



Casual Cafe

Case Skills: Case specific words, root causes, profit

S Start with Specifics

Say the following to start the case:

- **Casual Café is a local campus café that serves everything from breakfast muffins to light sandwiches and soups. Over the last 3 months the profits have been down and the owners are not sure what's going on. What would you do?"**
- Ask, **"Do you have a favorite café or hangout spot on campus?"** Let the candidate chat about what she likes. You may ask, "Why do you like it so much?" or "What makes it successful?" Your goal is to help the candidate think case specifically (e.g. queue speed,

fresh food, menu variety, order size, food waste, part-time labor and coffee).

- **"Casual Café is known as a great place to hang out with plenty of tables, couches and a bar. It's a convenient place to meet friends and catch a meal. There always seems to be a steady crowd."**
- Say, **"The managers need your help in three ways: 1) think through all the causes of what is driving profit down, 2) find the root cause and 3) come up with some solutions. They are in a panic so work quickly."**
- Plan to review the candidate's plan in the next section (Manage the Structure) and later in the case give information about the new Wi-Fi roll-out.

Be ready if asked:

- **Competitors** – there are several cafes on the street. Two blocks away, a new Cronut & Coffee Café opened up about 3 months ago.
- **Pricing** – Casual Café offers competitively priced meals.
- **Awareness** – Everyone knows Casual Café. It's been around for 8 years. It's located on a street with several established eateries and fast food places.
- **Seasonality / Hours** – Casual Café has not changed its hours.
- **Construction** – Campus Facilities has been managing a new sewer line on the street. Students have to walk on boards and under scaffolding. No end in sight.
- **Rev/Costs** – Annual Revenue, \$1.5M; Costs, 85%, Profit drop = 30%.

M Manage the Structure

Manage the discussion around a structure

- This case is a simple drill down on the drivers of profit. Most candidates will face several profit cases, so the key is to be thorough and case specific. Your goal is to a) test the candidate's ability to explain his plan, b) look for overlapping thoughts, and c) check that he is searching for relevant data. Business judgment and common sense are key here. Also, watch out for candidates that want to turn the discussion into 20 questions rather than presenting a plan.

Look for "case specific" thinking, breadth and depth.

- Remember that the candidate typically "asks for a minute" to collect his thoughts and structure a plan. He should present his approach. Creating a structure and presenting it is the most important part of any case interview. You could ask **"What else would you like to include in your structure?"**

Block

Break

Ask

- | | |
|--|---|
| <ul style="list-style-type: none"> <input type="checkbox"/> Have prices been steady over the 3 month period? <input type="checkbox"/> Are there any new food or drink options with lower pricing that may be capturing sales, thus lowering profit? <input type="checkbox"/> Analyzing a typical "total purchase", have we seen this total amount go down per customer? | <ul style="list-style-type: none"> <input type="checkbox"/> Can volume be broken down by product type and do we see any variation in unit sales? <input type="checkbox"/> Are we seeing the same average number of customers coming into the store (especially since there is construction nearby). <input type="checkbox"/> Are customers going elsewhere? <input type="checkbox"/> Is the order size (volume per order) relatively the same size? |
|--|---|

PROFIT TREE

Revenue minus Costs

REVENUE

PRICE P X V VOLUME

COSTS

FIXED COST FC X VC VARIABLE COSTS

- | | |
|---|--|
| <ul style="list-style-type: none"> <input type="checkbox"/> Changes in rent? <input type="checkbox"/> Changes in maintenance or service contract fees? <input type="checkbox"/> Any new city taxes or other regulatory fees? <input type="checkbox"/> New investments in equipment like refrigerators, stoves or mixers? <input type="checkbox"/> Upgrades in furniture, bathrooms, electrical or Wi-Fi? <input type="checkbox"/> Utilities: water, electric, gas | <ul style="list-style-type: none"> <input type="checkbox"/> What is the break-down between the spend on packaged food to resell vs. fresh food for making meals? <input type="checkbox"/> Has the amount of waste / spoiled food gone up per day? <input type="checkbox"/> What are the paper and plastic costs per meal and has that changed? <input type="checkbox"/> What other daily costs are there, like cleaning, and have they changed? <input type="checkbox"/> What about employee wages? |
|---|--|



Casual Cafe

Case Skills: Case specific words, root causes, profit

CRACK THE CASE

WORKSHOPS

A Ask for Numbers

Ask about data and numbers. You must test a specific analytical skill. Transition to the “Data Pool.”

