

ETI SNACKS

Product launch
Food & beverage

Medium difficulty
Interviewer-led case

This case covers the launch of a snack product in low-cost, discount retailers.

The case covers all elements of the case interview scorecard, but focuses particularly strongly on candidates' creativity and judgement & insight.

The case requires candidates to cover a lot of ground in a short space of time; it tests a candidate's ability to reach challenging insights quickly.

Problem definition

Your client is the UK division of ETI Snacks, a major global manufacturer of potato- and corn-based snacks. The client manufactures a wide range of salty snacks, including potato chips, tortilla chips, and a variety of other processed snacks in a wide array of flavours. These are sold under multiple unique brands, which range from well-established to newly launched. They regularly review and retire poorly performing brands.

The UK division manufactures most of its snacks locally in the UK, and distributes primarily through major supermarket chains. However, the UK has recently seen an increase in demand from discount retailers including "fixed-price" retailers selling a wide variety of products at a single price point (typically £1).

ETI Snacks wants to begin selling more aggressively into fixed-price retailers, and seeks to launch a single "sharing snack" product into such retailers. It would like to invest as little as possible in this launch. "Sharing snack" is an industry term for a single, large bag of snacks, typically > 100g in weight, and designed to be consumed by many people. It contrasts with "standard" bags (e.g. 40g), and "multi packs" comprising several standard bags.

Which sharing snack product should ETI Snacks launch and distribute in fixed-price retailers?

Additional information

If asked, please share that:

- The client wants to launch a single sharing snack product into fixed-price retailers – this could be a new product, or an existing brand the client sells elsewhere or a re-launch of retired brand
- The client has no sharing snacks product in fixed-price retailers today. It does however sell other forms of snack product (e.g. multi-packs) in such retailers
- The client's ultimate objective is profit growth. Although it has no specific target to hit
- The client is able to make new investments but would favour viable options that require lower investment
- Retired brands are typically discontinued because they were not performing well at major supermarkets, even if there was strong brand awareness
- ETI Snacks have both local brands in the UK and multiple other brands across the globe

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Question 1 (Structuring)

How would you structure an approach to solve this question?

Guidance for interviewer

- Highly insightful candidates will hit upon the potential cannibalisation risks, i.e. the tension between the goals of selling attractive products into fixed-price discounters and maintaining strong relationships with major supermarkets and also cannibalisation within fixed-price retailers (as ETI already has other kinds of packaging selling in this channel)
- If a candidate does not hit upon this, however, flag it as a concern for the client before moving on from the structuring segment of the interview. Flag also that in some areas we've committed not to price significantly below supermarkets on key branded items

Possible answer

1. Product

a. Customer preference

- What is the market size for sharing snacks from fixed-price retailers?
- Which kind of sharing snacks appeal to these customers?
- What is the current market share of each product segmented by product type, size, flavour, packaging?

b. Current offerings at fixed-price retailers

- Which are the types of snacks do they currently offer?
- Is there any gap in the current products offered by us and competition?

2. Brand

a. Position of current brands

- Are any of our sharing snacks brands currently stocked in fixed price retailers in other formats?
- Do any of our sharing snacks brands have existing brand recognition with customers from fixed-price retailers?

b. Alternatives

- Existing ETI brand in UK
- Retired brand relaunched
- International brand launched in UK
- Acquisition of another UK brand

3. Risk of cannibalisation

- Cannibalisation vs major supermarkets

- i.* How would major supermarkets perceive the launch of a sharing snack for fixed-price retailers under an existing brand?
 - ii.* How high is the risk that this new sharing snack could cannibalise sales from supermarkets?
 - b.* Cannibalisation within fixed-price retailers
 - i.* Would the new sharing offering cannibalise existing sales of our products at fixed-priced retailers?
 - ii.* If so, what would be the expected impact on revenues?
- 4. **Profitability**
 - a.* What is the level of investment required?
 - b.* What are the expected additional sales (accounting for potential cannibalisation)?
 - c.* What is the cost to produce and market this new product?

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Question 2 (Numeracy)

Before we assess the products in detail, we'd like to quickly size the market for sharing snacks in fixed-price retailers.

Please estimate the annual market size for sharing snacks at fixed-price retailers in the UK.

