

DATA SOURCES IN CASE

Data is the blood of consulting activities, since consultants work with it a lot every day. Analysts pore over data to draw insights, managers use data to argue for conclusions, and partners borrow data to win potential projects. That's why effectively working with data is a crucial skill of any consultants. In case interview, data shape the case flow. But before crunching any numbers or qualitative facts, you first have to make them available to you. Therefore, an ability to **effectively ask for the data** is necessary. This important aspect will be evaluated during all rounds of case interview, especially in case of professional hire. Fortunately, there are two simple things would help you to pass: **Why and How**. Why do you need that data? And How can you get that? Preparing the answers to these two questions (and stating out even before being asked) will ensure you score a ton in case interview.

The Why-question is often asked when the interviewer hasn't caught the reasoning of your data request. It doesn't necessarily mean your request is inappropriate, it can be just that you have not stated your reasons explicitly. So the interviewer wants to check again to make sure your thoughts are clear, logical and smooth. The How-question then comes in to test the practical side of your thoughts. If you think the data is helpful but almost impossible to access, then why you suggest that data?

This material is designed to help you with the 'How' part by showing you different **types of data** along with **their strengths, weaknesses** and **their best use time**. In addition, a short case example is given at the end; incorporating all data sources to illustrate how all factors come into play together.

This material will help:

- Familiarize you with data sources in real projects (therefore also in case interviews)
- Show you how to best use each data source
- Develop your sharp pitching through examples

In short, it will help you score plus points and impress the interviewer.

Let's get into it!

1. DATA SOURCES AND THEIR ATTRIBUTES

We compare and evaluate data sources through the following attributes (or groups of attributes):

1. **Logistic factors (*Speed and Accessibility*)**: Basically, how easy and convenient it is to get this data

- Speed: How fast it is?
- Accessibility: Can we get it?

2. **Quality factors (*Conviction and Accuracy*)**: Assuming we can get this data, how reliable is it?

- Conviction: Can we use this data as a supporting point for our conclusions?
- Accuracy: Is it true?

3. **Qualitative vs Quantitative**: Some data are more qualitative while others are more quantitative. This shows you a glimpse of where the data stand in the spectrum.

The table below shows various types of data source that consultants have in real projects. 5 being the most ideal, 1 being the least ideal

Table 1: Various type of data sources in real projects

| Data source | Description | Logistic | | Quality | | Qualitative | Quantitative | Purpose |
|-----------------------------|---|----------|---------------|------------|----------|-------------|--------------|---|
| | | Speed | Accessibility | Conviction | Accuracy | | | |
| Client Interview | Interview clients, including CEO, middle managers, front-line employees, etc., in various formats to quickly access their subjective opinions, ideas and perspectives toward different areas such as the company and competition; but usually focusing on internal factors. | 4 | 4 | 3 | 4 | 80% | 20% | <ul style="list-style-type: none"> • Gather insights to form hypotheses (use other data sources to test) |
| Client internal data | Ask client representatives for the access to client's information database, reports, announcements, and other internal documents. | 3 | 4 | 5 | 5 | 20% | 80% | <ul style="list-style-type: none"> • Do analyses • Test hypotheses • Get historical benchmarks • Understand internal processes |
| Expert Interview | Interview non-consulting experts such as those from government associations for their insights with a set of specific questions tied to the case; usually focusing on external factors. | 3 | 3 | 3 | 4 | 70% | 30% | <ul style="list-style-type: none"> • Gather insights to form hypotheses (use other data sources to test) • Understand technical and external factors |
| Industry Report | Attain industry reports published either by private or public institutions; the reports include data about the industry, market trends, competitors, etc. | 4 | 4 | 4 | 4 | 50% | 50% | <ul style="list-style-type: none"> • Gather insights to form hypotheses • Do analyses • Get external benchmarks • Investigate industry issues |

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|------------------------------------|--|----------|----------|----------|----------|------------|------------|--|
| Annual Report | Attain annual reports published by publicly-traded competitors; annual reports include CEO statements, company visions, financial data, etc. | 5 | 5 | 5 | 5 | 30% | 70% | <ul style="list-style-type: none"> • Do financial analyses • Get external benchmarks |
| Press search | Search needed data in digital or print press | 5 | 5 | 3 | 4 | 60% | 40% | <ul style="list-style-type: none"> • Gather insights to form hypotheses (use other data sources to test) • Update current trends |
| Consulting Expert Interview | Interview consulting experts with a set of specific questions for consulting perspectives on the problem. All MBB consulting firms hire experts classified into 3 categories, including local, function and industry. | 4 | 4 | 2 | 5 | 60% | 40% | <ul style="list-style-type: none"> • Gather consulting insights to form hypotheses and draw issue trees • Quickly get all industry basics (used together with PD) • Get suggestions on how to proceed with project • Understand common pitfalls, proven solutions and best practices |
| PD | Access to consulting firm's internal library which records key insights of all previous projects. PD is concise and consulting-way written, providing best-practices for references. | 5 | 5 | 4 | 4 | 50% | 50% | <ul style="list-style-type: none"> • Gather insights to form hypotheses and draw issue trees • Get benchmarks • Understand common pitfalls, proven solutions and best practices • Understand the technical part of various concepts through consulting perspectives |

