CRACK THE CASE SYSTEM

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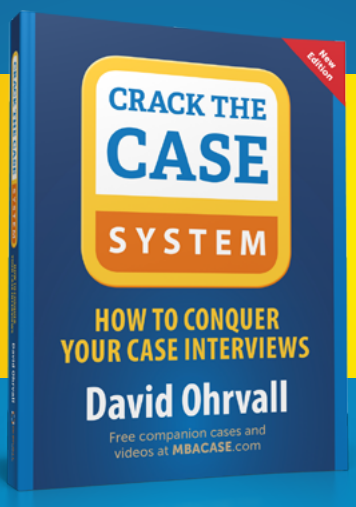
CASE 604 *Granny's Organics*



David Ohrvall

FOUNDER OF **MBACASE.COM**

CRACK THE CASE SYSTEM

Granny's Organics

Cape Cod, Massachusetts, US

Everything was sunny side up for Granny, until the big shots came to town. Can you help Granny think through her sticky situation?

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Cape Cod City Facts

- Known as "The Land of Lighthouses"; contains more lighthouses than any other county in the nation
- Famous for its cranberries, shellfish, beaches, lobstering, and whale sightings
- Provincetown, at the tip of Cape Cod, was site of Pilgrims' first landing

TRAIN Profile

Type	Region	Analysis	Industry	Number
3 MINI BUSINESS	CAPE COD, MA, US Population: 230K Currency: Dollar, USD, $	ROADMAP → 3 New Product or Business	Food	LEVEL 2

Solo Practice with Video Assist

1. Find your videos
2. Set up
3. Listen to question
4. Recap
5. Create your plan
6. Present your plan
7. Stop and study
8. Reinforce

20 minutes

Partner Practice

1. Set up
2. Present the case question
3. Recap
4. Create your plan
5. Present your plan
6. Stop and study
7. Reinforce

CRACK THE CASE SYSTEM

Granny's Organics

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Interview Guide

Case Situation and Question

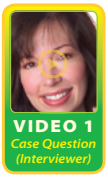
Granny O'Manny has become a local hero for her café and shop (Granny's Organics) offering wholesome, organic foods and gifts and crafts from around the world.

She's been in business for 10 years and has a strong network of local farmers who supply her with organic eggs, meats, fruits and vegetables. Her café offers a variety of specialties, including her famous organic buckwheat pancakes. She recently received a lot of press from a food critic hailing Granny's organic buckwheat pancakes as the "best in the universe."

A NYC venture capital team wants Granny to package the liquid batter and sell it nationwide in grocery stores. They think she should focus her energy on the pancake batter roll-out. They're offering financing, distribution and marketing expertise.

Case Twist

Check out the Crack the Case System videos on mbacase.com or scan the Video 3 QR code on the Post Case Review page to hear an additional challenge.



Click or scan QR to see video.

Feedback

Physical Skills	Weak		Strong
Body Language	①	②	③
Verbal	①	②	③
Listening	①	②	③

Thinking Skills			
Hypothesis Generation	①	②	③
Comfort with Ambiguity	①	②	③
Initial Plan & Output	①	②	③
Data Gathering	①	②	③
Data Analysis	①	②	③
Basic Business Intuition	①	②	③
Integration	①	②	③
2nd Level Insights	①	②	③
Creativity	①	②	③
Recommendation	①	②	③

Total Score _____ / 39

Intro Facts (Tell the Candidate if Asked)

Food Quality: Products are organic and customers are loyal.

Shop Products: Shop offerings vary yearly based on what Granny likes. She's opinionated and values high quality.

Café and Shop Revenue: Café and shop revenue is $7M. Net profit is 30%. Granny's thrives year-round.

Team: Staff are overwhelmed by the complexity of their business, with over 500 products and 30 entrees. Granny is 65.

Debt: Granny doesn't like debt; she would want the pancake batter roll-out to pay off all investments as quickly as possible.

Key Insights (Do Not Tell the Candidate)

Café and Shop Revenue: This information is necessary in order to compare the "batter roll-out" option vs. the "do nothing" option of continuing to manage the café and shop. You may have to prompt the candidate with this information.

Granny's Well Being: Granny is 65 and likely near the end of her business career. See if the candidate has considered broader issues such as her financial goals, her succession plans and her work style. Her new role with the VC option will be very different from her current role.

