



**Your Vision. Our Focus.**

**MKM** PARTNERS

## **MKM Intelligence Community**

**Process Detail and Case Study Example**

**Wendy D. Farina**

**Managing Director, Equity Intelligence**

**203-987-4016**

**[wfarina@mkmpartners.com](mailto:wfarina@mkmpartners.com)**



# Agenda

- How will this teach-in help you?
- Our custom research process from A to Z
- Case study/detailed example
  - Keurig Green Mountain (GMCR)

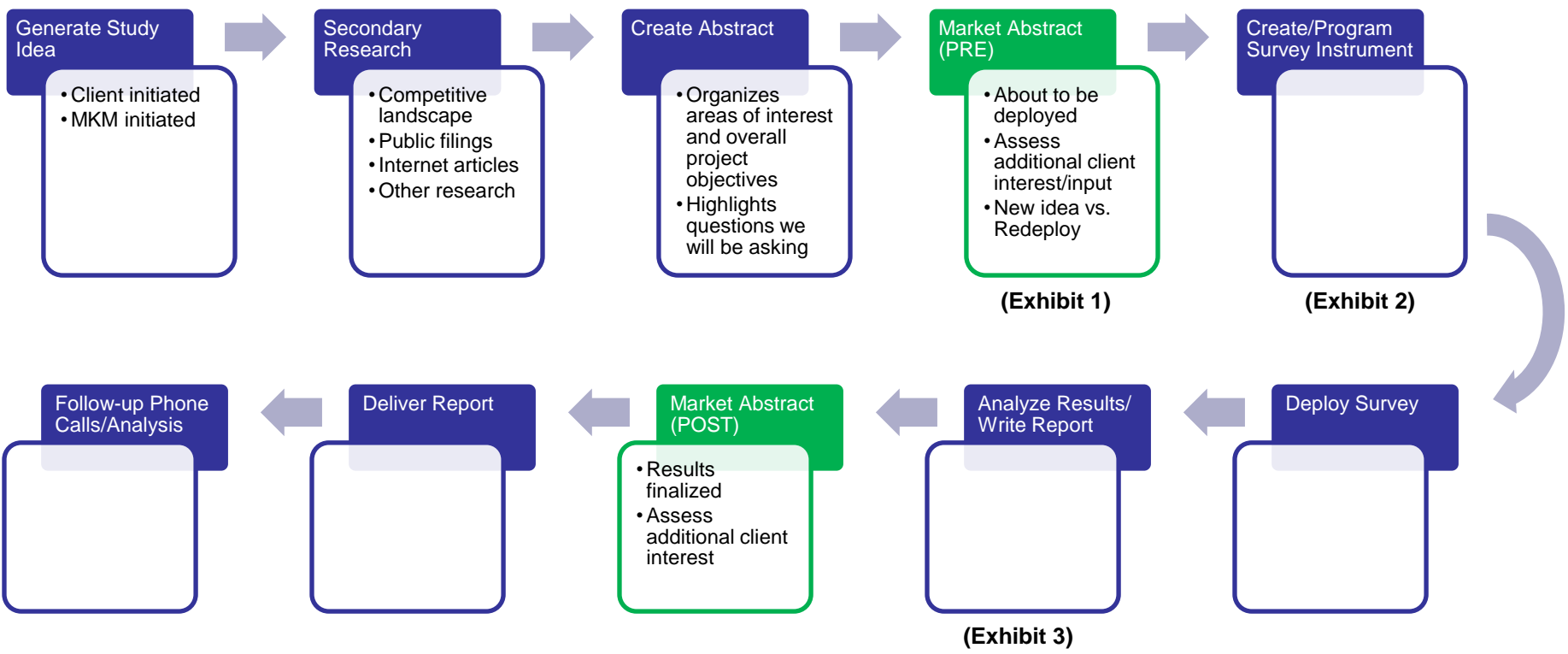


## How will this help you?

- Better understanding of each step in our custom research process
- Real example of time series survey results
- Buyside perspective

