



PawPort Day Club

Market entry · About 35 minutes. Use it two ways: run it with a partner (one reads the interviewer lines), or follow along with the video and answer each question out loud before you watch.

The prompt

INTERVIEWER SAYS

Your client is PawPort Day Club, a premium dog daycare chain with 25 locations in the southeastern US. The CEO wants to expand into the West Coast, and is asking whether they should enter San Francisco as their first market. **Should she?**

Question 1 · Clarifying questions

INTERVIEWER SAYS

Before you start, do you have any questions?

FOR THE INTERVIEWER Answer only what the candidate asks. If a question would be answered later in the case (market size, competitors), say: we'll come to that.

If the candidate asks about	Answer with
What makes PawPort premium	Trained staff, small play groups, live video of the dogs, convenient hours
The CEO's goal or target	An operating margin above 15% within two years
Timing	She wants a decision within 12 months
Ownership or franchising	All 25 locations are company-owned
Capital or budget limits	No fixed capital constraint
How members pay	A monthly membership; most members are on an unlimited plan
Market size or competitors	That's part of the case: we'll come to it

Question 2 • Framework

INTERVIEWER SAYS

How would you evaluate whether PawPort should enter San Francisco?

FOR THE INTERVIEWER Give the candidate a minute to structure. Then ask: where would you start, and why?

Question 3 • Market sizing

INTERVIEWER SAYS

What is the market size for dog daycare in San Francisco?

FOR THE INTERVIEWER No exhibit. Let the candidate set up the equation and make assumptions. Only if they ask for a number, give:

If the candidate asks about	Answer with
Population	About 800,000 people
Household size	About 2.5 people per household
Share of households with a dog	Ask what they would assume; 40% is reasonable
Share using paid daycare	Ask what they would assume; about 25%
Spend	Daycare runs about \$50 a day

Question 4 • The math

INTERVIEWER SAYS

Let's look at the economics of one San Francisco location. Here are the team's best estimates for a new site. What margin would it make?

FOR THE INTERVIEWER Read out or show these numbers:

One San Francisco location (team's best estimate)	
Members	600
Membership price	\$240 a month
Visits per member	8 a month
Variable cost	\$18 per visit
Fixed cost	\$600,000 a year

FOR THE INTERVIEWER If they stop at the margin, ask: so what does that mean for the CEO?