Mid-case Data (Tell Only at Appropriate Time)

After Start: After hearing the candidate's initial structure and plan, ask for more ideas. Use the Potential Plan and Output page to ask about missing pieces or areas that don't make sense. Thoroughly test her plan.

During the Plan Review: If necessary, hint about the topic of team. It's unlikely Granny will work for more than 5–10 years. She could be in a "make no changes" mode or a "hurry up and make money" mode. The candidate should talk about this. If necessary ask, "What objectives do you think Granny has for the future?"

Case Flow and Milestones

1 Present Main Question

Interviewer should read through the case and know the timing for questions, data, charts, and hints. Take on a personality (friendly, firm, or foe). Present the case question. Candidate will then likely recap and clarify, ask for time to think, form a plan on paper, and present his plan.

2 Assess Structure

Review the Potential Plan and Output page. The answer shown is only one way to approach the problem. The Topic Bucket Approach works well given the complexity of launching a new product, the VC involvement and unique succession issues. Look for gaps or overlaps.

3 Look for Specifics

Launching a new product involves sizing the revenue potential and counting investment costs. Look for a grasp of specific challenges: gaining shelf space, demand for pancake batter (vs. powdered mix), price sensitivity, investment in plant and equipment, and Granny's transition to a new role.

4 Guide Discussion

Test the candidate's ability to do simple math and compare and contrast two options. Follow the Data Guide and give the candidate data and ask questions in order. Ignore minor mistakes but give help where necessary to get to the options comparison.

GIVE DATA

5 Get Recommendation

After you ask for several options for Granny (Step 3, Interviewer's Data Guide), look for a firm recommendation with data. It should be well-supported with numbers and the pros and cons. After hearing the recommendation, ask for immediate next steps. Those should be clear, prioritized and action-oriented.

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Granny's Organics

Cape Cod, Massachusetts, US

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Interviewer's Data Guide

Step 1 – Give Revenue Data

- Test the candidate's ability to do some simple multiplication using growth rates.
- Say: "Let's look at some projections. Granny's venture capital team believes that they will sell 3 million units in year one. I also have some price and growth rates for you. I'd like you to calculate estimated revenue at the end of year three."
- Give the first 2 columns of data. The candidate will need to calculate the third column. Do not give any data in that column.

	Units, End of Year 1	End of Year 3	ANSWERS—Do Not Give
Granny's Organics	3,000,000	30% growth each year	5,070,000 units
Estimated price	6.99	12% growth each year	8.77
Total Revenue	$20,970,000	—	$44,455,058

Step 2 – Check Candidate's Calculations

Calculations

Units: 3M x 1.3 x 1.3 = 5.07M
Price: 6.99 x 1.12 x 1.12 = $8.77
Total Revenue: 5.07 x $8.77 = $44,455,058

Give hints if the candidate is stuck. He needs this data for the next question.

Step 3 – Ask for an Options Analysis

Say: "Granny's pretty impressed with the kind of revenue the batter roll-out could make, but she's somewhat leery of dealing with outside investors. They want 30% of all net profit for five years and have talked about selling their shares at the end of that time. They also want her to take a $14M loan for plant and equipment. Net profit on the batter should be 40%. Please lay out several options that Granny can pursue."

Look for the candidate to struggle somewhat with creating options. The obvious ones are "do nothing" or "roll out batter". Review all the options listed below and give a few hints if necessary, like, "Does Granny have to go with this VC firm?"

OPTIONS	FINANCIAL IMPACT	PROS	CONS
Do Nothing	Annual Revenue x Net Profit x 5 yrs. (no time value) = $7M x .3 x 5 = **$10.5M**	Granny can keep her same lifestyle, enjoy her shop and customers and do what she loves.	Smallest financial reward. Granny may be tired of the business.
Work with VC	(5 year gross revenue x net margin) x (Granny's 70% share) - (Granny's loan) = Granny's 5 year estimated net profit	Granny will make more money, build a brand that could be sold and get to do something new.	Granny's time will be stretched and she may have to limit her restaurant involvement. She may miss her shop and customers.
	Assume growth levels after year 3. (5 year revenue = $21M + $30.5M + $44.5M x 3 = $$185M) x .4 x .7 - $14M = $37.8M		
Find New VC	Potentially more money for Granny	Granny has learned from this VC and can use her knowledge for a better deal.	Finding a new company may waste time and not be that much better.
Self Finance / Pilot	Most likely will not disturb the shop and café.	Will allow for slow and careful roll-out which Granny can control.	May be complicated to manage production, financing and marketing of the batter while running the current business.

