



## What You'll Learn

### Basic Insights (1a – 4a)

- Structuring with profit drivers
- Brainstorming through the customer journey
- Interpreting a Harvey Balls chart
- Linking qualitative assertions to quantitative ones
- Estimating with limited data

### Advanced Insights (4b-7)

- All the Basic Insights
- Calculating a growth rate
- Integrating several pieces of logic and data with limited information



# Question: Listen and Take Notes

**Interviewer:** Precipice Investors own a chain of thirty after-school, K-8 tutoring centers called Tutor Time. Over three years of holding the centers, they have cut non-essential costs and benchmarked tutor salaries. They want to sell the chain and triple their investment, so they need to address inconsistent performances across locations.

Precipice has a hunch that only a few factors drive performance. Put together a plan to uncover the key factors and then estimate new performances using data you discover.

**See if your strategy can exceed the \$5M gross profit increase goal for this initiative.**

**Candidate:** Do a quick recap and clarify any facts or issues. Limit your clarifications to 2-3 questions. After that create your structure.

# 1a. Communication: Recap and Clarify the Problem

**Sample Recap:** “Our client Tutor Time is trying to determine how to become more profitable across all locations. They want consistent performance. I think I have all the details, but before I put together my structure, I do have a couple of clarifications . . . .”

**Interviewer:** Give these facts if asked. Be sure to mention the profit goal and cost-cutting work even if the candidate doesn't ask.

**Solo candidate practice:** Review these facts and integrate them into your structure.

- **Ownership:** Precipice owns the locations but hires managers and gives them bonuses for location performance.
- **Measurement / Key Performance Indicators (KPI):** They measure a wide variety of performance metrics but are not sure which one matters most.
- **Profit goal:** Precipice's best location makes \$1.9M and its worst makes \$.9M gross profit. Determining the drivers of this difference will be vital. They recently went through a round of cost-cutting. All locations have a similar cost basis.
- **Current marketing:** Centers post social media and paid ads. They offer a free one-hour trial session (live and via Zoom). Each location has total control of the marketing messaging for their location.

**Candidate:** “I think I have everything I need at this point. I'd like to take a minute to pull together a structure.” **Now** transition to working on your structure for two minutes. Then be prepared to present it out loud.

## 1b. Communication: Show a Business Advisor Tone with a Hypothesis

**Candidate:** “Precipice has a great opportunity to increase profit given the wide performance variation across their locations. My hunch is that this is an 80/20 situation where a few key factors contribute to most of the profit. I would like to organize my factors according to the drivers of profit rather than randomly make a list.

Since they have already done quite a bit of cost-cutting, I’ll begin in the revenue area.”

Present your structure piece by piece. Assume that interviewers will want to hear your entire structure before they ask questions.

## 2a. Structure: Present Your Detailed Approach

"I'm going to start with price and break it into two parts . . . ."

### Notes

- Tutor Time
- Chain / 30 / K-8
- Cutting costs
- Sell in 3 years
- Address inconsistent performance
- What could vary?
- Volume drivers?
- What makes a customer sticky or come back again?

Price	Courses	"It would be good to understand our course price to volume of sales ratio."	"I'd like to assess price elasticity. My hunch is that parents are willing to pay more for education."
	Materials	"Also, pricing for additional tests and workbooks is key. If pricing is not competitive, sign-ups could drop."	
Volume	# of customers	"This is my highest priority. I'd like to know what draws in customers and keeps them signed up."	"Metrics I'd consider are quality and availability of tutors, ability and goal achievement."
	Average spend	"My hunch is that add-on revenue is limited and most of the money comes from all inclusive packages."	
Variable Costs	Labor	"This is a service business so hiring competitively but not overpaying is important. Precipice covered this."	"Keeping good staff will likely result in customer stickiness. I'd review turnover and tenure."
	Consumables	"Paper, workbooks and office supplies could be eating our margins. I'm thinking about negotiated contracts."	
Fixed Costs	Rent, Utilities	"Precipice removed unnecessary costs but leases may be locked in. Renewal negotiations are critical."	"I'd like to compare leases and contracts, but I don't think this is a major performance driver."
	Licenses/Staff	"There may be additional costs related to curriculum licenses, full-time staff and bonus rates."	

**Block**  
Define priorities.

**Break**  
Try to make MECE breaks and explain them with case-specific words.

**Ask/Discuss**  
Prioritize data.

## 2b. Structure: Defend Your Approach

**Candidate:** Be ready to answer questions like these.

**Interviewer:** Ask the following questions and add a few of your own.

**What's your hunch about which metrics matter?** "Since Precipice has already done significant cost-cutting, we want to look at metrics that drive volume. Customers are likely most interested in their kids' test scores improving and their grade point averages going up. That would lead me to think about Tutor quality, consistency of training, and student engagement."

