

# Fidelity Consulting Sample Case Video

## TRANSCRIPT

### SPEAKERS:

Narrator: Nikki  
Participants: Sally and Barry

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**NIKKI:** Hi, I'm Nikki from Fidelity Consulting. Today, I'm going to help you understand the working of a case interview and help you prepare for success. What we're going to do is watch a couple of Fidelity Consulting associates do an actual case. At times, I will stop the action to tell you what is going well and what can be improved.

The goal is to learn best practices for your big day. Let's watch them get started.

**SALLY:** Nice to meet you, Barry.

**BARRY:** Thank you for having me.

**SALLY:** We might as well jump right in if you're ready.

**BARRY:** Sure.

**SALLY:** OK, here we go. So your client is Diamond Coffee. Diamond Coffee manufactures and sells ground coffee and coffee brewing equipment in multiple markets. Diamond Coffee has asked you and your team to complete a customer segmentation on their business. So without getting into specific customer details at this point, What are the activities and steps that you think the team needs to think about to complete this work?

**BARRY:** First of all, thank you so much for this. I understand that our client Diamond Coffee is a producer of both ground coffee and coffee brewing machines, and they want us to help them with customer segmentation. So about the customer segmentation, What is the goal of the project?

**NIKKI:** All right, let's stop it here. Notice how Barry took a moment to repeat the case back to Sally and also ask a follow-up question? That's smart for two reasons. First, you want to confirm what you are being asked to do. Repeating the case ensures you are trying to solve the right problem. Second, asking questions shows us how you think and the types of questions you might ask real business partners.

Great question. So we are trying to help the leadership team understand their customer base a bit better and figure out growth opportunities based on different customer segments and what those opportunities are for those segments.

**BARRY:** OK, perfect. And before I jump in, one last question. You mentioned the ground coffee and the brewing machines. Is there anything else that I should know about the markets or the distribution channels to help inform this a bit?

**SALLY:** Absolutely. So on the distribution channels, we know that our client sells directly into two different markets. They have an away-from-home market as well as an at-home market. So the away-from-home market includes commercial customers such as restaurants, hotels, offices. The at-home market includes the retail channels that will buy product from the client and then resell to individuals per household consumption. And one note is that Diamond Coffee does not sell into coffee shops.

**NIKKI:** OK. Did you notice what Sally did? She offered a bit of information to Barry, but she actually has a lot more. It's up to you to ask questions that will elicit more information, which you can use to come up with better answers.

**BARRY:** OK, great. Sally, thank you so much for the context in this. Do you mind if I just take a minute or two just to write down some thoughts on the customer segmentation?

**SALLY:** That sounds great.

**BARRY:** Thank you.

**NIKKI:** You see what Barry did? Instead of rushing his answer, he's taking the time to structure his thoughts to help come up with the best possible solutions. I know the silence can feel uncomfortable, but this is probably the most important piece of the puzzle. Make sure you ask for a minute or two to organize your thoughts. And, again, this gives the interviewer another chance to see how you think.

**BARRY:** So to understand how the overall segmentation can work with this, I want to start with the overall market for ground coffee and brewing equipment. You know, what's been selling in both away and at-home markets, what's been historically successful. Within each of these components,

I'd want to drill down one level to which competitors are really dominating in these spaces and where we stand relative to them.

Then I'd want to know what parts of the business have been growing and what's been successful. Once I have a good sense of the market, its competitors and trends, I feel like I'll have a better perspective on where our company should focus in, or not, and which customer segments we might prioritize or consider exploratory as a result. Did I miss anything?

**NIKKI:** There. You see what he did? He talked about how he would approach the case, but at the same time, he checked back in with Sally to make sure he was on the right course. You might even take it one step further and say something like, "I think it makes sense to start here. What do you think?" That's because Sally has certain information that's part of the case, and if she feels you're not going in a direction that is relevant to that information, she can steer you towards an approach that does use that information.

For example, if Barry had said he wanted to focus on competitors but Sally only had information about historicals, she would guide him towards historicals. Barry was not wrong to approach the problem like he did. It's just that Sally would not have been able to give Barry any useful information. Let's keep going.

**SALLY:** That makes sense. I think it would be great to start with historicals than any information we have from the client. I think you mentioned that you wanted to take a look at what Diamond Coffee has been selling and what the distribution channels look like. So I have some information here that I can share with you. What are some things that jump out at you based on this information?

**BARRY:** Thank you so much for this. Just to check my understanding, these are the four main channels for at-home and the four main channels for away-from-home for coffee. As well as the coffee machines, I also get the pounds of coffee that we sell—I assume this is annually?