Guidance for interviewer

Please provide the following information to candidates if asked:

- Population of the UK is ~65m
- Fixed-price retailers can be assumed to sell all items for £1

Possible answer

1. *The total market size is c. £29 million, based on a £1 price point.*
 - a. *The market size will reflect [target population] x [units purchased per person, per year] x [price]*
 - b. *We'll therefore need to identify the following items:*
 - i. *Target population = [Population shopping in fixed-price retailers] x [Proportion of such shoppers who buy sharing snacks]*
 - ii. *Units purchased per person, per year*
 - iii. *Price*
2. *Taking each of these elements in turn:*
 - a. *Of 65m pop in the UK, 10% are target shoppers for buying food at fixed-price retailers:*
 - i. *I estimate that such retailers target the lowest c.30% of income*
 - ii. *Of those on lower incomes, we assume only one-third opt to shop at fixed-price retailers for food items (the majority are likely to shop at bigger grocery discounters and supermarkets)*
 - iii. *This gives us 6.5m. We round this down to 6m, on the assumption that ~10% of the population will never shop for snacks (e.g. babies and young infants)*
 - iv. *Of these, we assume only 20% have a preference to buy sharing snack products. This gives us 1.2m in the target population*
 - b. *We'll assume the average target shopper buys 2 packs of such snacks per month. Multiplying this up per year (2 x 12 x 1.2) gives us 28.8m units sold per year*
 - c. *At 28.8m units, this also gives us a market size of **c.£29m**, based on a £1 price point.*
3. *The market size of £29m is not enormous, but big enough to be interesting. We'd also expect this grow, given the continued success of discount retailers in the market*

Question 3 (Creativity)

Let's now think about how we should prioritise the selection of a product to sell in fixed-price retailers.

We have requested data about which snacks are currently sold in fixed-price retailers, and how many units are sold for each of them. Our goal is to identify the product attributes that are likely to result in high sales, to help us identify which product to sell.

Which product attributes should we consider?

Guidance for interviewer

- Be careful not to let the candidate jump to solutions here. We're interested in attribute *types* here (e.g. snack flavour), not specific attributes (e.g. barbecue beef flavour)

Possible answer

1. *Factors that relate to the snack itself:*
 - a. *Flavour*
 - b. *Snack type (e.g. puff, sticks)*
 - c. *Texture / density*
 - d. *Health profile (e.g. calories per 100g)*
2. *Factors that relate to how the snacks are packaged*
 - a. *Volume feasible at a £1 price point (e.g. grammage)*
 - b. *Bites-per-pack available at this grammage (e.g., some snacks may be low-grammage but low density, enabling lots of bites-per-pack)*
3. *Factors that relate to how the snacks are presented*
 - a. *Packaging (e.g. design, colours)*
 - b. *Brand*

Question 4 (Judgement & insights)

We've gone ahead and gathered some data on successful sharing snack products in fixed-price retailers, as well as a short-list of potential products ETI could sell into the retailers.

What does Exhibit 1 tell us about the characteristics of successful products in fixed-price retailers? Which product among our list (Exhibit 2) is most likely to be successful, based on these criteria?

Guidance for interviewer

- A candidate cannot parse Exhibit 1 in time by running detailed calculations. Instead, they must quickly eyeball the numbers to isolate the key points that make a difference: that brand strength and grammage alone to appear important for unit sales
- If a candidate asks, share that the client's products in Exhibit 2 are comparable on margin: the client has adjusted grammage on each snack to ensure a reasonable margin is achieved
- In Exhibit 2, the "no brand" products reflect items we have the capability to manufacture in the UK, but which we don't have existing branding in our portfolio for

Possible answer

1. *The data doesn't show any strong preference for particular flavours or snack types. Instead, it seems that brand is the most important factor: each of the products over 60,000 units per week is a high-ranked brand.*
2. *Beyond brand, it seems like grammage makes the most difference. Among the strongest branded products, for example, we can see that high grammage correlates clearly to higher unit sales.*
3. *If we look at this in comparison to our own product mix, it seems that Saltazas and Asteroids are contenders – each is a strong brand, so comparable to a "3" in the market data on this dimension. Of the two, Saltazas reflects the highest grammage at this unit cost, so we should select this as our chosen product. As a fallback, we might consider onion sticks – no big brand offers a product of this type, but similar products get good sales.*

