Kristina Jones & the heated coffee sleeve[1]

Kristina Jones loves coffee. She drinks a large cup of her favorite blend every morning on her 45-minute commute to work, when she needs a pick-me-up in mid-afternoon, and sometimes in-between her visits with clients during the day. What she doesn't like is that her coffee tends to lose its heat over time and, by the time she gets to work in the morning, her coffee is cold. She tried the existing alternatives to keeping her coffee warm, such as using a thermos and an in-car coffee cup heater, but she was still dissatisfied because using them either 1) assumed that she had the thermos with her, or 2) she plugged the heater into the car lighter for about half an hour prior to buying the coffee so that it was sufficiently warm. She was not particularly impressed with these options so she took things into her own hands.

Her product

Kristina worked with one of her close friends, Amy, who had a background in engineering and new product development. She worked in a lab, generally running experiments all day. She had a great interest in chemistry and was always the kind of person that would 'fiddle around' and take a product apart to find out how it worked. Kristina paid Amy $1000 for her help with developing the coffee sleeve, under the condition that Kristina would get to have sole ownership of any technology that developed from Amy's designs. The result was a diagram of how the coffee sleeve would work (see Exhibit A), one working prototype, and a promise to make more prototypes for $100 each.

The product that Amy and Kristina invented was a heated coffee sleeve. The sleeve is made up of recycled cardboard andis triple-lined. On the inside lining, there is a heating gel that warms up upon breaking the gel casing. The casing is 'broken' by pushing a button on the exterior of the sleeve. This button works in the same way as the glow-in-the-dark sticks that are frequently used at concerts, where bending them releases the glow gel. The triple-wall of the coffee sleeve is important as it keeps the inside at a constant 135 degree temperature over a 45-minute period but does not burn the hand. Most coffee sleeves, such as the ones that are frequently given out at Starbucks, have their primary focus on protecting the hand from the heat of the coffee. Kristina's sleeve also does this, but the primary function (and what makes it different from the competitors) is that it also warms the coffee cup. The coffee sleeve works on most materials but is best suited for warming coffee that is in a cardboard cup, which is what the majority of coffee houses serve. Dunkin' Donuts is one major exception because they use Styrofoam cups. Kristina's sleeve is recyclable and disposable. Kristina designed her coffee sleeves so that they will fit around most standard cups that are served at the major coffee houses. She recently applied for a provisional patent to buy time while she created further prototypes and could generate some funds before applying for a full patent. A supplier she spoke with provided a quoted of $0.06/sleeve to manufacture, provided she purchased at least 10,000 sleeves.

Coffee sleeves are fully patentable. Java Jacket was the first to patent a coffee sleeve, back in 1991. Java Jacket now owns multiple patents for different types of coffee sleeves. They are the market leaders. Other competitors, such as Eco Sleeve and Polypac also have their own patents. Eco Sleeve is made up of polystyrene and a large number of bubbles. Both Eco Sleeve and Polypac push the environmental friendliness and affordability of their products. Blazin, another heated coffee sleeve, runs on electricity, thus not making it portable.

Getting it out there

[1] Prepared by Alex McKelvie as a basis for class discussion rather than to illustrate either effective or ineffective handling of an entrepreneurial situation. Names involved are fictionalized.

Kristina conducted market research for her as of yet unnamed coffee sleeve. She found out that 75% of the on-the-go customers that she felt would need this product actually are highly irritated by their coffee getting cold and were not satisfied with the existing solutions. She received even more positive responses from high-traffic travel areas. She found that a number of rest stops along the interstates around Syracuse, such as the east-west I-90 and north-south I-81. Most of the coffee places along these major arteries had large coffee franchises, such as Tim Horton's, Lavazza, and even McDonald's located at the rest stops.

Kristina therefore targeted the major chains of Starbucks, Dunkin' Donuts, Lavazza, McDonald's and Gourmet Cup as they were the largest ones in the area and had the best locations for the 'on-the-go' person. She inquired as to how to become a supplier to these firms. This was a more difficult process as many of the phone calls she made and emails she sent were not returned. The websites of these companies stated how difficult it was to become a supplier and that the process would take multiple months, at best. She was able to get through to a purchaser at Tim Horton's, who stated the overall policy of the company without showing true interest in the product. They purchaser had said that that they would only begin to consider the product once there was a ready prototype to hand over to their R&D department. Kristina only had one prototype for the time being and was told that it would take at least six months for the R&D team to thoroughly go through the prototype. At Lavazza, she was quizzed about how they would make money off of the product. "We usually give the coffee sleeves away for free to our customers. Why would we buy something new and more expensive, just to give it away? We're in a very competitive market and so we can't increase our prices. We're actually working hard to reduce our costs. What you are suggesting would mean increasing these costs!" The lukewarm at best responses were unfortunately as far as she got with the chains.

However, her research also showed that local coffee shops make up 19% of the coffee market. She approached these coffee shops directly and there was more of a positive response. Many thought that there might be a use for the few customers who get coffee "to go", but Kristina was told that many of the cafés live off of customers staying at the café and enjoying a relaxing environment. This product would not be as useful for these types of customers. One shop did give her the idea that cafés might be able to charge a quarter for a sleeve for those who wanted one, as a sort of an add-on. The local coffee shops were not going to give it away to the customers for free. The number of sleeves should could sell would be substantially less than the 10,000 minimum order.

Kristina thought about going to specialty beverage trade shows, such as Coffee Fest or the Las Vegas International Coffee & Tea Expo, in order to drum up more interest in her innovative coffee sleeve. While Kristina believed in the market potential for her product for warm beverages such as coffee and tea, she realized that she was relying heavily on one main source of revenue. She also knew that few one-product firms survive over the long run, even if they do get a patent. She was essentially putting all of her eggs in one basket. Without a vast knowledge of new product development and her reliance on Amy for technological insights, she didn't know where to turn. While her market research of the end users had been positive, she had a difficult time generating interest in her coffee sleeves at a major chain or even a local coffee shop. Had she just invented a 'better mouse trap' that no one really wanted? Or could she use this first product as a launching pad for a line of coffee- or heating-related products? Or did her product have a better use in other industries?

Exhibit 1