

Better Solutions Based on the Analysis of Keurig's Marketing Strategy and Its Marketing Approach

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Abstract. Keurig Green Mountain Inc., the former name Green Mountain Coffee Roasters, is well-known for leading in making coffee makers and also offers a large variety of coffees and fast brews. In 2006, the company finished the acquisition of Keurig Inc, buying the remaining 65 percent of its interests for \$104.3 million, and eventually changed its name to Keurig Green Mountain Inc. in 2014. In 2015, Bart Becht, Chairman at JAB Holding Company, announced the acquisition of Keurig Green Mountain Inc to obtain the U.S. market. In addition, the company acquired Dr Pepper Snapple Group to capture more market share in the North America Market. Using a case study approach, this study explores the current state of marketing in the coffee retail industry using Keurig as a backdrop, identifies problems with its marketing, and makes guiding recommendations. On the one hand, this study can improve the literature on marketing in the retail industry. On the other hand, this study serves as a guide for other companies marketing strategies.

Keywords: Marketing Approach; Marketing Strategy and Solutions; Keurig.

1. Introduction

Keurig Green Mountain Inc., the former name Green Mountain Coffee Roasters, is well-known for leading in making coffee makers and also in specialty coffee in the United States and Canada. Robert P. Stillers founded this large and famous company in 1981; and to grow its business, he sold the roasted bean to high-class restaurants and gas stations due to a lack of budget for advertising [1]. In the 90s, the roasted bean's sales volume was explosive since Americans changed their taste. As the number of wholesale clients and profit increased, the company went public in 1993 which the ticker "GMCR". In the same year, it acquired 35 percent of Keurig Inc, a brewing-machine manufacturer, and launched the first K-cup pod containing coffee.

In 2006, the company finished the acquisition of Keurig Inc, buying the remaining 65 percent of its interests for \$104.3 million, and eventually changed its name to Keurig Green Mountain Inc. in 2014. Keurig Green Mountain Inc is not only significant in producing single-cup coffee machines for homes and workspaces but also sells many diversified products to hotels and food stores, such as apple cider, teas, etc. In 2012, the key patent on the K-Cup expired, leading to numerous competitors capturing the K-cup market share and its large number of customers. In addition, as the K-cup became more popular, unlicensed pods obtained 14 percent of the U.S. market [2]. To defend its market share, Keurig introduced several measures to counter its competitors, such as increasing the number of active Keurig brewers in households.

Moreover, it reduced the brewers' prices to attract more potential customers. In the same year, Keurig 2.0 was launched, the new brewer system that was more efficient than before; the machine could brew up to four packs simultaneously with the upgraded K-carafe pack. The brewer machine also had the technology to identify the unlicensed K-cup, which guaranteed that only Keurig's K-cup could be brewed in the machine. Keurig also produced different types of coffee flavors to attract new customers. All those strategies had successfully stabilized its position in the market.

2. literature review

Keurig still dominates the market today. How has the company stood out from the coffee machines crowd since Keurig was founded? What is the company's strategy? This research means studying Keurig's market strategy to get the answer. This research has an essential reference for emerging businesses in the market, so the research on this issue has certain practical significance.

The available literature shows that the academic circles mainly focus on the Related research carried out in the following areas: Brand Quality. The study proposes changes in the production and quality of Keurig products, such as expanding factories and selling certified coffee beans [3]. This strategy directly enhances Keurig's position in natural foods, Green Mountain Coffee Roasters Expands [4]. The study proposes changes in the production and quality of Keurig products, such as expanding factories and selling certified coffee beans. Using patents by Keurig as a tool to move forward and maintain a favorable position in the market is essential in the development of Keurig. It is critical to the process, and it is mentioned in the article that Keurig has as many as 175 patents pending as of 2014 [3], which also includes the K-cup mentioned in this paper.

The Academic field has insufficient research on KEURIG's historical cooperation cases and invention process, and this study will learn more about Keurig in these areas.

3. Case analysis

3.1 Case description

In early 2014, coca-cola, one of the giant beverage companies, bought 10% from Keurig. The purpose of this purchase due to company wanted Keurig to develop a cold beverage system in which people could produce coke and other drinks at home. The partnership with coca-cola also benefited Keurig because it successfully opened the cold drink market in America. Once the Keurig Cold machine is out, the company might look to utilize Coca-Cola's strong distribution channels. Keurig can also use Coca-Cola's global brand appeal to expand its presence internationally [7].

In 2015, Bart Becht, Chairman at JAB Holding Company, announced the acquisition of Keurig Green Mountain Inc. A JAB-led investor group will acquire Keurig Green Mountain for \$92.00 per share in cash, or a total equity value of approximately \$13.9 billion [8]. JAB is a privately held group company specializing in long-term investments in companies with large margins, are well-known, and have sizeable potential growth. The purpose of this acquisition is that it believes Keurig was a strategic asset that could help JAB gain the U.S. market rapidly and increase its brand awareness.