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|----------------------------|---|----------|----------|----------|----------|-------------|-------------|---|
| Customer interviews | Interview customers who have used client's products for their perspectives and experiences. The interview questions usually focus on client's services, products, brand images, etc. | 3 | 4 | 1 | 3 | 100% | 0% | <ul style="list-style-type: none"> Form hypotheses relate to customers |
| Mystery shopping | Go to client's sales channels and perform a set of specific actions like an ordinary customer. Mystery shopping focuses on client's front-line operations. | 4 | 4 | 2 | 3 | 100% | 0% | <ul style="list-style-type: none"> Gather insights and inspiration to form hypotheses and draw issue trees |
| Focus Group | Hold a discussion session with a group of selected people who represent different groups/segments/entities and should have different views/experiences on a specific topic. A focus group usually includes 5-10 people. | 2 | 2 | 4 | 4 | 90% | 10% | <ul style="list-style-type: none"> Gather insights to form hypotheses |
| Survey | Investigate the opinions or behavior of a large group of people by asking them a series of questions | 2 | 3 | 4 | 3 | 0% | 100% | <ul style="list-style-type: none"> Test hypotheses Try to measure qualitative factors |

2. BRIEF CASE EXAMPLE WITH SAMPLE PITCH

In case interview, the only data source you have is the interviewer. When you touch on a key spot but realize the data available is not sufficient for you to drill down, you will need to ask the interviewer for the missing data. As we mentioned earlier, in this situation, there are 2 types of questions the interviewer will be likely to ask you back before fulfilling your request: (1) Why do you need that data? And (2) How you can get that? So to impress the interviewer, what you need to do is to answer these two questions in advance. First, you state the reason why an unavailable piece of data is necessary and second, show the interviewer how you can obtain it if both you and the interviewer are in a real project. To start the second step, please remember the below mantra, which is emphasized and illustrated beautifully in our [Tips & Techniques videos](#).

“If this is a real case...”

Now let’s see how this mantra works in a case interview.

Interviewer: *M2 Corporation is a worldwide apparel and footwear company based in the US, with a market cap of \$12.8 billion and a stable of strong brands ranging from heritage business jeans to lifestyle brands. The company has experienced growths in both its revenue and profit over the past few years. However, their P/E* ratio is now amongst the lowest of its peer group. Thus, M2 Corporation seeks BCG for help in understanding this contradiction and finding the solutions.*

**P/E (price/earnings ratio): is the ratio of a company stock’s price to the company’s earnings per share*

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Briefing: *After case recap and clarifications, you draw an initial issue tree which includes two branches: Financial and Non-Financial*

- o Financial: Revenue, Profit, Growth rates, Debt to asset ratio, dividends (as percentage of EBIT), Gross margin, Operating expenses, etc.*
- o Non-financial: Investor expectations, Company Reputation, Industry standard, Relationships with suppliers and customers, etc.*

The interviewer agrees with your approach. He gears you toward the non-financial side first. You now start investigating the first non-financial item “Investor expectations”

Note: If you read our Framework Library ebook, you’ll see that we recommend ones should start their approach by a quantitative issue tree. While this principle is applicable in most cases, there are some exceptions. It isn’t reasonable to break down P/E into Price and Earning per share in this case. A company should always have its earnings per share improved, so increase Price must be the only objective here.

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You: My hypothesis here is that there is a mismatch between the company and investor expectations. For example, if the investors don't trust the company strategy, they may think the company growth isn't sustainable so they don't continue investing money into it. To test that hypothesis, I need to understand (a) client's growth strategy over the past 3-5 years; what objectives they have focused on? And (b) the views of investors on that growth strategy; what investors really care about? To get data on these two areas, if this is a real project, I'd like to interview the CEO (**client interview**) as more than anyone, he understand the company strategy. The advantage is that his insights are usually true and up to date, so interview him would be the quickest way to roughly test my initial hypothesis and potentially open up more ideas.