**Why is staff quality important?** "Students respond best to likable and highly competent teachers. Finding those tutors and then keeping them with consistent hours and good wages is critical for a tutoring center to succeed."

**How does pricing play in?** "I think it's a balance of being premium but tracking customer lifetime value. If we attract new customers when they are young with an affordable package, over the long run, they may spend more."

**Which cost metrics are less important?** "Benchmarking lease rates will not tell us much. Rent is competitive and regional-specific. I don't think consumables, like paper, will result in too many costs for Precipice."









## 3a. Analysis: Think Through a Flow Chart

**Interviewer:** “Let’s look at the metrics differently. Walk me through the customer journey at Tutor Time. For each step in the journey describe the step and the key factors you think matter most. Please don’t take time to prepare. Share your thinking out loud as you work through this.” Using the structure below as a guide, have a discussion with the candidate. Give hints if necessary but wait to see what they create as you discuss the journey.

**Solo candidate:** Hide your screen and work on this out loud.



## 3b. Analysis: Review Customer Data

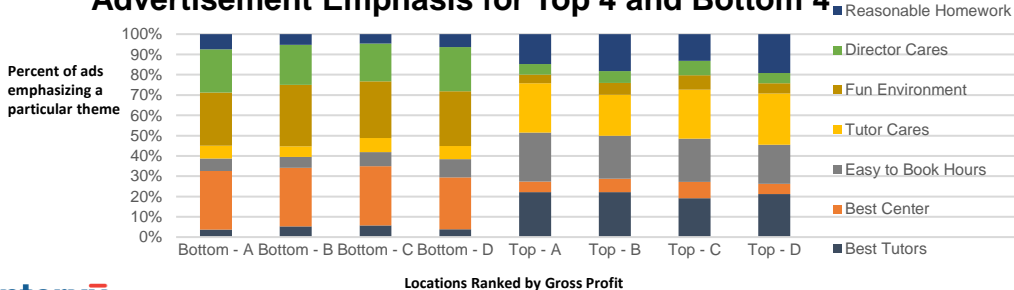
Homework level is appropriate	
Tutor's pedigree & experience is high	
Tutor connects and is positive	
Facility is clean and orderly	
My student achieved their goal	
Fun environment with lots of events	
Director is caring and involved	
Hours are easy to book online	

**Interviewer:** "Here are some highlights from a recent customer survey. Customers were asked to rank statements according to importance. An equal distribution of three hundred parents from all thirty locations responded. How do you interpret this data?"

## 3c. Analysis: Assess New Data and Prioritize

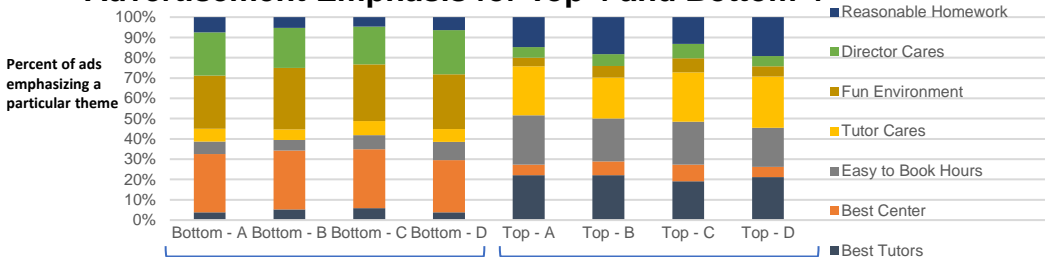
**Interviewer:** “Here’s a summary of the digital and print advertising emphasis for the bottom four locations and top four locations (ranked by gross profit). What insights can you draw from the data? Explain your thinking out loud.”

### Advertisement Emphasis for Top 4 and Bottom 4



# 3d. Analysis: Assess New Data and Prioritize

## Advertisement Emphasis for Top 4 and Bottom 4



**Strong Answer**

Bottom performers emphasize in their ads three things: the Best Center, a Fun Environment and the Director Cares. On page 3c we saw that parents don't care as much about these things.

Top performers emphasize in their ads four things: Best Tutors, Easy to Book, the Tutor Cares, and Reasonable Homework. On page 3c we saw that parents consider these attributes as important.

# 4a. Integration: Recommend a Solution



**NOTE:** If you are taking this case for the second time or on the advanced track, skip to the next slide.

**Interviewer (Basic case):** "I think that covers everything. Please give your recommendation to Tutor Time and how you would estimate with numbers if there is performance improvement given the data you have."