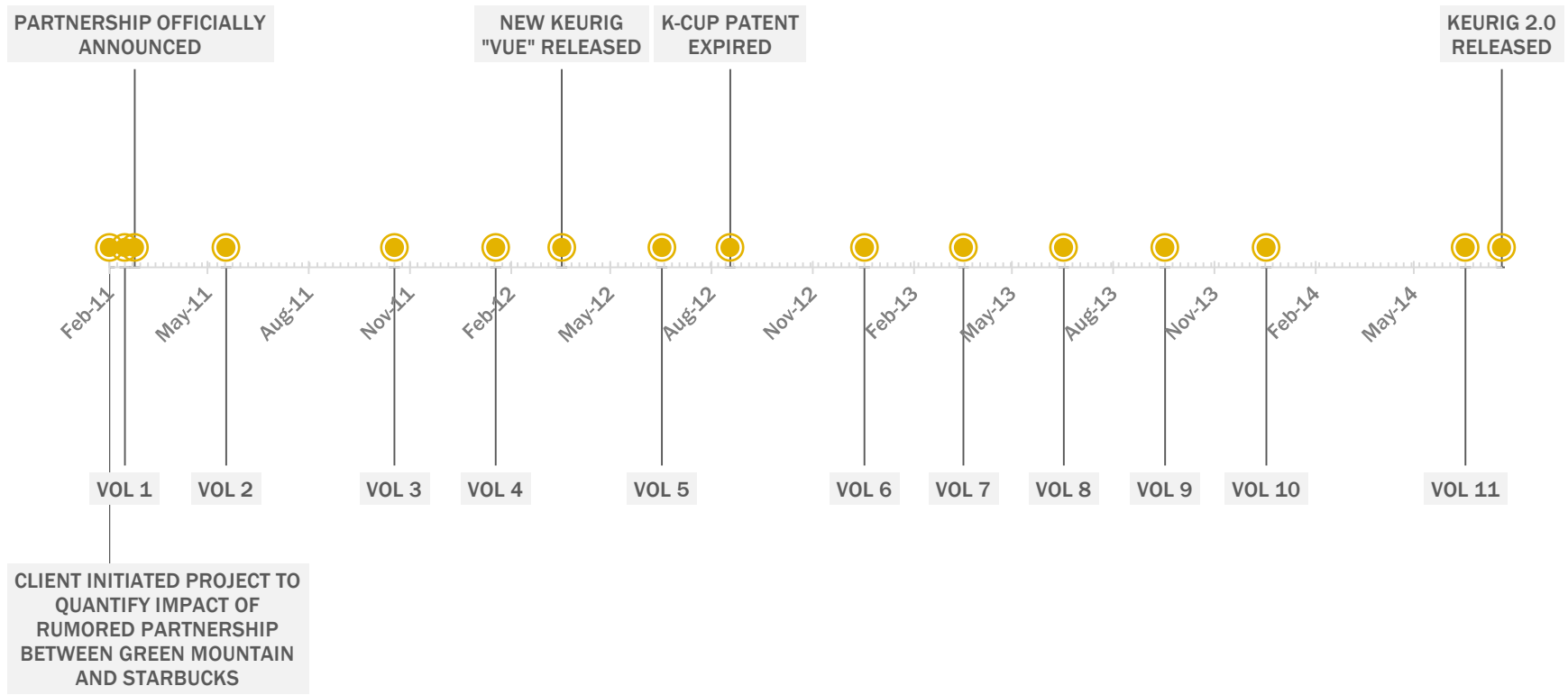


# Our process from A to Z





# Case Study: Keurig Green Mountain (GMCR)







## Abstract Example (Exhibit 1)

**Study:** Green Mountain Coffee Roasters, including demand for new brewing systems from Keurig (GMCR), e.g., VUE

**Project Name:** In-Home, Single-Serve Coffee Machine/ Replacement K-cup/V-pack Purchase Trends

### **Action Steps/Final Objectives:**

- Quantify/confirm current penetration of in-home single-serve coffee systems; assess potential among consumers who do not currently own a single-serve machine
- Quantify market share position and potential for Keurig machines and K-cups
- Quantify purchase intentions regarding new "VUE" brewer from Keurig and V-packs (new replacement coffee pod)

### **Existing Keurig Brewer Owners (K-cup System)**

- How many cups of coffee do consumers brew on their Keurig brewer?
- What coffee brands do they most prefer?
- How many consumers drink Green Mountain coffee, i.e., purchase Green Mountain replacement K-cups?
- How would they rate Green Mountain coffee compared to other options?
- How many consumers drink other brands, in particular Starbucks and Dunkin Donuts?
- Is Green Mountain coffee better or worse (or the same) as other brands?
- How likely are consumers to switch to a private label brand that is at least 20% less expensive per cup than existing K-cups such as Green Mountain, Starbucks, Dunkin Donuts, etc.

