

Sample Case Interview

Diamond Coffee

30 minutes

This is a sample interview; when applying, your experience may differ significantly.

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PART 1—CONTEXT & APPROACH (5–7 minutes)

Your client is Diamond Coffee. They manufacture and sell ground coffee and coffee brewing equipment in multiple markets. Diamond Coffee has asked you and your team to complete a customer segmentation of their business. **Without getting into specific customer attributes, what are all the activities/steps you think the team needs to think about to complete this work?**

Note to Interviewer: If interviewee starts to discuss different attributes, push them to think more generally about how they would approach the work (see answer for additional direction).

Additional information, if asked:

- **Client Goal:** Help leadership better understand their customer base to help identify growth opportunities primarily with current customers
- **Specific Products:** Ground coffee of various flavors and drip coffee machines of different sizes for at-home and commercial use
- **Distribution Channels:** Sell directly into two different markets: the Away-from-Home market and the At-Home market. The Away-from-Home market includes commercial customers (e.g., offices, restaurants, and hotels). The At-Home market includes retail channels, which then sell to individuals for household consumption. Diamond Coffee does not sell to coffee shops (e.g., Starbucks).
- **Geographic Footprint:** They have national distribution but are primarily focused on the Northeast
- **Clarity on Customer Segmentation:** Client has left that up to you to determine the best path forward

PART 2—BRAINSTORM (5–7 minutes)

Now that we have thought about the approach, please brainstorm on the ways you would consider segmenting Diamond Coffee's customers.

Areas to probe:

- What insights could Diamond Coffee get from segmenting their customers the ways you identified?
- What customer attributes do you think are the most important of these and why?
- How would you get this data? Do you think Diamond Coffee tracks this data already?

PART 3—ANALYSIS (7–10 minutes)

You and your team were able to put together the following analysis (give interviewer the exhibit shown below)

(Q1) What insights do you see from the data? What 2–3 insights would you bring to your client?

(Q2—after discussing Q1) Where do you see strong growth opportunities for Diamond Coffee?

Note 1: *There are a number of insights that can be pulled from the exhibit. The interviewer is not expected to discuss all of them, and it is important to leave time for the next section (quant).*

Note 2: *The next section builds on restaurants being a good opportunity because of the high average selling price (and low volume). If interviewer does not pick up on this, point them in this direction to lead into next section.*

Additional information (if asked):

- **Average Selling Price** is directly to the channel (e.g., price to Walmart and price to a large office)
- **Market Share/Competitor Data:** Do not currently have additional information
- **Margins:** We do not currently have profit information
- **Other Channels:** No other significant channels
- **What's included in "All Products":** Coffee—various flavors that range from premium to private label; Coffee Machines—machines of varying sizes and prices

Total Revenue calculations (if done by interviewee): Rounding/estimating is appropriate and expected.

- **Coffee Revenue:** At Home = ~\$50M; Away from Home = ~\$100M
- **Machine Revenue:** At Home = \$1.3M; Away from Home = ~\$40M

Areas to probe:

After key insights are identified (some are listed below), can probe into what additional information would be helpful to see next (e.g., market share, competitor sales, product/channel margins).

Key insights from table (probe why this may be the case—some possible reasons are included below).

- **A large majority of revenue is generated in the Away-from-Home market.** Why? At-Home market may be a new market for Diamond, or the market may be more competitive.
- **Coffee drives significantly more revenue than the coffee machines.** Why? Machines have long useful lives; coffee may be used in machines sold by competitors.
- **At-Home coffee pricing is higher than Away from Home.** Why? At Home then resells, while Away from Home often gives away for free; Away from Home may be buying cheaper brands or at a higher volume.
- **Away-from-Home brewers are more expensive.** Why? Commercial likely uses much larger machines.

Other Insights

- **Restaurants have higher pricing.** Why? Use premium brands and are able to sell at considerable markup.
- **.com has highest pricing in At Home.** Why? Selling direct to consumer; likely highest margins.
- **Amazon has low volume.** Why? Recently started selling here; food not often purchased on AMZN.
- **Mass has the lowest pricing in At Home.** Why? WMT wants low prices; may not be a good opportunity.

