

Research Paper on Keurig Dr Pepper

Keurig Dr Pepper

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Company Information

The reason why I decided to choose the manufacturing company, Keurig Dr Pepper, is because Dr Pepper happens to be my favorite soda drink. Continually, I am obsessed with the Keurig brand, coffee pods, and all other accessories Keurig has to offer. This company contains many hot and cold beverages that I consume on a daily basis, so it will be a different outlook for me to learn and gain insight on their manufacturing process. The primary product that Keurig Dr Pepper manufactures are both hot and cold beverages. They specialize in manufacturing coffees, flavored soft drinks, teas, waters, juices, and mixers. Their most recognized brands are Donut Shop Coffee, Dr. Pepper, Snapple, and many more. Continually, Keurig Dr Pepper was founded in the year 1981 and was incorporated within the state of Delaware. The classes of stock that Keurig Dr Pepper has is common stock. Keurig Dr Pepper has 1,407,267,272 billion number of shares outstanding. The total net income of dollars Keurig Dr Pepper has is 1.33 billion, the total asset dollars they have is 49.7 million, and the total inventory dollars they have is 762 million. The stock information for Keurig Dr Pepper is that their stock exchange symbol is KDP the Nasdaq Stock Market LLC, their current stock trading price as of July 23, 2021, is \$36.07, their lowest stock price over a 52-week period was \$26.67, whereas their highest stock price over a 52-week period was \$37.11.

News Article Summary

Nowadays, it is very important for companies to implement new ways to produce their product but preserving the sustainability of the environment. One of the production methods that Keurig Dr Pepper adapted to in order to help the environment is by making K-Cup Pods 100% recyclable. Within the article, “Keurig Dr Pepper Achieves Longstanding Sustainability

Commitment to Make 100% of its K-Cup Pods Recyclable,” it is stated that “extensive effort involved converting more than 100 manufacturing lines to produce the pods now made from polypropylene #5 plastic.” Keurig Dr Pepper adapted to making all of their K-Cup Pods out of polypropylene plastic in order for K-Cup Pods to be 100% recyclable. Keurig Dr Pepper was able to accomplish this by extensive research, in which they tracked down a variety of their K-Cup Pods and how they were going through the recycling process. Continually, in order for consumers to know that K-Cup Pods are now 100% recyclable, Keurig Dr Pepper has added “new packaging for the recyclable K-Cup pods which features a green recyclable flag as well as the industry-respected How2Recycle® label that clearly communicates recycling instructions to consumers.” With this production method, Keurig Dr Pepper has ensured that their K-Cup Pods are 100% recyclable and that their consumers have detailed instructions on how to recycle the K-Cup Pods.

Furthermore, Keurig Dr Pepper has not only made K-Cup Pods 100% recyclable, but their Allentown, Pennsylvania production facility and distribution center has won 2021 plant of the year. Within the article, “Keurig Dr Pepper wins 2021 Plant of the Year,” it is stated that Keurig Dr Pepper won plant of the year because “its high level of automation, innovative solutions to meet the company’s aggressive sustainability commitments and future expansion needs.” Continually, this production facility and distribution center proves that they have a well-developed production processes because Keurig Dr Pepper was able to complete such a large project that “broke ground in June 2019 and came online in early January 2021, consists of an 811,000-sq.-ft. production facility and a 729,000-sq.-ft. regional distribution center,” not only that but this was completed during a pandemic “while overcoming a six-week construction shutdown due to the COVID-19 pandemic.” Furthermore, the production method of this plant is

very sustainable because it “includes solar panels that return electricity to the local grid, aggressive water and storm water management, and traceable life-cycle information for a number of products and materials throughout the plant.” All these are innovations that this plant has established in order to provide great beverage quality to their consumers, but also sustainability for the environment. This is the reason as to why Keurig Dr Pepper was named the 2021 Plant of the Year.

Production Manager Report

The product costing method that is used is process costing system since Keurig Dr Pepper mainly produces hot and cold beverages. The primary direct materials that goes into making a Dr Pepper soda is carbonated water, high-fructose corn syrup, caramel color which makes the soda brown, phosphoric acid which adds a sharper flavor and acts as a preservative to prevent the growth of bacteria, natural and artificial flavors in which Dr Pepper has 23 secretive flavors, sodium benzoate which is a preservative, caffeine, and bottles with labels for its packaging. Next is the costs included within the factory overhead. For Dr Pepper, the costs within its factory overhead would be the plant building and the electricity that runs the building and machines. Another factory overhead costs would be all the machines that go into making Dr Pepper which are a machine that mixes all the flavors of the soda into one, another machine which adds the right proportion of syrup to the drinks, a carbonator machine which is a pressurized tank that injects carbon dioxide into the drinks to give it that bubbly gas, the conveyor which carries the bottles in which they are filled with Dr Pepper, the capping machine that seals the soda within the bottle, and lastly the machine which adds labels to the bottles which are then ready to be shipped out. Furthermore, the production departments that help make Dr Pepper are the ones who look over the machines to make sure that Dr Pepper is being made correctly, the next

department would be the packing department which pack the sodas, the last department would be the shipping department that make sure sodas are on their way to consumers. An activity base is that Dr Pepper is sold at a reasonable price because the machines produce many Dr Pepper bottles that make up for the electricity it is using. Costs that are controllable by the production manager is using economic packaging.