**SALLY:** Yes.

**BARRY:** OK. And then the selling price makes total sense. And then, because I'm seeing totals here, I'm assuming that there's no other channels to be concerned with? This is all the data that we need to worry about?

**SALLY:** Yes, this is the right focus point for us.

**BARRY:** OK. I'll summarize as I go. As I look at at-home, I'm noticing that while grocery and mass are leading in terms of overall sales, they're actually the smallest in terms of average selling price. Oh, we make way more on both our coffee grounds and machines through direct purchases

through Diamond Coffee. Is it correct to assume that we're simply keeping more of the margin because this is direct-to-consumer? Or is there another factor at play?

**SALLY:** No, that's exactly right. That's the DTC benefit.

**BARRY:** OK, perfect. So as I transition to the away-from-home side of this, I see that there are offices that we're selling drip coffee to, similar to the hospitals, both in our lower range. But there's enough of a difference between the offices and hospitals versus the restaurants, which are almost doubled in price, that I'd be curious, Do we have a premium coffee blend that we sell versus our more traditional blend of coffee?

**SALLY:** Yeah, that's a great point. At restaurants, we typically find that they want to serve higher-end and better-tasting products to their customers. So that's certainly a reason why the prices jump out here as much higher.

**BARRY:** OK, understood. And then I guess the last thing that I would say is that I see the price of the coffee machine is similar for when we sell to businesses, except for the smaller offices, where it's about 30% or so less, so a difference of \$80. I'm thinking that the smaller offices, maybe they get certain deals, or they're different models?

**SALLY:** Actually, I don't have too much information on that, but I think both of those make a lot of sense to me.

**NIKKI:** OK, let's stop it here and point out something Barry did well. First, before he jumped into any analysis, he oriented himself to the numbers while talking it through. This allows Sally to see how he's interpreting the information while giving him some time to digest it himself. It also allows him to clarify units. Exhibits often used mixed units on purpose to make sure you're paying attention. Finally, he pointed out a few key trends in the data and potential reasons for those trends, which is a great way to show your business thinking.

**SALLY:** So can you tell me what the annual revenue is for the at-home and away-from-home markets?

**BARRY:** Sure. Are you OK if I do some rounding here and there?

**SALLY:** Yes, that's fine.

**BARRY:** OK. So I'm just going to divide up the page with at-home on one side and away on the other.

**SALLY:** Sounds good. And why don't we also separate ground coffee and machines?

**BARRY:** OK. So I'll have coffee as one row and then machines as the other, and then I'll just try to kind of get a total at the end for each of these.

**NIKKI:** All right, let's freeze it here. See how Barry has mapped out his thinking? This is great because it not only allows him to keep track of all the details, it also allows Sally to follow along and, if necessary, course-correct. But if she doesn't have anything to look at, it's hard for her to identify where Barry might have gone wrong with either assumptions or math.

**BARRY:** OK, so with at-home, we have a rounded number of a hundred million, which we sell at about \$0.50 per pound. So that's going to be \$50 million in revenue. And then on the other side we have 330 million times about \$0.30 per pound. So that's going to be in the high 90s. So we'll call that a hundred million for easy calculation.

OK. And then with the coffee machines, we are selling 20,000, and that's the difference, selling at \$65. So 65 times 2 is 130. And then I'm going to make that a thousand-- please check my math on this. I think \$13,000.

**SALLY:** I would check your zeros.

**BARRY:** Oh, right. \$1.3 million.

**NIKKI:** There. Because Barry had been showing his work and talking it through, Sally was able to see where Barry had miscalculated. It's OK if you get a few math calculations wrong. We're not looking for human calculators, nor do we expect them. But if you can't figure out where you went wrong, that's not a good place to be. So show your work. Talk through your work.

**BARRY:** OK. On the other side of this we have 160,000 units that we're selling at \$249. So we'll call that \$250 for ease. And then 160K times 2.5. That's going to give me 400K. So that will end up being \$40 million.

**SALLY:** Correct.

**BARRY:** OK. So if I just add this across, I'm going to get \$51.3 million for at-home and \$140 million away from home.

**SALLY:** That's right.

**BARRY:** It looks like the away-from-home market is huge compared to the at-home market.

**NIKKI:** That was great. It's really common for people to finish doing math in their head and leave it at that. But by adding this observation, it shows Sally that Barry is still thinking of this as a business problem, not a math problem.

**SALLY:** You mentioned the restaurant pricing being a lot higher, and you noted that it's probably because of the premium coffee. And our client Diamond Coffee has mentioned that as well. They noticed that restaurants do in fact buy premium coffees, and those tend to have higher margins, as you would expect. To increase the penetration in the restaurant market, Diamond Coffee is considering launching a promotion where they sell the coffee machines at 50% discount of the current price if the restaurant agrees to sell only Diamond Coffees to its customers.