Interviewer: Sure, we can certainly arrange an interview, what exact questions will you ask the CEO?

You: Well, I think...it is better to ask open-ended questions when interview someone.

To test my hypothesis, my questions would be: Over the past few years, what have your company focus on to grow? Do you think there is a mismatch between the company strategy and investor expectations? What do you think investors most care about?

To open up more ideas, my questions would be: In your opinion, what can cause the low P/E?

There will be follow-up questions which depend on the answers I get.

After the interview, if the CEO seems to approve my hypothesis, I will then want to interview some key investors to reconfirm my hypothesis. Note that although the interview insights are often true, they can't not be considered as convincing evidence. So if both the two interviews confirm my hypothesis, I will proceed to do investor **survey**. Results from surveys are more powerful.

And if this is a real project, at the very first stage, way before taking interview, I will want to gather as many insights as possible; insights about the apparel industry, its uniqueness, what makes a company stand out from others and become attractive to investors, and even insights of unrelated industries but face the exact problem. Those insights will become the foundation of my interview questions. Not only that, those insights will also help form my general approach, so they should be critical and standardized. I think I would spend the first few days to gather and read some relevant materials in our **PD** before interviews.

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***Briefing:** Other non-financials seem to have no problem after a quick review. Moving on to the financial side, the interviewer tells you that the 3-year revenue growth is one of the decisive factors that make difference in P/E amongst apparel companies and wants to know how to grow revenues sustainably for M2.*

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Interviewer: M2 businesses are segregated by product categories and brands within these product categories which includes Jeanswear, Outdoor Apparel and Equipment, Intimate Apparel, Image wear, and Sportswear. The past 3 years, Outdoor and Sportswear were the two fastest-growing businesses. How do you proceed?

You: Great. We need to identify the main drivers of future growth. Outdoor and Sportswear seem to have high potential but they may not be the biggest contributors. In order to know what primary contributors are, I need the sales in percentage by product categories and the growth of each. The next step is to break down the main contributors further, possibly by brands, locations or sales channels. We may need to try multiple ways until we know what exactly have driven main contributors to grow. So I would like to have the data about sales and growth of product categories in total, as well as by different brands, locations and channels. As the data is heavy in quantitative and belongs to clients, I would ask a client representative for the access to their internal database (**client internal data**).

Interviewer: Ok, we don't have enough data for you as of now. What we know is the sales growths of Outdoor and Sportswear were 30% each and others' were about 5% each last year.

You: Very interesting. So there is a significant difference between the top performers and the low-performers. However, these figures alone are not useful as they can't tell where the potential opportunities or problems are. The high growth might be just a sudden growth which isn't sustainable, and the low growth might be an inevitable consequence of an already large size. So what I need right now is the benchmarks for these figures. I would want to benchmark them against the industry averages of the same. If this is a real project, I will do some research online (**press search**), or contact the US Fashion Industry Associations to get **industry reports**. If they are not available there, I will resort to some private research centers.

Interviewer: Aren't annual reports useful to you at this point?

You: Yes, they are useful, more accurate and definitely cheaper than reports of private research centers. But (1) I'm just looking for overall benchmarks in order to understand the big picture then determine relatively which pieces to focus on at this point. While annual reports give me comprehensive and accurate data, they include mainly quantitative numbers and show insights about specific companies, which may not reflect the whole market. (2) industry reports can provide me predictions and evaluations of the market. Only after I figure out where I should go, I will investigate the financials of some top competitors. That's when, I believe, **annual reports** become most useful.

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***Briefing:** Amongst sales growth initiatives, you and the interviewer have come to the conclusion that enter Chinese market with the Outdoor and Sportswear products is the most viable option.*

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Interviewer: Some competitors have entered the Chinese market since 3 years ago and acquired a majority of market share. How can we differentiate ourselves to steal market share from them?

You: Well, let me think. There are a couple of ways to be different in the fashion industry. On top of my mind, differentiation can come from 5 areas: (1) product, (2) service, (3) personnel, (4) channel and (5) image. Let's me explain each of them.

- (1) Product: main sources of differentiation for products are functional aspects, quality and price. The client can also play with the availability of their products, for example, sell their apparels just in few special stores to make them more rare.
- (2) Service: there are a few different factors which can be used for service differentiation: Ordering ease – facilitate the way to place an order, for example, it can be with the use of online orders; Delivery - improve speed and accuracy; guarantee and refund
- (3) Personnel: The indoor sales force should be responsive, experienced with good aesthetic sense
- (4) Channel: refers to both online and offline channel. We can build online stores if the data shows that spending online and ecommerce in penetration rate in China is increasing. Offline stores can also attract the attention of customers by being unique in the design. The store design depends on a number of factors such as target group, location and range of products.
- (5) Image: When it comes to the fashion industry, consumers may evaluate an identical product differently because of the brand and they are likely to have favorites. We can utilize our existing global brands or through a mix of factors such as presentation of store, pricing strategy, personnel, etc. to direct Chinese customer perception.