The primary direct materials that go into making Keurig K-Cup pods is ground coffee which roasts and grinds in order to get the same style in each K-Cup pod, recyclable paper filters, recyclable K-Cup pods that are labeled, and lastly their packaged boxes that hold the K-Cup pods. The factory overhead for K-Cup pods would be the plant building and the electricity that is used to power both the building and machinery. Another cost of factory overhead would be the machines that go into making a K-Cup pod, which is the machine that grinds and roasts the ground coffee, next is the machine which produces K-Cup pods from recycled material, the machine which creates the recyclable paper filters, the machine which adds the coffee into the K-Cup pods, and lastly the machine which seals and packs each K-Cup pods within its box. Continually, the production department for K-Cup pods are those who watch over the machines to make sure that the coffee is being made correctly, next is the packing department which ensure each packaging has accurate labeling and k-cup pods, and lastly is the shipping department which make sure consumers receive their k-cup pods. An activity base would be that Keurig Coffee machines and pods are sold at a reasonable price because it uses plenty of machines in order to complete the product. Costs that are controllable by the production manager would be the packaging, finding a cheaper, eco-friendly packaging can be a controllable cost, especially if we are using our own recycled goods.

The inventory cost assumption method that Keurig Dr Pepper utilizes is first-in, first-out

(FIFO). The accounting policies for inventories are “The costs of finished goods inventories manufactured by the Company include raw materials, direct labor and indirect production and overhead costs. Finished goods also include the purchases of brewing systems from third-party manufacturers and beverages from allied brands. Inventories are stated at the lower of cost or net realizable value. The Company regularly reviews whether the net realizable value of its inventory is lower than its carrying value. If the valuation shows that the net realizable value is lower than the carrying value, the Company takes a charge to cost of sales and directly reduces the carrying value of the inventory” (10-K).

(in millions)	December 31,	
	2020	2019
Inventories:		
Raw materials	\$ 260	\$ 215
Work in process	6	8
Finished goods	520	447
Total	786	670

Direct Materials:	33%
Work-In-Progress:	1%
Finished Goods:	66%
Total inventory as a percentage of total assets	15.74%
Total inventory turnovers for finished goods	15

Sustainability Efforts

The company’s sustainability policy is that they want to make a positive impact in the environments they live and work in, they are also working to reduce their environmental impact

while still ensuring the company's growth. As a result, they have reduced energy consumption in their fleets and have partnered with communities in order to educate their consumers on the importance of recycling. The eco-efficiency measures they focus on is to try and convert all their products to be recyclable or compostable, because they are on a mission to eliminate packaging waste. Many of the goals the Keurig Dr Pepper has is they wish to send zero waste to landfill by the year 2025, they are striving for 100% of their products to be recyclable by the year 2025, they also want to obtain 100% of electricity by renewable sources by 2025, and they wish to improve their water efficiency by 20% by the year 2025. Keurig Dr Pepper is setting goals for themselves in order to better the earth. In the past, Keurig Dr Pepper has been critiqued due to K-Cup Pods being very wasteful and harmful to the planet, however, Keurig Dr Pepper hit a milestone in 2020 by making all their K-Cup Pods 100% recyclable. In order to ensure that all the K-Cup Pods are being recycled, they have added instructions on all their packaging which illustrate to consumers how to recycle their K-Cup Pods. All in all, Keurig Dr Pepper established the slogan "Drink Well. Do Good." They are ultimately trying to better the environment for future generations and one of their social responsibilities is to leave the planet a much better home than the way they found it.

Conclusion / Reflection

I am a consumer of many of the Keurig Dr Pepper products and after researching their business, I have a much different outlook on them. To begin, Keurig Dr Pepper is doing a great job on caring for the environment. Keurig Dr Pepper is a very successful company, and it is very refreshing to see that they are valuing making environmental changes while still being able to produce their products and making profit. This just shows how adaptive the company is to new changes. However, in order to improve their business, I believe they should focus on seeing if

they can try to use the same or similar materials, they used in order to make their K-Cup Pods 100% recyclable and try to apply it to all of their other product lines in order to be 100% environmentally friendly. Another way in which they can improve their business is to test and research ways to make their products healthier. However, it can be difficult to make a sugary drink as soda healthy, but they should try to experiment ways in which they can make their drinks healthier in order to help their consumers. If I were a production manager for Keurig Dr Pepper, I do not think I would add more accounting policies. I believe Keurig Dr Pepper has effective and efficient accounting policies.

Furthermore, I do think I would buy stock from Keurig Dr Pepper, because they are a very great company. As of today, July 24, 2021, the stock price is \$36.07. Their stock is at a reasonable price, and it is forecasted that their stock will continue to grow. The highest the Keurig Dr Pepper stock has ever reached was \$122.92 back in 2018, which is a very high price. It could be expected that the stock can go that high up again, so I believe I would buy a stock from Keurig Dr Pepper to see if it will reach that high again. One of the most interesting things that I have learned from this project is that Dr Pepper is made with an ingredient called sodium benzoate, in which this is an ingredient that is a preservative for Dr Pepper. However, this ingredient is also found in shampoo and if one consumes too much of this ingredient it can give you serious heart problems. Another interesting thing I learned was the process on how K-Cup Pods are made. It is very interesting to know that they have to be very strict with how they roast and grind their coffee because it all has to taste the same when it packaged into each K-Cup Pod. All in all, this was a great learning experience, and I am very delighted to have broaden my knowledge within the Keurig Dr Pepper field.

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