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Zest Tea

1. Zest Tea provides value to consumers by offering a product that provides that caffeinated benefits of Coffee but without the negative side effects. They have helped bridge the gap between tea drinkers and coffee drinkers, with their product that takes the benefits of each individual product and places it into their own product which they protect with trade secrets. The Zest Tea Team is implementing differentiation to capture their target market. Their product is more expensive than coffee and tea but offers premium benefits that attracts buyers.

2. Zest Tea once to become a billion dollar brand long term. In order to do this, they would have to become a RTD company which prepares its drinks beforehand. Therefore, the products will become pre-made in cans and bottles. A challenge that would come from this is that their shipping and packaging costs would increase which would shrink their high margins.

3. So far Zest Tea started in 2015 with $157,500 in revenues with $189,600 in expenses, which is not terrible for their first year. The second year showed an increase to $380,000 with expenses also increasing to $463,500. The third year saw another large leap to $1,592,800 but expenses also moved to $1,855,500. It is expected for a company to start off with losses in its first years because of the expenses used in advertising. I anticipate that they will soon earn profits because of their high margins of 43%-60%, and thy expect to continue to decrease the Cost Of Goods Sold.

4. The founders should continue to grow into new retail stores but focus on doing what they started out as which is online purchases. Once they master distribution and gain more buying customers that will have earned enough profits to where they can supply Zest Tea into retail stores. I am in support of Zest Tea’s push to send samples to customers, because once people have tried it they have a high repurchase rate of 50%, but they should make sure the samples they send are focused into their initial target market to insure success.