Question 5 • Exhibit

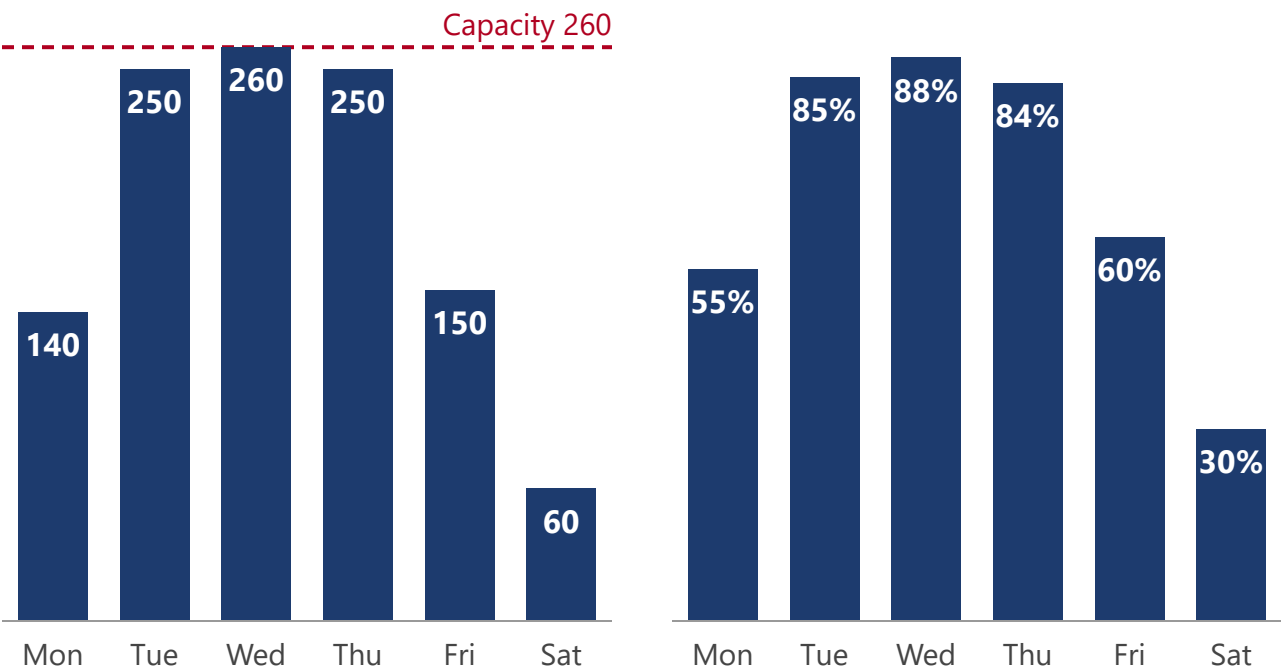
INTERVIEWER SAYS

Here is data from one of PawPort's existing, mature locations. What does this tell you?

Exhibit A: Daily demand at one mature PawPort location

Dogs per day

Visits from unlimited members



Source: PawPort operating data, one representative mature location, average week.

FOR THE INTERVIEWER If asked: capacity is 260 dogs a day; the site is open Monday to Saturday.

Question 6 • Brainstorm

INTERVIEWER SAYS

How could PawPort improve a location's economics while protecting the customer experience?

FOR THE INTERVIEWER Push for structure, then ask: which would you try first, and what's the risk?

Question 7 • Recommendation

INTERVIEWER SAYS

The CEO just walked in. What do you recommend?

FOR THE INTERVIEWER Give 30 seconds to prepare. A strong answer leads with the answer, gives the two or three facts that support it, then a risk and a next step.

Answer key

What a strong answer covers. It does not need these words: check it has the same pieces.

1 • Clarifying questions

- Restates the decision: open in San Francisco or not
- Asks what makes PawPort premium (shapes costs and pricing)
- Asks for the goal and timing: 15% margin within two years
- Asks about the business model: owned vs franchised, how members pay
- Asks about capital limits; skips questions the case will answer (market size, competitors)

2 • Framework

- **San Francisco market:** size and growth (return to office), competitors, their prices and locations
- **Economics of one location:** revenue (membership price × members), fixed and variable costs, margin vs 15%
- **Launch plan:** which neighborhoods, lease or buy, winning the first members, hiring trained staff
- **Start with:** the market, to see if San Francisco is worth it at all

3 • Market sizing

- Equation first, in words: households × share with a dog × share using paid daycare × weekly spend × 52
- $800,000 \div 2.5 = 320,000$ households
- × 40% with a dog = 128,000 (below the US average: small apartments)
- × 25% using paid daycare = 32,000 (return to office, but many work from home)
- × \$100 a week (2 days at \$50) × 52 ≈ **\$166M a year**
- Sanity check: about \$5,200 a year per paying household
- So what: compare with existing cities; can we capture enough to hit 15%?

4 • The math

- Revenue: $600 \times \$240 \times 12 = \$1,728,000$
- Variable cost: $600 \times 8 \times 12 = 57,600$ visits × \$18 = \$1,036,800
- Fixed cost: \$600,000
- Profit: \$91,200, a margin of about **5.3%**

- So what: about a third of the 15% goal; the model needs price, usage, cost per visit or fill to change

5 • Exhibit

- Overview: dogs per day vs 260 capacity, and the share of visits from unlimited members, Monday to Saturday
- Trend: Tuesday to Thursday at or near capacity (250 to 260); Monday, Friday, Saturday quiet (60 to 150)
- Unlimited members are 84 to 88% of the full days
- Insight: the ~70% average fill hides the problem; the site is full three days and empty three
- So what: adding members on today's plan crowds the full days; shift demand to quiet days or charge for peak days

6 • Brainstorm

- **Price:** premium for guaranteed Tuesday to Thursday spots; paid add-ons (grooming, training, pickup); higher price for new unlimited members
- **Members and visits:** visit-based plans instead of unlimited; a cheaper quiet-day plan; employer partnerships for quiet days
- **Cost:** staff to reservations, not the peak; use quiet-day staff for grooming and training; buy supplies centrally
- **First:** visit-based plans plus peak-day reservations; risk: members see it as less flexible, so test at one site

7 • Recommendation

- Answer first: do not enter San Francisco yet
- The market is there (about \$166M a year)
- But one site makes about 5%, a third of the 15% goal
- Pricing and quiet-day plans could lift the margin, but are unproven
- Risk: a competitor moves first. Next step: pilot the changes at existing sites, then revisit

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