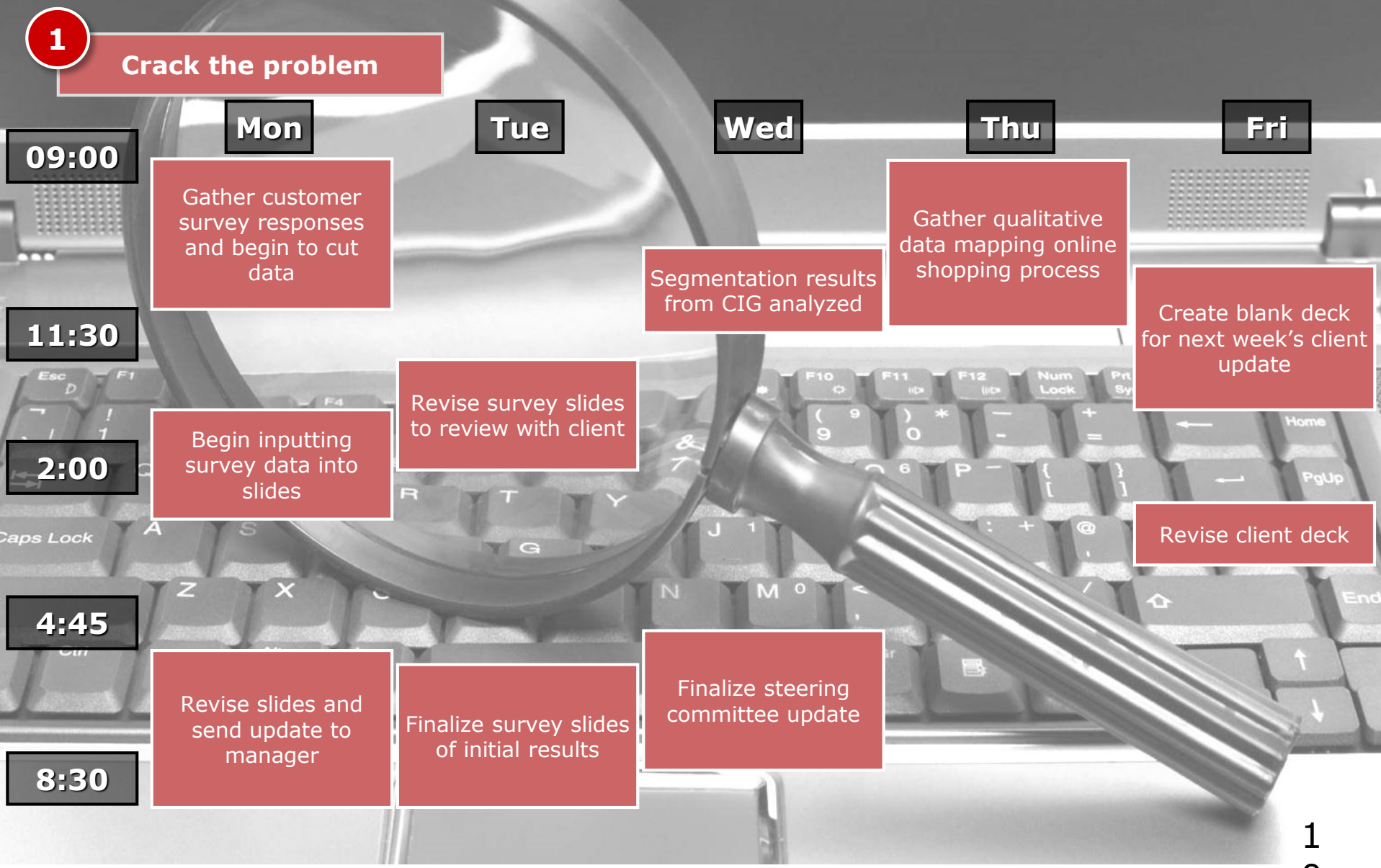
# Your career path is designed for continuous learning and development



