

CASE - It began with one goal in mind: **to revolutionize the way America started its morning.**

Tired of drinking poor tasting, weak, and stale office coffee, two college roommates turned businessmen began experimenting with creating a single serve machine that could simply and consistently deliver the perfect cup of coffee. Eventually joined by a third engineer, the entrepreneurs worked tirelessly throughout the early 1990s, building prototype after prototype and conducting countless taste tests until initial design nirvana was achieved. They named their brewing system and their company “Keurig”, a word derived from the Dutch word for **excellence**, and designated each single serve coffee capsule a “K-Cup® pod.”

The Keurig, Inc. founders knew offering high-quality, specialty coffee in each K-Cup® pod would be instrumental in delivering the taste profile consumers wanted and deserved. They approached Green Mountain Coffee Roasters throughout their research and development process for assistance with coffee expertise and supply, as well as funding. Intrigued by their innovative spirit, Green Mountain Coffee Roasters invested in the company, teaching it about the rich world of specialty coffee, and then became the first roaster to offer coffee in a K-Cup® pod for the Keurig® single cup brewing system. Together, the team then delivered their first commercial Keurig® brewers to offices in 1998.



After a few years of exclusively targeting sales to offices, Keurig, Inc. executives decided to make this revolutionary brewing system available on kitchen counters. Keurig worked to develop a home model of the Keurig® brewer that could successfully compete with other single serve coffee systems offered in the marketplace. In 2003, Keurig® brewers and K-Cup® pods were made available in high-end department stores, targeting consumers looking for a new, no-mess or clean-up approach to brewing great tasting coffee from the comfort of their own homes with just one touch of a button.

his strategy of reaching consumers wherever they shopped, fueled by incredible consumer passion for the system, ultimately contributed to the Keurig brewer becoming the leading single serve platform in the coffee maker category in North America – a position it still holds today.

- **Why do you think the Keurig brewer has become so successful?**

Approach:

The key to create a great and successful product is to find the *demand or a problem* that a product is trying to solve. The simple and important step before determining the target market/audience, planning promotions, driving sales is to identify the problem. Often this step is neglected by creating a product first and then finding the audience interested in it.

The Keurig has become successful as they identified the first step – the problem – “*poor tasting, weak, and stale office coffee*”. The desire for flavorful, convenient and fresh coffee in the morning inspired the development of Keurig coffee system. GMCR invested in Keurig and the partnership provided Keurig with the funding it needed, plus the value-added education in roasting and brewing coffee, and gave GMCR a stake in a promising innovation at relatively low risk.

The Keurig system feels like it's tailored for each individual's tastes.

Practical uses: Keurig is easy to use and lets consumers choose from a huge variety of blends and flavors every time to make a cup of coffee.

Benefits to consumers: On the consumer side, consumers want something easy and intuitive to use that solves their day-to-day life problem. In this case, the problem was poor tasting coffee.

Product Level Success:

<i>Core Benefit</i>	Basic purpose – Brew coffee
<i>Basic Product</i>	Coffee machine appliance.
<i>Expected</i>	An office coffee machine that brews an entire pot at a time.
<i>Augmented</i>	Fresh coffee served in a single cup at a time. Creatively different coffee maker. Enjoy different types of coffee.
<i>Potential</i>	“Smart” coffee machine (linked to our smart phones or other smart devices).

Why did consumers accept the new product – Keurig?

Factor	Works	Reason
Relative advantage	Yes	Eliminates the need for consumers to brew an entire pot at a time. Focused on the coffee service market. The only way to ensure a fresh cup of coffee is to brew as you consume and not consume the stuff sitting in the pot for half an hour that is getting terrible.
Compatibility	Yes	Everyone can enjoy their favourite type of coffee as they please.
Complexity	Yes	Brew as you consume
Trialability	Yes	Serve a single cup at a time

Observability	Yes	Unparalleled office coffee service. Creatively different coffee maker and not just another coffee appliance.
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New product adoption success:

Basis of comparison	Continuous Innovation	Dynamically continuous innovation	Discontinuous innovation
Succeed	Yes – The only target market is office service coffee and later the target segment was increased to household coffee machines. (33.33%)	Yes- It disrupts the normal routine of customers as they do not have to brew full pot of coffee and can brew as they consume. (33.33%)	Yes – Very little learning is involved as it is creatively a different coffee maker and instead of brewing one full pot of coffee, a single serve coffee of any type is brewed. (33.33%)
Fail	No	No	No

Advantage over Competitors:

- Nespresso VertuoPlus: Its water tank is relatively smaller than Keurig's.
- Nespresso VertuoLineEvoluo: Considerably higher cost, Control panel is slightly confusing to use.
- Cuisinart SS-10: It has a bulky design, brew basket opening mechanism is unresponsive and slightly confusing.
- Mueller: Lacks programmable timer.

New Product adoption Curve:

In this curve the **Chasm** between Early Adopters and Early Majority is reduced by Keurig by mainly targeting the office coffee machine and then to households. Thus, reducing the Target Market. Hence it can convince the early majority which is 34%.

Also, the price offered, quality of Keurig systems and convenience to use successfully increased **Value equity** of the brand.