**Sample Wrap-up:** "To improve performance across the Tutor Time locations, I'd recommend:

- Changing advertising to be more in line with top-performing locations
- Emphasizing the attributes that parents care about including the tutoring quality, ease of booking hours, and achieving results
- Eliminating advertisements with metrics like the location quality, a fun environment, and the director's interest in the student

As for the next steps, if we had more time, I'd explore more quantitative measurements for how much we could improve overall performance.

**Step 1:** Divide the 30 locations into "Top 15" and "Bottom 15." The mean of the 30 locations at \$1.4M  $((\$1.9M + .9M)/2)$  gross profit.

**Step 2:** If the 15 bottom locations all improved by noticeably, let's say 20%, that would result in the following:  $((.9+1.4) / 2 = \$1.15 =$  average bottom performers)  $\times 1.2 = \$1.38$  or a \$.23 improvement.

**Step 3:**  $\$.23 \times 15$  locations results in a \$3.45M increase in gross profit. That's below our \$5M goals. There may be additional upside from the top 15 as some of them improve, and this is a conservative estimate. If the bottom 15 locations increased by 30% then we would meet our goal.

As for risks, the analysis was rather qualitative, so we may want to make changes in a few pilot locations at first. Tutor availability may be hard to control with peak demand after school and before big tests. Precipice should invest in forecasting tools.

## 4b. Integration: Update the Interviewer

**Interviewer (Advanced case):** “Where are we in terms of your analysis? Honestly, I’m a little lost.”

**Candidate:** “To improve performance across the Tutor Time locations, I’d recommend they:

- Change advertising to be more in line with top-performing locations
- Emphasize the attributes that parents care about including the tutoring quality, ease of booking hours, and achieving results
- Eliminate advertisements with metrics like the location quality, a fun environment, and the director’s interest in the student.

Since our analysis has been qualitative so far, do you have any additional data on location performance? Going back to my original structure, we have mainly focused on metrics that drive the volume of sales. We could now look at price elasticity as well as variable and fixed costs by location. Do you have data like this?”

## 5a. Advanced Analysis: Analyze Growth Rate

**Interviewer:** “I would like you to stay focused on driving revenue. The Tutor Time team is assessing the impact of different targeted advertising campaign themes. They used data from the most effective campaigns to estimate which ones make the most impact. These campaigns will not incur additional advertising expenses. Calculate average gross profit growth rates. Which option is the best and why?”

**Solo Candidate:** Work through the options on your own.

ADVERTISEMENT	Gross Profit Last Year	Gross Profit Projected	Growth Rate
Option 1: Our tutors give reasonable homework	\$1,500,000	\$1,600,000	
Option 2: Our tutors are always available	\$900,000	\$1,250,000	
Option 3: Our tutors are most experienced	\$1,100,000	\$1,500,000	

## 6a. Advanced Integration: Give the “So what?”

**Candidate:** “Options 2 and 3 are close. The growth rates are 39% and 36% respectively.”

Option 1:  $\$1.6\text{M}/\$1.5\text{M} = 1.066$  (6.6%)

Option 2:  $\$1.25\text{M}/\$0.9 = 1.39$  (39%)

Option 3:  $\$1.5\text{M}/\$1.1\text{M} = 1.36$  (36%)

**Interviewer:** “OK, so how does this new data on growth rates and advertising themes impact your thinking?”

**Candidate:** Here’s the logic so far:

- Precipice has completed a lot of cost-cutting, so focusing on volume and price is most important for improving gross profit performance.
- Parents qualitatively seem most interested in bottom-line results like student achievement and focus on tutor quality, availability, and ease of booking.
- Quantitatively we see that the top four locations advertise differently than the bottom four locations. Changing our ads to emphasize the top four location themes parents care about is necessary.
- Let me pull together my final recommendation.

## 7. Integration: Recommend a Solution

**Interviewer (Advanced case):** “What is your final recommendation including everything we discussed?”

**Candidate:** “Our initial goal was to determine which metrics are the most important for increasing gross profit in all centers. We worked through a long list, and I recommend the following:

1. Focus our changes on the bottom 15 centers. Using the limited data, I would put the overall mean at \$1.4M ( $\$1.9 + .9 / 2$ ). Given our last data table, that implies 15 locations will likely see a gross profit increase of 36% to 39% with better advertising.
2. The mean for the bottom half is \$1.15M ( $(\$1.4M + .9M) / 2$ ). So, a conservative estimate is \$1.15M x .30 growth from better advertising = \$.345M increase per location x 15 locations = \$5.175M. This number exceeds Precipice’s goal of \$5M.
3. I believe there will be additional opportunities with the top fifteen locations that will lead to more gross profit.

Next steps will include setting a timeline for the advertising roll-out and more specific growth goals by location. Since making the “good” tutors available and easy to book is a priority, they will need to build up their hiring process. Offering more online services may also increase student options and flexibility.

Risks include not meeting the increased demand from advertising and as a result having a diminished brand reputation.