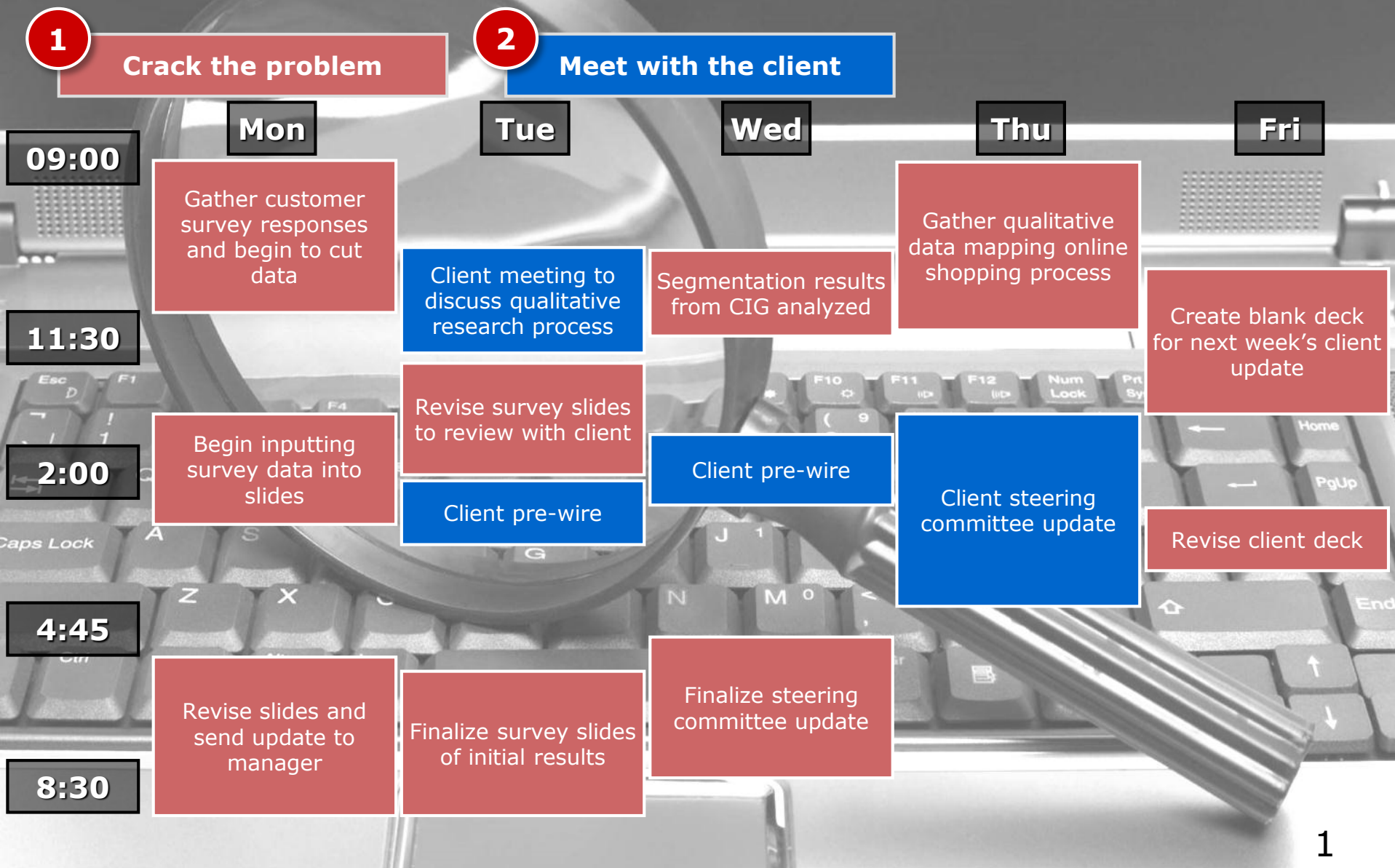
# A year as an AC



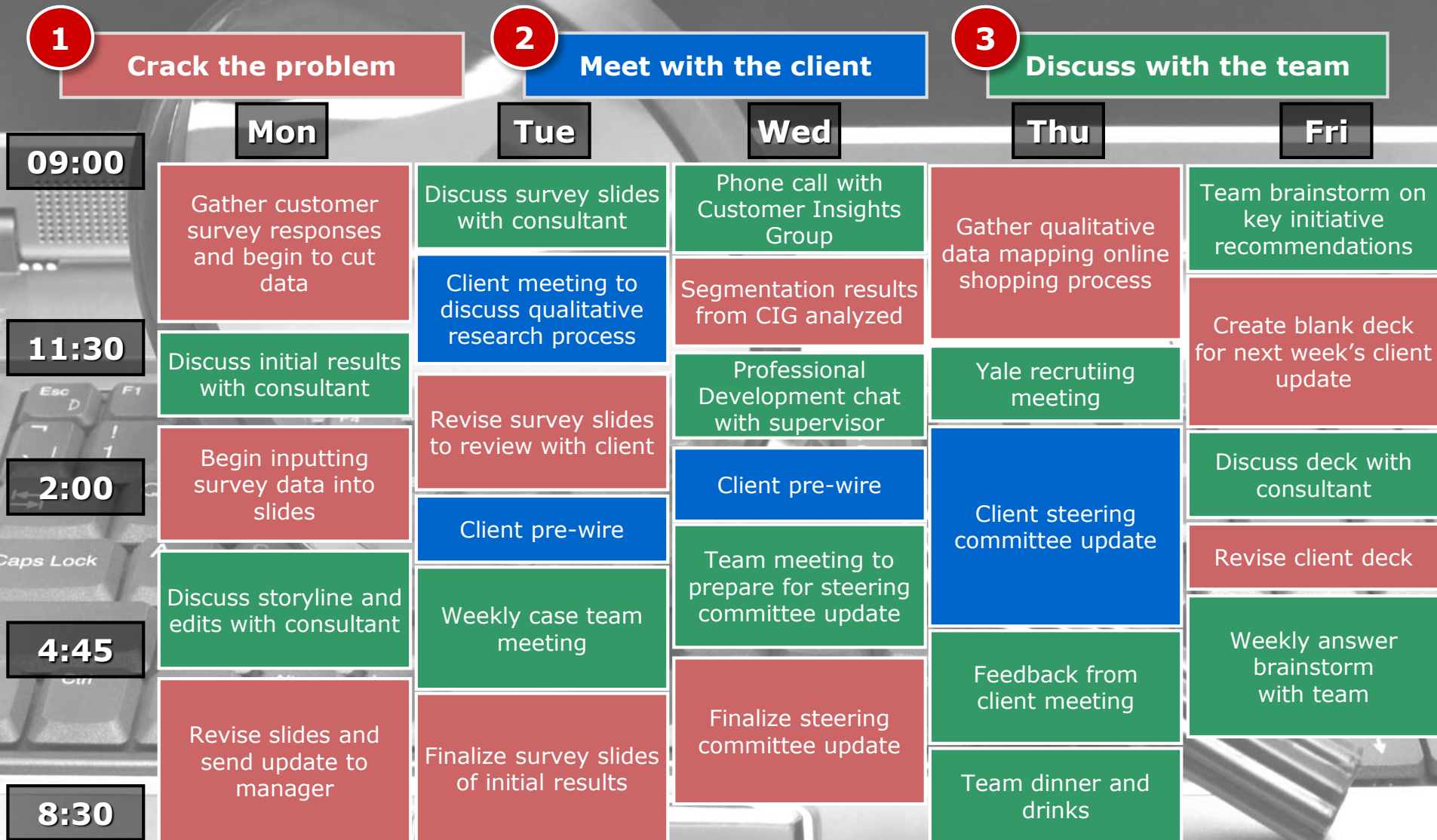
# A 'typical' week as an AC at Bain



# A 'typical' week as an AC at Bain



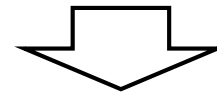
# A 'typical' week as an AC at Bain



# Case interview: BlueBerry Frozen Yogurt Shop

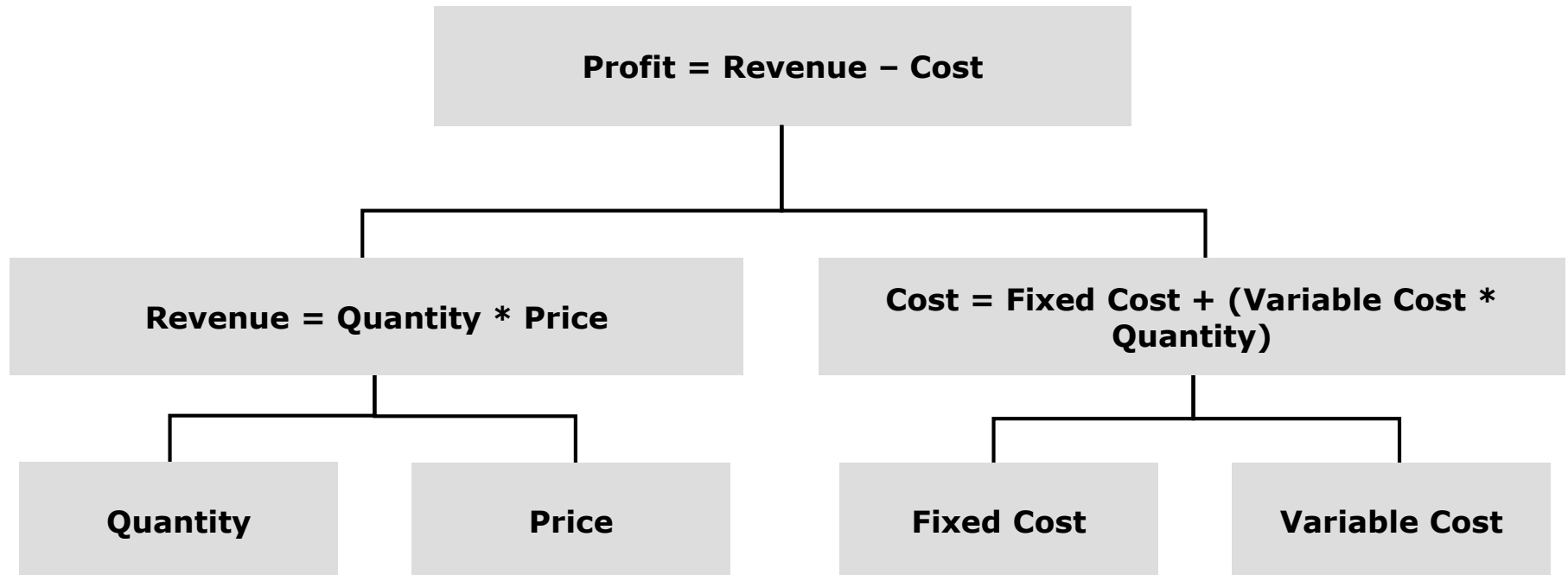
---

- A friend of yours is considering opening a frozen yogurt shop in Brookline, MA
- She has enlisted your help to determine whether or not this is a good idea



**How do you set up the problem?**

# Step 1: Set up a framework and communicate it



***Not too complicated, right?***

## Step 2: Getting more specific

- Your friend knows that any successful business needs to make a profit and likes the overall framework
- She wants to start on the revenue side, specifically, how big the market is in order to start building an estimate of how much frozen yogurt she can sell
- She knows that the market probably includes commuters, etc. but for now, she is thinking of a neighborhood type shop, and wants you to focus on Brookline residents



**Discuss: How can we estimate the size of the market?**

# Market sizing: two potential approaches

## 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 frozen yogurts consumed per person per day) and progressively scale up



