**Proposal for Market Research Consulting for:**

Green Mountain Coffee Company

Requested by:

Date:

**Scope:**

This proposal covers the agreement to provide marketing research in response to the following question:

Green Mountain Coffee Company, the owner of the Keurig brand of single-serve coffee machines is investigating ways to expand the distribution of Keurig machines and associated coffee pods. The current business structure has largely separated the sale of the machines from the pods as highlighted by the fact that they operate under separate brands.

As it currently stands a Keurig machine has a COGS of approximately $75 including manufacturing and distribution costs. This cost does not include product development or marketing expenses. Wholesale prices for these machines is approximately 50% of retail price representing a 100% retailer markup.

Coffee pods on the other hand have a COGS of approx. $0.45 per unit exclusive of marketing costs. (Product development costs are minimal for the pods.). Retailer margins on the pods are approximately 15%.

Green Mountain Coffee company is considering more fully integrating its two business units under a single P&L center. This would more fully integrate the machines and pods and strategically align the products marketing and sales efforts. One aspect of the restructuring is to more closely tie the sale of pods to the sale of the coffee machine. This would lead to a classic razors and blades model for the product. (Called a tied good.) The ultimate goal is to increase penetration of the machines and drive incremental recurring revenue through the sale of pods.

Currently pods via three separate arrangements:

1. Sale of own brand pods – At current prices each pod contributes approx. $0.30 in profit
2. Sale of licensed pods – current agreements have set the royalty rate at $0.15 per pod
3. Sale of third part unlicensed pods – Green Mountain receives no revenue from the sale of these pods.

The primary goal of this research is to investigate the extent to which consumers would accept technology that would limit the availability of unlicensed third-party pods. This is a crucial step in allowing the company to drop the price of the coffee machines to increase the size of the addressable market and in turn increase sales of coffee pods.

A separate company has developed a pricing module that is included in the survey. Analysis of that data is outside of the scope of this agreement. This project will instead look at attitudes and surrounding the use of coffee pods and the importance of different product offerings and varieties in available flavors and offerings.

The project consists of the following phases:

1. Design, manage, and analyze survey (Approx. 3 weeks some of which will be concurrent with phase 1)
2. Prepare report and recommendations (Approx. 1 week)

**Timeline:**

It is anticipated that this project will be completed within 4 weeks of receiving approval of this proposal. This timeline is contingent on prompt and timely review be the internal team at Green mountain for any survey materials.

**Cost:**

<REDACTED>

The full consulting fee will be due within 30 days of the receipt of the invoice. The invoice will be sent upon completion and acceptance of the project. A W-9 is available upon request.

**Acceptance:**

Thank you for the opportunity to work on this project please let me know if there are any adjustments or scope changes that you would like to make. The work will commence upon receipt of the sales data and the signed agreement.

**Customer Signature:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Date:\_\_\_\_\_\_\_\_\_\_\_**