Furthermore, in 2018, Keurig Mountain Green acquired Dr Pepper Snapple Group to capture more market share in the North America Market. This acquisition is the biggest nonalcoholic drinks deal on record, according to Dealogic. It would create a new public company with about \$11 billion in annual sales and more than \$16 billion in debt [9]. Dr Pepper Snapple Group is a beverage company with a long history owned by many owners and acquired Seven up and Snapple Beverages. This acquisition was also driven by JAB and led to a New York Stock Exchange list. Although Keurig had a dominant position in the U.S. market, its growth slowed down, so it decided to provide more various products on different platforms. Keurig would also take advantage of its online sales web. Keurig would use Dr Pepper's distribution network to market drinks such as Peet's Coffee and Forto coffee shots and use Keurig's online presence to sell more Dr Pepper drinks through retailers such as Amazon.com.

After the potent combination with Dr Pepper Snapple Group, the growth of Keurig increased consistently in the second quarter of 2022. The net sale had increased by 13.2%, compared to the same period last year. This highlight performance revealed that all the departments have been through significant growth. The results in coffee also show that coffee Systems' net sales in the quarter advanced by approximately 9%, reflecting the early completion of the Company's coffee recovery program, which enabled KDP to begin to restore inventory levels to partners and customers [10].

The company's product strategy is to offer a large variety of coffees and fast brews. The product is to control water volume, temperature, pressure, and ground coffee to provide customers with the same high-quality coffee as in a coffee shop. Keurig also offers more than 75 kinds of coffee [11]. Keurig's product features are unquestionably successful after comparing its competitors, Melitta One (five flavors) and Flavia (eleven flavors). The strategy in terms of product functionality was creative at the time. Later, Keurig became one of the first to enter the At Home (AH) marketplace with a single-cup brewer designed for use in the home, proving the viability of Keurig's innovation. After launching the first brewer B100 in 2003, Keurig started researching and developing new products, and they also inherited the advantages of Keurig's coffee diversification and fast brewing. It is worth noting that Keurig is still at the forefront of the industry after the introduction of the B40, B50, B60, and B70 brewers, and the B70 has the most Powerful Features at the time: It includes Four Cup Sizes, Programmable LCD Display, and Larger Water Reservoir.

The strategy on product packaging is that Keurig provides proprietary packaging for coffee that allows customers to quickly brew a cup of coffee in 60-90 seconds (without scooping out coffee or handling filters). The simple operation method is also sought after by many customers.

3.2 Marketing Strategy

3.2.1 market strategy

Keurig's market strategy is also very aggressive. Like the company's name Keurig, the word means excellence in Dutch. Keurig's products are at the forefront of the industry, just like the company's name, and the company has always adhered to them With excellent core values. When the B100 first hit the market, Keurig embarked on a bold plan: The approach consisted of reengineering the existing brewer to reduce cost, evaluating overseas options for brewer manufacturing, and launching a new brewer project in time for the holiday 2004 season, including retail distribution. It's not hard to see that the market Keurig wants to control isn't just the domestic market. Keurig also has a different retail distribution strategy because Keurig realizes that because of competition in various market segments, selling the same kind of products may affect product distribution, so Keurig divides products into three grades: good, better, and best, such as The strategy is to respond to different retailer needs as well as customer needs. However, there are still some retailers who are afraid of being eroded by investing in Kuerig, so Kuerig created the Minimum Advertised Price (MAP) program, which only provides incentives to retailers whose prices are higher than or equal to the MAP, such as subsidizing the retailer's advertising costs, The emergence of MAP makes some retailers who sell brewer at low prices gradually disappear, which minimizes the price competition of products.

Keurig's business scope was further expanded after GMCR took full ownership of Kuerig, and Keurig and Caribou Coffee announced an agreement in early 2007 to offer eight flavors of Caribou Coffee in some K-Cup packs. This arrangement represents a new model for producing and selling K-Cup partial packs. Later in 2007, Keurig launched a \$3 million advertising campaign in 16 cities with the support of GMCR. Further expanding its marketing and distribution, at the end of 2008, Kuerig's strategy was a perfect success, with retail stores of Kuerig products More than 16,000 and coffee machines accounting for 20% of the total market. When Keurig started single-cup brewing, the company realized the importance of personal taste. Each brand has its loyal users, so Kuerig's strategy is to cooperate with these companies and expand the taste of its brand to attract more customers. GMCR established manufacturing, marketing, distribution, and sales relationship with Starbucks in 2011, allowing Kuerig to have a wider variety of coffees.

Keurig's strategy at its business level is undoubtedly successful. It targets coffee-loving people and has the characteristics of fast brewing and various flavors. The brand attracts the most coffee-loving customers and further improves the product's advantages and Publicity. Cooperation with well-known brands and advertising quickly expanded its business scope in just a few years, eventually becoming a dominant brand in the United States.

