

PURE FRESH SANDWICHES

Growth strategy
Retail

Low difficulty
Interviewer-led case

This case involves a discussion on potential growth opportunities for Pure Fresh Sandwiches, a client in the restaurant industry.

The case covers all dimensions of the case interview scorecard, with an emphasis on numeracy. The case doesn't 'unlock' with a single answer to solve the client's problem. Rather, the candidate is expected to gather a set of opportunities for the client to grow, and to synthesize them in the conclusion.

A video of this case is available in the Interview Prep Course.

Problem definition

Our client is Pure Fresh Sandwiches, a large sandwich company that competes with the likes of Subway and other major chains. The client owns and operates the third-largest chain of sandwich stores in the world, and, like its competitors, sells a range of premium sandwiches, coffees and teas, as well as soft drinks and snacks. Last year the client had sales of \$5bn.

The client has found its growth rate slowing in recent years, and a new CEO has been hired to help increase profits. The client already has a team focusing on cost reduction, but needs support to identify revenue improvement opportunities. You have been hired to help the client identify new growth opportunities, to be implemented over the next five years.

How can Pure Fresh accelerate revenue growth over the next five years?

Additional information

If the candidate asks for more specific objectives or context, you can clarify on the following points the following:

- The client is looking for opportunities that take revenue growth from 1% per annum to 3%+ over this period. Market growth has also been at 1% in recent years
- The client is looking for opportunities that can be implemented and begin yielding benefits within the next five years; they are not looking at growing outside of their core-business or launching new brands

Question 1 (Structuring)

How would you structure your approach to the problem?

Additional information

If asked or if the candidate goes off-track, clarify that this is specifically a revenue improvement case, without a focus on cost reduction

Possible answer

1. *Increase the number of stores:*
 - a. *Expand within existing geographies*
 - b. *Expand to entirely new geographies*

2. *Increase customer visits per store:*
 - a. *Increase customer numbers*
 - b. *Increase frequency of visits for each customer*

3. *Increase revenue per customer visit:*
 - a. *Increase average pricing on products*
 - b. *Increase number of products bought per visit*

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Question 2 (Numeracy)

Among the client's product mix is coffee, and the client's interested in finding ways to compete more effectively on this product type against the likes of Starbucks and other major chains.

The client currently sells its 'Pure Latte' product for \$3.00 in the US, and has trialed lower price points in a number of its stores. We've compiled the results of these trials in this exhibit (Exhibit 1).

Based on this information, what do you think is the optimal price point for the 'Pure Latte' product?

Possible answer

Profit for each price point can be understood by calculating the contribution margin (price minus cost) for each of the options, and multiplying this by the volume sold.

This leads to the following results:

- *At \$3, \$300 profit per store per day ($\$1.50 * 200$)*
- *At \$2.50, \$325 profit per store per day ($\$1.30 * 250$)*
- *At \$2, \$315 profit per store per day ($\$0.90 * 350$)*

Looking at direct profit alone, it looks as if the optimal price point is \$2.50.

However, considering the direct revenue, which is the client's goal, as well as the additional sales that could be generated by additional footfall, the lowest-price option of \$2 is the most favorable option.

Exhibit 1

Price per cup	Cups sold per store per day	Cost per cup
\$3	200	\$1.50
\$2.50	250	\$1.20
\$2	350	\$1.10

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Question 3 (Numeracy)

Another area the client team is considering is international expansion. In particular, the team is exploring whether they should launch their premium sandwiches in the Indian market, and want to understand how big an opportunity this represents.

Go ahead and estimate the market size for premium sandwiches in India

Additional information

If the candidate is unsure, share that we're looking for an annual market size in dollars. Share also that 'premium sandwiches' here refers only to those bought to eat from a chain of our client's type; in other words, this estimation does not encompass sandwiches someone might make at home.

If a candidate is going off track, steer them towards a focus on urban customers, in middle- / higher-income segments.

If prompted, give the candidate any of the following information:

- Population of India: 1.3 billion
- Urban population percentage: 40%
- Income needed to be 'in the market' for buying premium sandwiches: top quartile of income distribution, within the urban population
- Expected price point for our premium sandwiches in India: \$1

Possible answer

Given a population of 1.3 billion, the customers 'in the market' to buy sandwiches of this type can be estimated at c.130m if:

- *We assume 40% of the population is in urban areas, and only those in urban areas will have access to premium sandwiches*
- *We assume only those in the top quartile of the income distribution within the urban population would buy premium sandwiches*

Of those 'in the market' to buy, we assume that only 20% would like and buy premium sandwiches, given this will primarily target working adults who do not want a full meal for lunch.

This gives 26m customers for premium sandwiches. Of this group, we assume 2 purchase per week on

average, resulting in 52m weekly sales. This leads which reflects c.\$2.7bn in sales annually.

Overall this looks like an interesting opportunity. For a company of \$5bn in revenue, even a small segment of this market could make a material difference to our sales.

Question 4 (Creativity)

In addition to what we've covered, the client is interested in generating entirely new ideas to boost revenue.

Focusing now at the store level, how else could Pure Fresh grow revenue per customer visit, besides changing the price?

Additional information

If the candidate is unsure, clarify that we should be focusing here on opportunities to grow sales per customer visit, not at ways to boost customer visits overall. Ideas such as further geographic expansion are therefore not directly relevant.

Possible answer

1. *Keep people in store longer*
 - a. *Improve the layout and design of the stores*
 - b. *Offer improved wifi*
 - c. *Offer charging points and other facilities customers find useful*

2. *Run special offers and promotions*
 - a. *Use bundling offers on purchases*
 - b. *Instruct staff to up-sell*
 - c. *Promote higher-value products visually in-store*

3. *Expand the range of products sold*
 - a. *New products within existing categories (e.g. new types of coffee)*
 - b. *Entirely new product categories (such as mugs, sandwich equipment, or other hardware)*

Overall there appear to be a lot of opportunities to increase sales per customer visit and to accelerate sales growth as a result.

Question 5 (Synthesis)

Overall, what would you recommend to the client?

Possible answer

You have asked us how Pure Fresh should go about increasing revenues over the next five years. Based on what we've covered, there are at least three major opportunities we should consider to grow sales:

- *Price point optimisation. In particular, we've seen how reducing price on coffee can draw more customers into the store and increase sales and profits*
- *Geographic expansion, and in particular considering an entry into the Indian market, which offers a potential market of \$2.7b*
- *A targeted approach to increase sales per customer visit, including in-store promotions and improvements to our store environment*

Over the coming weeks, we'd like to explore these ideas in more detail and whether they will be sufficient to reach the client's annual growth target of 3%.

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Want to see successful candidates solve Pure Fresh Sandwich?

Watch Andrew (now BCG) and Liam (now Bain) in the Interview Prep Course