1. “That was a thorough structure. Can you calculate for me the monthly profit loss? Revenue is even throughout the year. I need exact numbers.” (Give data on the first page when asked.)
 - **Calculations:** \$1.5M annual revenue / 12 = \$.125M or \$125k per month. 15% profit x \$125k = .01875k per month or \$18,750. 30% drop x \$18.75k = \$5,625 mo.
2. “Please look at management’s thoughts (give handout). As you review this, please do the following for each hunch:
 - **Discuss:** Tell me how that hunch could drive profit down What would have to be true? How serious is this problem?
 - **Data Dive:** Lay out the specific pieces of data you would want to know to prove or disprove the hunch.”
3. Offer the below Interviewer Data at the appropriate time. Look for the candidate to engage in discussion and support her ideas. Be ready if asked:

□ Hunch A – Construction

- **Potential Impact:** number of customers would be down and volume of purchases would be down.
- **Data to Prove:** headcount. Since there is no concern that construction makes students less likely to buy, you would just check to see if they are coming to the café.
- **Interviewer Data:** “Some of the other restaurants have been tracking student traffic on the street and it has only reduced by 5% over the last 3 months.”
- **Verdict:** not likely a problem.

□ Hunch B – Cronut & Coffee Cafe

- **Potential Impact:** number of customers would be down and volume of purchases would be down.
- **Data to Prove:** simple headcount or order size purchased at Casual. Customers may no longer be buying their desserts at Casual and saving their money for cronuts.
- **Interviewer Data:** “Casual customer surveys show very little overlap with Cronut. Customers want a place to sit and hang out. Cronut & Coffee is walk up only.”
- **Verdict:** not likely a problem.

□ Hunch C – Wi-Fi & Power Outlet Upgrade

- **Potential Impact:** number of customers could be up as they come for Wi-Fi. But sitting customers monopolize tables, leaving no room for new ones. Sitting customers may sip coffee and not buy additional items.
- **Data to Prove:** number of customers and average purchase size per customer. Electricity bill.
- **Interviewer Data:** “Students have been saying there’s no place to sit. Some customers stay longer to use the Wi-Fi and free electricity, but do not buy additional products. Other customers have been buying smaller food items as they need to take it to go. Business people have even been showing up and sitting for 1–2 hours. Electric bill is up 20%.”
- **Verdict:** serious problem!

□ Hunch D – Boring Menu

- **Interviewer Data:** “Management now knows that this is not the problem after they did a customer survey.”

R Request a Recommendation

Push the candidate for a recommendation

- The candidate should have discovered that the Wi-Fi upgrade is causing a lot of problems. Say, “**You found the root cause, now what? Take the Wi-Fi away?**” Listen for categories of answers.
- These are sample answers only. Push for a firm recommendation.
- **Technology:** Limit free usage to 30 minutes, then charge for usage like airports or link Wi-Fi to purchasing with time limit coupons. For instance, a \$5 food purchase gives 30 minutes.
- **Human Behavior:** Put up signs with time limits or encourage good manners like “Make room for new customers.”; Cap some outlets.
- **Structure:** Create more stand-up café tables to discourage Wi-Fi usage and to create a place to eat for those with limited time.

T Track & Practice

- Help the candidate track strong and weak areas. Reading through data and finding root causes is a basic skill. Recommend other data handouts and practice reading the main insights out loud. The candidate should also practice quick calculations to boost speed.



Casual Cafe

Case Skills: Case specific words, root causes, profit

Hunch A – Construction

- It's a mess!
- Students have to walk over boards and under scaffolding. Many seem annoyed when they enter.
- Other restaurants on the street are complaining about it.
- The noise is unbearable.
- There's no end in sight. When will it be done?

Hunch B – Cronut & Coffee Cafe

- They are new and have buzz.
- They are aggressively pricing and offering deals all the time.
- They have copied some of our most popular breakfast desserts like our cinnamon buns ("Cinnabonut").
- Their coffee is the same price but not as good as our organic!

Hunch C – Wi-Fi & Power Outlet Upgrade

- Everyone wanted free and fast Wi-Fi and we got it done!
- We also added more outlets for everyone's devices.
- This change seems to be working as everyone is hanging out and the tables are full. The Wi-Fi is fast.
- Customers are really happy and we are seeing more business people.

Hunch D – Boring Menu

- Students keep asking for new items like vegetarian specials, protein shakes and organic salads.
- We have added a few items but honestly it's too time consuming to figure out suppliers and pricing.
- We're afraid that we don't see some of the same faces anymore.

PAGE 1/1
CASUAL CAFE

CASUAL CAFE
FOOD / SOUP
3 mos PROFIT ↓
* WHAT TO DO?
GOOD HANGOUT

- ① CAUSES OF PROFIT ↓
- ② ROOT CAUSE
- ③ COME UP WITH SOLUTIONS

PROFIT

NEW DATA

- REV = 1.5M
- COST = 85%
- PROFIT DROP = 30%
- COMP → CRONUTS!
- 8 YRS IN BIZ
- CONSTRUCTION NEAR-BY

REVENUE

- | | | |
|---------------------------------|---|-------------------------------|
| <u>P</u> | x | <u>V</u> |
| • Steady? | | • By product type |
| • Cost buying low priced items? | | • Construction stopping cost? |
| • Total spend? | | • Cronut store |

COSTS

- | | | |
|---------------|---|-----------------|
| <u>FC</u> | + | <u>VC</u> |
| • RENT | | • RAW FOOD |
| • FEES / LIC. | | • PACK. FOOD |
| • NEW EQUIP? | | • WASTE / SPOIL |
| | | • WAGES |