Does this sound good to you?

Interviewer: Yeah, keep going.

You: Now there are five factors and we need to prioritize them according to their potential impact. If this is a real project, I would interview a local fashion expert (**expert interview**) in China to help me with that. There is value to be gained from secondary research such as industry reports, pre-published statistics but its value is limited and more importantly, not unique. Secondary research can get me caught up with the knowledge that is widely available, but competitors can access that knowledge as well. By interviewing experts, I can gain unique market insights, learn what can really differentiate a company from others, and find the knowledge that is unavailable by merely reading industry reports, Googling, or reviewing survey results. Expert interview is more suitable than surveys at this point as it takes less time to do.

Interviewer: Let's say you just received this project this morning and have only two days before presenting to the engagement team which sales channels in China should be the best for our client. What would you do to gather insights?

You: Hmm, I need gather spot-on insights in a short time. So I would ask for suggestions from one of our experts (**consulting expert interview**) who has had market-entry experience in China, in the fashion industry is best. Based on the advice, I would proceed to do **press search** or collect **industry reports** for supporting ideas. Different from non-consulting experts, our experts will give insights from a consulting view and are more easy to access.

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Briefing: In the review of the performance of top ten peer companies with highest P/E, you have identified several noteworthy aspects:

- One, all the top-performing companies are mass-market players: fast-fashion apparel companies, discount chains, and mass brands. There are no high-end luxury players among the top ten. The mass fashion market is starting to see consolidation, with larger brands gaining share over smaller and local brands.
- Two, rather than selling through wholesalers, most of the top ten have their own branded stores.
- Three, casual clothes and athletic footwear companies dominate the rankings.

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Interviewer: Very good.

You: It's interesting to know that mass brands have higher P/E than luxurious ones. It's necessary to understand why is that and how our brands are now perceived by customers?

Interviewer: What do you think would be the best way to understand customer perception of our brands?

You: To get a rough idea, I would say **customer interviews**. Compared to a focus group interview, this method is more accessible and faster. It's quite easy to catch a random customer who are shopping at one of the client's stores. So if this is a real project and I need to gather quick insights, I would choose this method. However, its downside is that random customers' perspectives are not reflective. It's better if I can talk to customers who are of different segments; who take purchases through different channels, and who are at different time from their last purchase. So if I have time advantage, I would conduct a **focus group**. This can provide me superior insights.

Interviewer: Regarding distribution channels, our client's sales has been mainly coming from department stores. They started to distribute their apparels through company-owned outlets 2 years ago but the sales from this channel doesn't show any sign of growth. What are your hypotheses?

You: Well, I think there are a couple of things would explain this. One is the similarity of offering between the two channels. If the client is selling exact the same clothes, then that's obviously a problem. The second thing might be the difference between price points. If the department stores owners sell our products at lower price than we do at our stores, customers would prefer to buy at their stores than ours. The third thing is customer experience. The store design, store location, sales force attitude, purchase process, etc all can affect customer emotions, which plays an important role in their decision-making process. If this is a real project, I'd do **mystery shopping** to gather specific insights about those points.

Interviewer: Assume you do that, and you figure out that client's products are sold at 25% lower price at department stores than company-owned stores.

You: Very interesting. Is it the only significant difference?

Interviewer: There are other contributing factors. But let's assume it is for now. What would you do to tackle it?

You: uhm, I think there are two ways we can do about that: (1) differentiate product portfolio so we can have different price points and (2) adjust price to the same level either by lower prices offered at company-owned stores or increase prices offered at department stores. The second method needs careful investigation as changing prices is dangerous if customer price sensitivity is high.

To determine customer price sensitivity, we can take history records about price changes and sales reactions in the past as a reference source, and conduct **surveys** if we need more reliable and convincing insights.

Interviewer: Well done. I'd love to have you as one of my colleagues.

Now hopefully you have grasped all data sources. By now, we hope you understood their best use time, the advantages and disadvantages of each. Do you love the above candidate? By proactively stating out relevant data sources, he showed his competence in getting data and thereby scored a great deal of plus points. If you can emulate him, your chance of passing case interviews will be much higher.

At Management Consulting Prep, we believe "Everyone can make it to consulting"!