### **NEW Brewing Systems from Keurig (VUE)**

- How many consumers have heard (are aware) of the new "VUE" brewing system from Keurig?
- How many consumers already own "VUE"?
- How many aware consumers are planning to purchase "VUE" near term? At some point?
  - Will existing Keurig owners replace their current machine with VUE?
  - How many new consumers will VUE attract?

### **Interest in Starbucks Brewer**

- How many consumers are aware that Starbucks has introduced a new single-serve coffee brewer called "Verismo"?
- How many consumers have already purchased "Verismo"?
- How many consumers are interested in purchasing "Verismo"?
- How many existing Keurig owners will switch from a Keurig brewer to Starbucks' "Verismo"?

### **Targeted Survey Respondents (i.e., Key Attributes):**

- 2,200-2,500 consumers
- Geographically and demographically diverse sample



# Survey Instrument Example (Exhibit 2)

MKM Intelligence Community  
GMCR/SBUX Volume 6 (Co-commission) 122112 FINAL  
Wendy D. Farina 203-987-4016

P1  
Thank you for taking the time to complete this important survey. The questions are about in-home coffee consumption and new single-serve coffee brewers. It should only take you a few minutes to complete.

P1 111 [M]  
Are you currently/have you recently (last six months) been employed by Green Mountain Coffee Roasters or any company that does business with Green Mountain?  
 Yes [Screen Out]  
 No

P2 112 [M]  
Are you restricted by your employer or any other confidentiality obligations from answering specific questions regarding the coffee manufacturing or retail industry?  
 Yes [Screen Out]  
 No

P3 2 [M]  
Have you ever heard of a new type of in-home coffee maker called a "single-serve coffee brewer" (where you brew a single-serve coffee flavor of your choice, e.g., using coffee pods/containers/K-cups/V-cups)?  
 Yes  
 No

P4 3 [M]  
Do you have any interest in learning more about single-serve coffee brewers?  
 Yes  
 No [Skip to Thank You]

P5 4 [M]  
Do you currently own or have you ever owned an in-home single-serve coffee brewer?  
 Yes  
 No



# Final Report Example (Exhibit 3)



Wendy D. Farina  
Managing Director  
MKM Intelligence Community  
203-987-4016  
wfarina@mkmpartners.com

In-Home Single-Serve Coffee Brewers (GMCR) January 1, 2013

Proprietary Study for Select MKM Clients MKM Intelligence Community

Proprietary Study Target: Representative sample of U.S. consumers; Volume 6 includes responses from nearly 4,100 consumers

**EXECUTIVE SUMMARY:** Overall single-serve coffee brewer penetration grew since July (to nearly 34% from 32%). Interest in single-serve brewers among non-aware consumers grew meaningfully since last summer. Keurig still dominates the competition and near-term purchase intentions for new brewers. However, Starbucks "Verismo" is generating noticeable interest since its introduction to the market a few months ago. Demand for replacement coffee among Keurig owners has ticked up since July: More than 30% say they are buying more replacement K-cups (versus 25% in July); only 7% are buying fewer (down from 12%). Green Mountain is still the preferred brand among Keurig owners. Starbucks and Dunkin Donuts coffee pods are also highly ranked, but in the second tier. Near-term demand for single-serve machines is strong, with nearly 35% of all non-owners indicating they plan to purchase one in the future. Therefore, overall single-serve penetration could top 55% in the future. More than 64% of prospective buyers plan to buy a Keurig. More than 14% say they will purchase other miscellaneous brands. More than 9% plan to buy a Starbucks "Verismo."

