

PURE FRESH SANDWICHES

Growth strategy case
Restaurant industry

Low difficulty
Video available on [casecoach.com](https://www.casecoach.com)

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.

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
- The client is looking for opportunities that can be implemented and begin yielding benefits within the next five years

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*

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 ($\$0.90 * 350$)*

Therefore it looks as if the optimal price point is \$2.50.

There may however be reason for us to explore this analysis in more depth. For example, perhaps there's a price point between \$3 and \$2.50, which is preferable to our current result. Or perhaps the additional products bought by increased footfall would count in favour of going for lower-price options.

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

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: \$5,000. Percentage of the population at this income level: 15%
- Expected price point for our premium sandwiches in India: \$4

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.80m if:

- *We assume 40% of the population is in urban areas, and only those in urban areas will be able to buy premium sandwiches*
- *We assume only those in middle-income segments or above would buy premium sandwiches, and that this reflects 15% of the population*

Of those 'in the market' to buy, we assume that only 10% would like and buy premium sandwiches, given preferences for more local cuisine styles. This gives 8m customers for premium sandwiches. Of this group, we assume 2 purchases per week on average, resulting in 16m weekly sales. This leads to a revenue of \$64m per week at a \$4 price point, which reflects c.\$3.3bn 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 some products can draw more customers into the store and increase sales and profits*
- *Geographic expansion, and in particular considering an entry into the Indian market*
- *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 assess alternative approaches, for example considering other market entry opportunities.