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Granny's Organics

Cape Cod, Massachusetts, US

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Post Case Review

Case Insights & Takeaways

- Granny and her family were already "feeling overwhelmed" with the current business. This situation raised concerns about the best option on both the financial and non-financial dimensions.
- With the restaurant already succeeding one viable option was to do nothing.
- Investors were educating Granny at their own expense. She easily could move ahead with a new investment firm with no obligation to the first one.
- Start with the numbers, but don't forget to consider other things.

Math Tips

- For growth rates be sure to ask if it is an annual rate or not.
- Feel comfortable rounding the price of $6.99 to 7.00 and the revenue of $20.970M to $21M as long as you inform your interviewer.
- Incorporate time into your analysis whenever possible. You learned that the investment firm had a five year period before they wanted to exit. That number should have prompted you to do a five year comparison.
- Practice laying out the math comparison table several times.

What to Expect with Cases Like These

- With several layers to the problem (entrepreneur, thriving business, family involvement, investors and new product), use the bucket approach to manage the complexity in an organized manner.
- Mention how each part of your plan has a financial impact (e.g., Granny may not give up the restaurant and only be partially focused on the batter roll-out).
- Investor cases imply payback and exit so be ready to calculate everyone's gain or loss over a period of time.
- Lead with the numbers before talking about softer issues.

My Takeaways

To build skills and improve, you must apply what you learned to future cases. Take a few moments and review the interviewer feedback and jot down some key insights about your performance in the space below.

Thinking Skills

My top 2 strengths are:

My top 2 soft spots are:

To address these problems I'll begin to:

Click or scan QR to see video.

My Performance During the Case

Add up your points. → Total Score: _____ /15

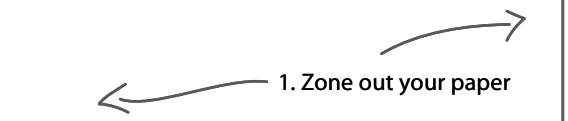
F Form A Plan	R Read My Audience	A Anchor a Hypothesis	M Mine for Answers	E End the Case
points ③ Structured, clean ② Somewhat organized and logical ① Messy, overlapping ideas	points ③ Good back & forth, caught clues ② Awkward, trouble with interviewer style ① Interviewer not interested, couldn't follow	points ③ Solid hunch, pursued clue ② Partial direction ① No hypothesis at all	points ③ Specific questions, solid analysis ② Missed some questions, some math mistakes ① Vague questions, weak math, no linkages	points ③ Used facts and data, connected the dots ② Some data, mostly understood connections ① No data, no passion, no connections

GRANNY'S ORGANICS

My Initial Plan and Output

Today's date:

2. Be original with your data



3. Take clean and simple notes

4. Leave ample room for a structure and additional notes as the case progresses

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WORKSHEET

Granny's Organics

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GRANNY'S ORGANICS

Potential Plan and Output

Granny O"Manny (age?)

Café / shop organic gifts/ global? Where does she get them?

In biz 10 yrs.

Network organic farmers (meat, egg . . .)

Buckwheat pancakes (what is this?)

NYC VC - US dist.

Focus on batter roll-out

Offer f.n., distr. and mkt.

Rev? Café & Shop

Batter roll-out / total upside?

Costs? Will VC finance everything?

What does VC want?

Should Granny go w/ VC offer?

Key elements to consider?

Financials café/shop vs. batter

- Profit -margins for shop products, food and the batter?
- Revenues (V x P) minus Costs
- DATAshop/café 2 yrs. by prod.
- Pricing - increase at shop? How set for batter? Competitor pricing?
- Volume - How sensitive is volume to price for the batter?
- Costs - Which costs up most? Reduce?

Market growth and stability for batter roll-out

- Growth projection - How fast grow?
- Stability - Concerns? Is it a fad?
- Distribution - What? How?
- International - pancakes US taste only?
- DATA hist. growth ratescompet. shares

Compet. for the batter roll-out

- Do we know who we will compete against?
- Strong brands? Good dist?
- Growth project.?
- Will competitors launch copycat products? How fast?

Risks to current shop/cafe

- Shop necess. for Granny's fame?
- Granny's focus on batter hinder the café and shop's success?
- Consumers loyal long term?

Team - Granny + family

- Is Granny happy?
- Why change?
- How important is money?
- Others involved? Family biz?

Click or scan QR to see video.

Additional Study: For more questions to consider, review Section 13: Roadmaps.

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