- Exact numbers are not important
- Make assumptions that are reasonable, using round numbers whenever possible
  - i.e. don't use Pi as a variable
- "Sanity Check"
- It is OK to go back and refine assumptions, especially if the interviewer indicates that something might be off

# Step 3: Getting specific around a frozen yogurt shop market sizing

ILLUSTRATIVE

## TOP DOWN

- 120,000 people live in Brookline
  - 80% eat dessert = ~100,000 people
  - Of those 50% go out for dessert = 50,000 people
  - 75% of those people eat frozen yogurt an average of once per week = 37,500 people
  - \*50 weeks = **2M frozen yogurts a year**

## BOTTOM UP

- Average Brookline person eats frozen yogurt 0.5 times a week (many have none)
  - 0.5 times a week \* 50% of the time they chose frozen yogurt = 0.25 times per week
  - \*52 weeks per year = 13 frozen yogurts a year per person
  - \*120,000 people living in Brookline = **1.6M frozen yogurts a year**

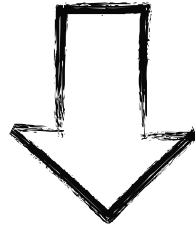


Total market size is **~2M frozen yogurts** per year

## Step 3: “Oh snap, there’s a twist”

---

- Nice - you’ve made it this far. Feeling pretty good, hitting your stride right? Well now it’s time to get serious...



- Your friend is getting excited. 2M frozen yogurts sounds like a lot
- Before moving forward, however, she’d like you to estimate the quantity she needs to break even in the first year

# Your friend has researched start up & variable costs, but wants your help estimating operating costs

- **Start up** costs for a frozen yogurt business are roughly **\$300,000**
  - **Variable cost** per cup of frozen yogurt = **\$2**
- 

- What are some operating costs we must consider?
  - Rent
  - Utilities
  - Employee Salaries
  - Marketing/Advertising
- Let's estimate total operating costs to run the business at **\$300,000/year**

# Another breakeven technique

$$\text{BREAKEVEN} = \text{FIXED COSTS} / \text{PROFIT PER YOGURT}$$

Price per yogurt	\$4
Cost per yogurt	\$2
<hr/>	
Profit per yogurt	\$2
Fixed costs	\$600K



$$\text{Breakeven} = \$600\text{K} / \$2 = 300\text{K cups}$$

# Should we recommend pursuing this business?

Break-even volume: 300,000 cups per year

*As we have seen above...*

For Revenue > Costs, you need  $\$4 * (x \text{ cups}) > \$600k + \$2 * (x \text{ cups})$

So, need > 300k cups to make profit

Market estimate is 2M cups



**Given these assumptions, this business can make money**

# To discuss further...

---

- What other options might you consider to improve the probability of success for this business?
- At the end of one year, your friend's business is booming and she is considering expanding her frozen yogurt shop outside of California. She has once again asked your help in determining if this is a good idea.
- What might be some things to consider when thinking about expanding a business?