Exhibit 1: Sales data on sharing snack products in fixed-price retailers

Product (anonymized)	Product type	Weight (g)	Flavour	Brand strength*	Average units sold (weekly)
Product A	Puffs	210	Cheese	3	62,000
Product B	Shells	240	Prawn Cocktail	2	44,000
Product C	Sticks	280	Pickled Onion	1	32,000
Product D	Puffs	230	Flamin' Hot	3	65,000
Product E	Balls	180	Bacon	1	10,000
Product F	Melts	250	Beef	2	55,000
Product G	Twists	190	Pickled Onion	3	60,000
Product H	Tortilla Chip	200	Cheese	1	24,000
Product I	Balls	240	Salt & Vinegar	3	68,000
Product J	Stars	260	Pickled Onion	2	41,000
Product K	Sticks	260	Worcester Sauce	1	30,000
Product L	Melts	180	Flamin' Hot	1	15,000

* Refers to how powerful the brand of a product is. 3 = a very strong, well-known brand; 2 = a *somewhat* well-known brand; 1 = a mostly unknown brand

Exhibit 2: Potential sharing snack products for ETI Snacks

Product	Product type	Weight (g)	Flavour	Remarks
Saltazas	Melts	220	Cheese	Major brand product
Asteroids	Balls	180	Flamin' Hot	Major brand product
S&V Twists (Brand TBC)	Twist	280	Salt & Vinegar	Available in our factory, but no brand yet confirmed
Prawn Shells (Brand TBC)	Shells	200	Prawn Cocktail	Available in our factory, but no brand yet confirmed
Onion sticks (Brand TBC)	Sticks	210	Pickled Onion	Available in our factory, but no brand yet confirmed

Question 5 (Judgment & Insights)

Based on the dynamics of this market, can you think of any reason why we may *not* want to launch one of our strongest brands in fixed-price retailers? And, if we decide not to launch one of our strongest brands, what other options could we consider?

Guidance for interviewer

- A strong candidate should determine from the earlier discussion that our position with major supermarket chains – our most important distributors – will be weakened by launching our biggest brands in lower-price competitors
- If a candidate does not identify this issue at first, hints may be required

Possible answer

1. *We discussed the importance of our relationship with major supermarkets earlier on. These players are losing share to discounters, and would likely be averse to us launching our biggest brands in retailers whose price they cannot match.*
2. *While some tension here may be healthy, given the far greater importance of our relationship with major supermarkets, we may want to avoid weakening our position with them by launching such products in discounters. Beyond this, it's possible we have existing agreements not to under-cut supermarket pricing on these leading brands.*
3. *However there are a few alternative options we could consider.*
 - a. *First, we have some options that would require a significant investment, which might compromise the profitability in short-term:*
 - b. *Create a new brand from scratch, having in mind it would not be a strong brand right away*
 - c. *Acquire a smaller snack brand, and use this to launch in fixed-price retailers*
4. *Additionally, there are options that might require less investment and may be more interesting for ETI snacks:*
 - a. *Use a 'retired' brand, from a snack that we discontinued from major supermarkets in the past and that might be appealing to fixed-price retailer customers*
 - b. *Use one of our strong brand from other countries - aware that making this strong in UK would not be effortless*

Question 6 (Synthesis)

Let's assume we will have a short meeting with ETI Snacks CEO. **Based on the information we've reviewed, what's your overall recommendation to ETI Snacks?**

1. *We were asked what type of sharing snack product to launch in fixed-price retailers. Based on the current analysis, I recommend that ETI Snacks launch a high-grammage snack product making use of a brand that is currently not in UK brand portfolio, either a 'retired' brand or an international one. This view is based on the following:*
 - a. *Brands are important to product success in fixed-price retailers*
 - b. *However, our major snack brands cannot practically be launched in such retailers – due to practical and contractual constraints between us and major supermarkets*
 - c. *Developing or acquiring another brand might require a high investment*
2. *As a next step, I'd recommend reviewing our portfolio of discontinued and international brands, and conducting some customer testing to explore which product could become a strong brand in the eyes of fixed-price retailer customers.*
3. *We should also confirm the profit potential of our favoured product, before we proceed with launch planning.*