Dr. Pepper Snapple Group: Fountain Food Service

A Case Study by Clay Moore and Haichen Liu

For our consulting project, we were given one of the Dr. Pepper Snapple Group projects, which mainly focused on their Fountain Food Service (FFS) section of their company. FSS represents the segment of business where product is poured out of a fountain spout. These fountains can be found at gas stations, casinos and restaurants across the United States. The point of our analysis was to challenge the customer segments used to price commercial accounts, because the model used currently has not been challenged in over 5 years. Our job was to find any inconsistencies in their data, what those inconsistencies could be, and if we suggest a direction that DPSG should take in the future.

To start the project, we had to select a random sample of the accounts that were offered to us for investigation. When selecting our sample size, we had to be conscious of the man hours it would take to pull all of the data together, and the deadline that was placed on this project from both sides. We ultimately decided to aim for a confidence interval of 70% because it gave us a smaller sample size, but also enough confidence to make initial judgements of the data. Out of the 1278 accounts available to us, we were able to return 110 viable accounts to analysis, which put us at a 73% confidence level.

When we received the data, we were also given a price structure to analyze, which consisted of different rates for different types of establishments. The establishments ranged from Casinos to Chicken restaurants, and the rates differed on three different levels. The rate per volume sold of the FFS product increased with the level, with levels increasing by how much revenue they accrued.

After cleaning, analyzing, and plotting the data, we came to the conclusion that rate was not a good indicator of how much volume was sold by FFS. Even though both factors were significant in both of our models, the R2 was not high enough to warrant a successful model. Our statistical and financial suggestion would be to determine the rate your sell volume by how much volume you see to a client. We have come up with a volume by category breakdown that can help start the conversation on the best way to improve the customer segments (found in Powerpoint Slide # 16). We also suggest, for simplicity, that rates are not affected by the customer segment that one might sell to. We did not see a reason for that to matter in our analysis, and would not be present in our suggestion.

Unfortunately, our analysis stops here. We do not have the information or business knowledge to suggest certain rates to DPSG. We do not know what kind of rate or profit margin is needed to be classified as a profitable sale. Also, we cannot say that our suggestion is the direction that DPSG should take. Our significance level (73%) is too low to definitively say that our method is the best option. However, we can say that our suggestions point in a direction of improvement for FFS.

Next steps in this analysis would be to receive more information about what rates could be profitable for FFS, and to work out a pricing structure that would rely on the volume sold. Since this is a base model that we are proposing, additional research can be done into discounted rates to restaurants depending on location (urban, rural), length of contract, or even distance from the product distribution site.

Project Name

Data

Code

Output & Reports

Documentation