Exhibit

Market	Channel	Coffee (All Products)		Coffee Machines (All Products)	
		Lb of Coffee (MM)	Avg. Selling Price (\$ per lb)	# of Units ('000s)	Avg. Selling Price (\$ per unit)
At Home	Grocery	35	\$0.54	2	\$55
	Mass (Walmart, Target)	43	\$0.45	9	\$50
	DiamondCoffee.com	10	\$0.63	7	\$90
	Amazon	10	\$0.54	2	\$50
At-Home Total		98	\$0.51	20	\$65
Away from Home	Large Office	160	\$0.26	40	\$280
	Small Office	44	\$0.32	70	\$200
	Hospitals	115	\$0.29	15	\$280
	Restaurants	11	\$0.60	35	\$300
Away-from-Home Total		330	\$0.29	160	\$249

PART 4—QUANT (5–7 minutes)

From your analysis, Diamond Coffee noticed that restaurants buy premium coffee, which has higher margins. To increase penetration into this market, they are considering launching a promotion where they sell coffee machines at a 50% discount of the current price if the restaurant agrees to buy and sell only Diamond Coffee's coffee to its customers. Assuming Diamond Coffee currently makes a 20% margin on their machines in this channel, how many days will it take one machine to break even?

Additional information required to solve:

- Use average figures from exhibit provided in Part 3
- Profit margin on coffee sold to restaurants is 50%
- Average pounds per day sold by restaurant is 20 lb
- Only total cost is important, no need to break out variable and fixed costs

Note 1: *If considerably short on time consider asking interviewer to only setup the equation and not do the math.*

Answer (interviewee should not round or estimate calculations):

- Cost of machine = $\$300 \text{ ASP} \times (1 - 20\% \text{ profit}) = \240 or $\$300 - (20\% \times \$300) = \$240$
- Profit of machine = $\text{Discounted Price} - \text{Cost} = (\$300 \text{ ASP} \times 50\% \text{ margin}) - \$240 = -\$90$
- Daily profit from coffee = $50\% \text{ margin} \times \$0.60 \text{ ASP} \times 20 \text{ lb per day} = \6 profit per day
- **Days to break even = $\$90 / \$6 \text{ per day} = 15 \text{ days}$**

PART 5—SYNTHESIS & RECOMMENDATION (Time Permitting)

You are about to walk into a meeting with the Head of Sales at Diamond Coffee to discuss the project. What would you discuss?

Option if short on time: Would you run this promotion? Why or why not?

Potential Responses and Evaluation Criteria—Use as Needed

PART 1—CONTEXT & APPROACH

Meets Minimum Criteria

- Provides some structure/methodology to approaching work
- May jump into thinking about what attributes are important to the segmentation (e.g., by customer segment and size, product, amount of business with Diamond, geography, end-consumer consumption)

Exceeds Minimum Criteria

- Develops a clear approach to the work that likely would include:
 - Developing a foundational understanding of the industry
 - Brainstorming all potential ways to segment customers in this market
 - Identifying the attributes that are significant to the business
 - Collecting and analyzing sales data
 - Synthesizing findings

PART 2—BRAINSTORM

Meets Minimum Criteria

- Provides some structured thinking to brainstorm
- Identifies handful of ways to segment customer data
- Identifies basic attributes to look at, such as channels (including breaking out retail channels), geography, and products purchased

Exceeds Minimum Criteria

- Clear and logical structure to brainstorming
- Identifies several attributes that go beyond basic thinking. Additional ideas may include looking at market shares/competitor sales and customer attributes, such as sales and profit, pricing, and size (total business)
- Discusses what insights the attribute would help drive unprompted
- Identifies end-consumer behavior (e.g., coffee consumption/segmentation could potentially be another important factor to look at)

PART 3—ANALYSIS

Meets Minimum Criteria

- Identifies basic insights

Exceeds Minimum Criteria

- Identifies several insights (outlined earlier in case study)
- Speculates on drivers of insights unprompted; calculates revenue of each market
- Inquires about other data, such as competitors and margins
- Begins to identify business opportunities from the table (e.g., potentially high-margin businesses, such as eCommerce, hotels, restaurants, overall, and At-Home market due to likely higher margins)

PART 4—QUANT

Meets Minimum Criteria

- Calculates answer with minimal support

Exceeds Minimum Criteria

- Calculates answer with no additional help
- Structures math in a way that is easy to follow
- Speculates as to strength of promotion: Would they do this? What are the risks?
 - There is no right or wrong answer if response is justified, but most candidates should recognize that 15 days is not a long payback period

PART 5—SYNTHESIS & RECOMMENDATION

Meets Minimum Criteria

- Touches on customer segmentation and makes a recommendation about the promotion

Exceeds Minimum Criteria

- Clear, concise, and structured recommendation

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