Assuming Diamond Coffee currently makes 20% on the margin on the machine in the restaurant channel, how many days will it take one machine to break even?

**BARRY:** OK. That makes a lot of sense. Just to make sure that I understand this, there is a 20% margin on them today, but we want to knock 50% off that price as an incentive for them to only sell their coffee.

**SALLY:** Exactly.

**BARRY:** OK. I probably don't have everything I need for this. So maybe let me try to set up how I would try to solve this, and then I can try to see if we have any of that missing data in between?

**SALLY:** That sounds great.

**BARRY:** OK. My thought process is that whatever the 50% times the end margin, it's probably going to be a negative in margin at some point because, well, to your exact point, we need to pay it off over time. So from what you told me already, I know how much it costs, because you gave me the 20% margin.

**SALLY:** Just to be clear, that was just on the machines.

**BARRY:** Oh, just the machines. So how much margin do we make on the coffee?

**SALLY:** There's a 50% margin on the coffee.

**BARRY:** Oh, OK, perfect. So a 50% margin on the coffee. Just to talk it out.

**NIKKI:** Again, see how Barry wasn't afraid to ask questions to get clarity? That's a great move on his part and will lead to a better understanding of the case and, most likely, a better recommendation. Now let's watch how Barry maps out the situation and lets Sally see him think it through.

**BARRY:** OK, so let's talk through this bit by bit. You said we sell the machines for \$300 and then make 20% of the sale price, which means our cost is going to be 100 minus 20; that's 80%. So 80% times 300 is going to give us \$240. And by running this promotion, we'll sell the machine at

half of the current price, which is \$150. So if we run this promo, we end up selling machines which cost \$240 for \$150, that is to say we will end up losing \$90 on every piece.

However, we can recover this money from the profits we make on coffee. We have a 50% margin there, and our selling price is \$0.60. So that means we make \$0.30 per pound in profit. Now, for the last part, how many pounds do we sell per day?

**SALLY:** We sell 20 pounds per day.

**BARRY:** OK. So in that case, I need all of this to equal 90 eventually to break even. So if I calculate 50% times 60, that's \$0.30, and then I multiply that by the 20 pounds per day. So I'm making \$6 per day. So then that's \$6 times X number of days equaling 90, and that's going to be 15 days.

**SALLY:** That's right. 15 days to break even on selling the coffee machine for a discount. Perfect. So let's say you're about to walk into the meeting with head of sales at Diamond Coffee to discuss the price. What would you discuss?

**BARRY:** Well, first, let me say that while there's definitely more work to do and further segmentation that can be done, the areas of interest that popped out to us were really twofold. So first, with at-home, we think you could expand your direct-to-consumer market because of how much extra margin you make along the way. And second, there is an opportunity in your away-from-home markets as well, looking into restaurants as a new avenue for distributing the ground coffee because of how much they have a willingness to buy the premium blend of coffee from you.

So going forward, I'd recommend focusing on direct-to-consumer and restaurants.

**SALLY:** Great. We're done.

**BARRY:** Great. Thank you so much.

**NIKKI:** That was a great wrap-up. It really looked like Barry was ready for this question, which you should be as well. There will always be some kind of wrap-up question at the end. It's important to remember to be concise. State your main summary points up front and then dive into short details on each point. It's usually suggested to be able to dive right into the summary as well, though there's no right or wrong answer here. We're more interested in how you think.

Another option was to suggest other areas to explore based on the information that Barry had. Well, that's it. I hope this gave you a better understanding of what a case interview is and how to ace it. To recap, here are some tips. Preparation: Bring pens or pencils. I like a pencil so I can erase, but make sure it is easily legible from across the table. Bring plenty of paper. You don't want to run out of writing space.

## Fidelity Consulting Sample Case Video

Expect to do some math in your head. This isn't a math test, but you will need to think on your feet and without a calculator. Be on time, and that means giving yourself time to use the restroom or grab some water. Don't wait for the interview to begin. The interview: Actively listen. Make sure you understand exactly what the case is about and what you are being asked to solve. Ask questions. It shows us how you think and leads to more information.

Follow a structure. Map out your process and share it with your interviewer for confirmation and feedback to make sure you're on track. Make it a conversation. This will lead to more information and clarification, as well as give the interviewer more information about you. Take your time. If you rush, you may overlook an important detail.

Be a peer. Do your best to act like a peer to the interviewer as if the two of you were working together on a case. The wrap-up. Make a recommendation. Be confident even if you have to mention some caveats. Suggest further exploration. This is your chance to demonstrate your value. Thanks for watching, and good luck.

This is a representative sample of the interview process. Specific individual interview questions, content, and approach will vary.

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