# Key Tips For Success

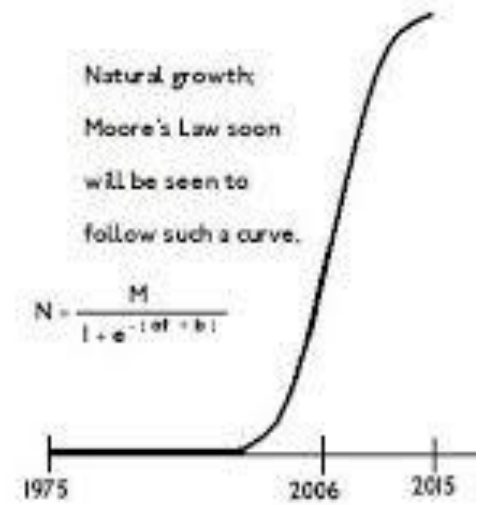
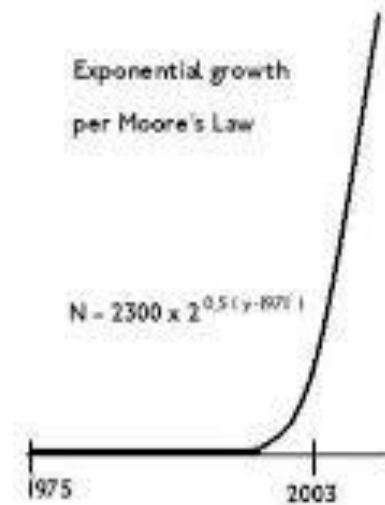
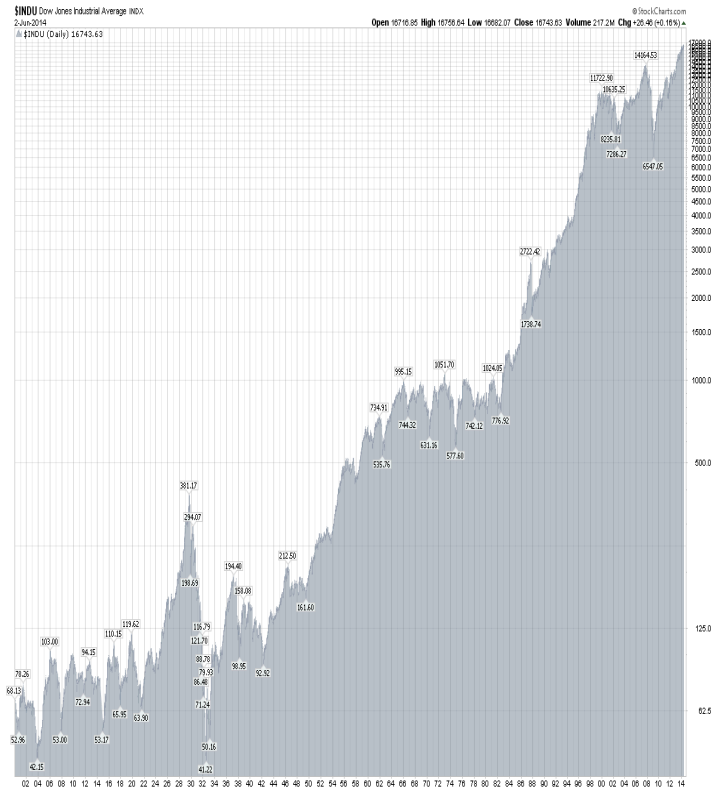
- **Listen** carefully and make sure to **answer the question** you were asked to evaluate (*it's really awkward for both of us if you answer the wrong one*)
- If confused, **ask for clarification**. It will be hard to rock the case if you don't understand the facts (*interviewers will not dock you points for this*)
- **Structure, structure, structure** – use it, it will help you (*just please don't bust out Porter's 5-forces verbatim*)
- Make sure you **get to an answer** (*way more important than being right*)
- Always provide **logical back-up** to your answers. The thought process is much more important than the actual answer
- Look for **verbal and physical** cues (*we want you to succeed on the case because you're probably really nice, and its fun for us to see you nail our case*)
- **Be yourself** (*believe it or not, we're here to get to know you*)
- **Relax and have fun** (*the more relaxed you are, the more fun – and fruitful – this will be*)

Where are you going to go?



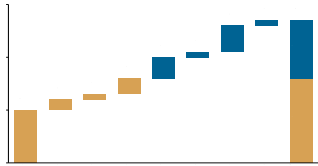
**BAIN & COMPANY** 

# Never underestimate the role of luck in your career!!!



EXPONENTIAL GROWTH VERSUS NATURAL GROWTH

# Each of the eight will contribute at least ~\$1T to GDP



Advanced  
economies  
adjusting  
to age

Developing  
economies  
catching up

- ① Next billion...
- ② Dev. human capital
- ③ Militar. follows industr.
- ④ Grow-ing... inputs
- ⑤ Keeping wealthy healthy
- ⑥ Aging infra.
- ⑦ Same but nicer
- ⑧ Next big thing