There is more to running a great company than merely making it to the top of the industry. The issues are various, but the primary one is an unwillingness to diversify, adapt, or initiate a new trend that aligns with consumers' expectations. This is the primary cause of the difficulties. It is not enough to develop a successful template for managing a business. For the firm to adapt to the changing conditions of its surroundings, it must have an organic, adaptable, and ever-evolving structure. You may quickly move from being the disruptor to the disrupted if you are not a strong leader and a fantastic entrepreneur. They can anticipate these errors and execute continual change and innovation consistently. The leadership's top priority is to protect the organization from impending disaster while preserving its future viability and relevance in the market. Keurig has access to various tactics that it may use to maintain its position at the front of the pack.

3.2.2 Strategy formulation

The first strategy is creating new intellectual property and protecting what the company already has.

At the corporate level, there is an urgent need to establish a comprehensive Intellectual Property Rights Policy. Patent protection is required for the Keurig brand and any connected trademarks, such as the K-Cup trademark. To forestall legal conflicts, the group's legal department will need to contact the appropriate judicial authorities, file the patent for registration, and publicly disclose the patenting facts and logos. This will be backed up by a media monitoring plan that will monitor the material that rivals publish in both mass media and social media. This might help with keeping an eye out for any manipulation of trademarks or logos.

3.3 The combination of research and development

For Keurig to remain the industry leader, the company must have an independent research and development team. This is due to concerns about aging technology. Using a recyclable model, it is possible to allay the fears that the K-Cup is not kind to the environment. This may be accomplished via implementing a corporate social responsibility (CSR) strategy at the business level to encourage new and upcoming individual developers to create new K-cup product lines. They obtain more social and commercial capital for stakeholders, regulatory agencies, and customers as a result of this.

3.3.1 Communication Regarding the Brand

Since 2004, Keurig as a brand has seen remarkable expansion. The fact that the brand is a subsidiary of the larger GMCR company means it must compete with other subsidiaries. It is highly recommended to make adjustments to how the brand communicates overall. There has been a significant amount of advertising, but the most effective method to deploy will be a public relations campaign. This campaign will make use of CSR and opinion influencers.

3.3.2 Digitalization

When digitizing a consumer brand, it is not just about the front-end, online experience; many technologies may make or break the brand that needs to be mastered behind the scenes. The modern consumer wants to be able to customize their purchases online and have them delivered within a few days. A corporation must digitalize its whole supply chain to achieve this goal and to do it in a manner that is profitable at scale. It is essential that all monitoring and cooperation with external partners be made more accessible via automation. All of these features need more education. The Keurig corporation may investigate applicable digital technologies to maintain their superior level of customer service and stay up with the rapid pace set by their rivals.

There are also several potential dangers that the organization must steer clear of to prevent them from becoming roadblocks in the near or distant future. One of them is a decrease in their market share. If new competitors join the market with lower price points than Keurig and prices for brewers do not decline, then it is probable that Keurig will suffer a loss of market share. Another risk factor for the firm is the absence of resources necessary to carry out product demonstrations and advertise and sell brewers and cups via retail locations at the time of launch. Another potential danger that must

be considered is the possibility of theft. The theft of K-cups will result in losses for OCS users, who will therefore be less likely to advocate for using the Keurig system in workplaces.

In conclusion, if Keurig successfully enters the market before its competitors, the company will have more opportunities and more time to research the industry and develop better, cheaper, and more compact brewers. Keurig has a better chance of capturing market share, building brand recognition, and expanding its brand equity. Once the product has been introduced to the market through direct marketing channels, vital retail alliances and "Shelf Space" allocation will be of the utmost importance. If Keurig is the first to the at-home market and can exploit the real cost advantages, entering large retailers like Target and Walmart will be much simpler.

4. Conclusion

Above all, it first began as Green Mountain Coffee Roasters, where it was a reckoned company for making coffee makers supplied in Canada and United States. It was founded by Robert P. Stillers in 1981 and mainly sold to gas stations and high-end restaurants since he lacked funds for advertisements. The sales and profits increased, and they eventually went public in 1993. The company fully acquired Keurig Inc.'s interests and changed its name in 2014. K-cup gained many competitors and had to implement strategies to counter this competition, like increasing the household brewers and reducing its prices to attract more customers. They advanced and launched new machines in line with the changing technology and produced more different coffee flavors, stabilizing their position in the market.

Coca-Cola bought 10% of Keurig since they wanted to enable people to make cold beverages from their homes. This led them to open a cold drink market in America, and they expanded their market since they could now use the distribution channels of Coca-Cola. JAB Holding Company purchased shares in Keurig Green Mountain since it was a potential asset, and this would increase brand awareness. They captured more markets in North America by acquiring Dr. Pepper Snapple. And the growth was slowed down by the provision of different products on various platforms, including the online sales web. In 2022, their growth became consistent in the second quarter, with an increase of 13.2%. The net coffee sales increased by 9%, which restored the coffee program and made KDP restore the inventory levels to customers and partners.

The future development of this study could analyze the upsides and downsides of making the company public in detail and the input these shares from big companies have brought to the transition. The study can also include the challenges they encountered along the way with the increase in demand and technology to inspire more upcoming businesses. The study can also include details of the leadership in place to comprehensively study what enabled the company to grow.

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