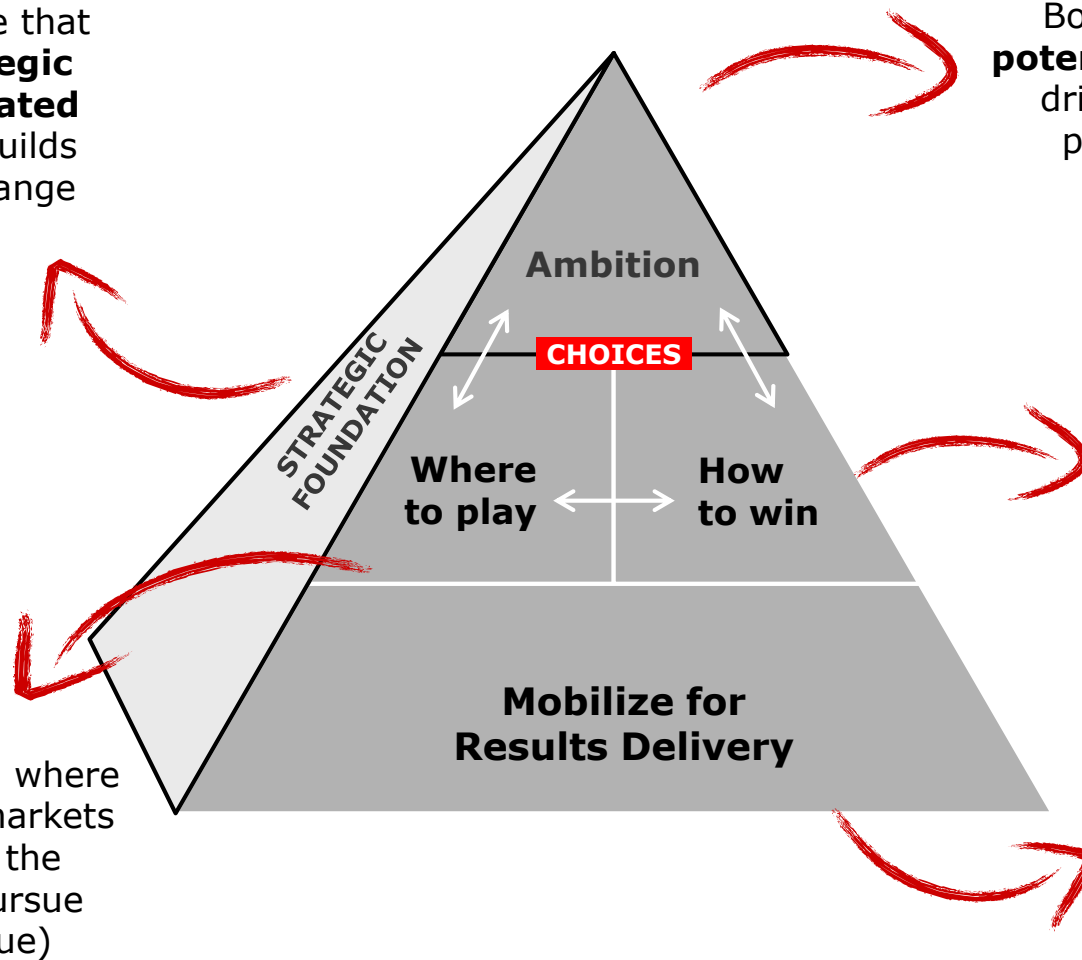


**How will you capitalize on these  
8 macro themes?**

# Bain Perspective: What makes for a winning strategy?

Robust fact base that drives to **strategic and differentiated insights** and builds the case for change

Bold, inspiring, **full potential ambition** that drives to sustained profitable growth



**Clear choices** on where to play – which markets and segments the company will pursue (and not pursue)

**Clear choices** on how to win – what are our differentiated capabilities and assets the company will leverage to win supported by resource allocation

Flexible **priorities that follow the money even in turbulence** and go beyond “just initiatives”