### KEY FINDINGS/INSIGHTS:

- **General Awareness/Single-Serve Penetration:** Nearly 87% of all consumers have heard of single-serve coffee brewers (versus 88% in July 2012). Nearly 35% who have not yet heard of in-home single-serve machines say they are interested in learning more about them (up from 29% in July).
  - Overall Single-Serve Penetration*
    - Single-serve market penetration grew to nearly 39% of aware consumers surveyed (up from 33% in July 2012). Overall, this represents 34% of ALL consumers surveyed. The vast majority of these consumers actively use their single-serve brewers (87% versus 85% in July).
- **Keurig Owner Insights:** Keurig owns nearly 79% of the single-serve market today (down from 85% in July).
  - Twelve percent purchased their Keurig brewer less than three months ago;
  - More than 17% purchased it three to six months ago;
  - More than 36% purchased it 6-12 months ago;
  - More than 27% purchased it at least one to two years ago;
  - More than 7% purchased it more than two years ago.

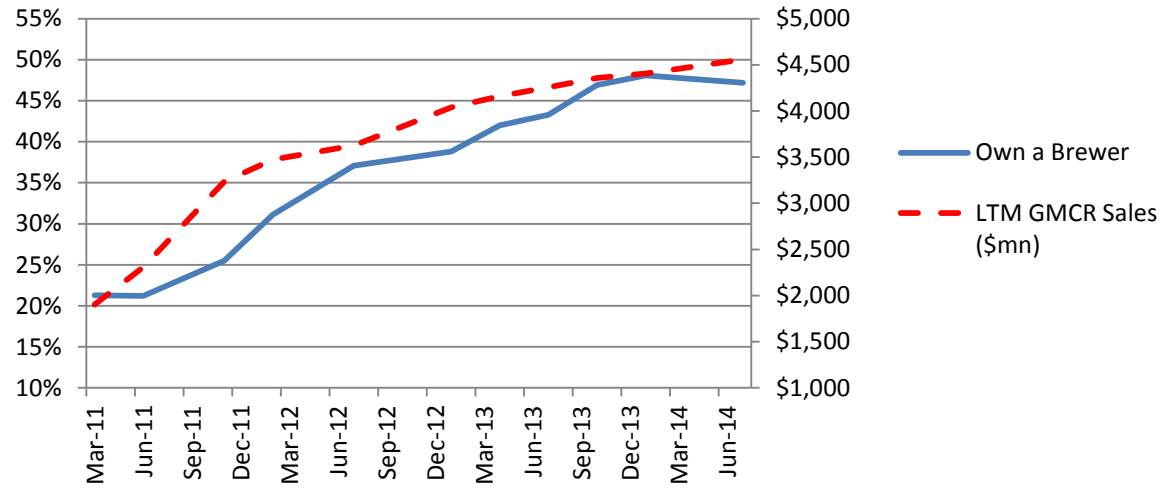






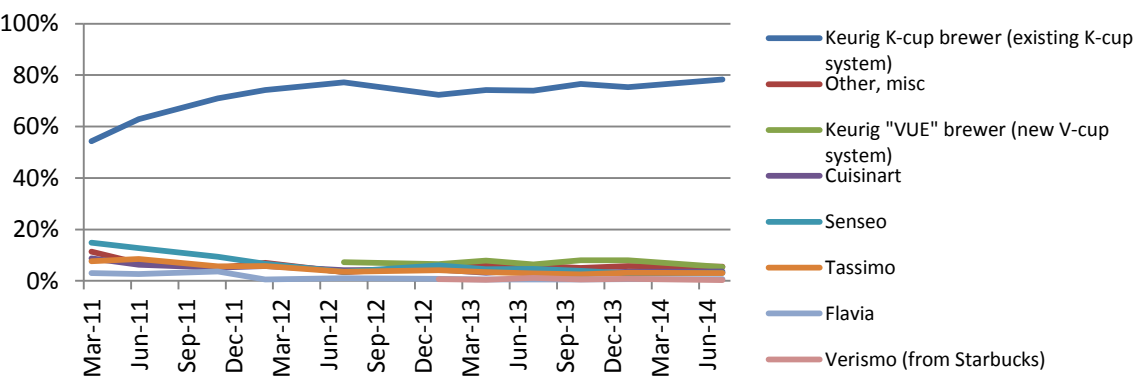
# Survey Results

Currently Own an In-home Single-serve Coffee Brewer



- Predictively accurate signals from consumer research
- Impressive in-home brewer growth trends
- Strong usage trends

Single-serve Coffee Brewer Brand Ownership

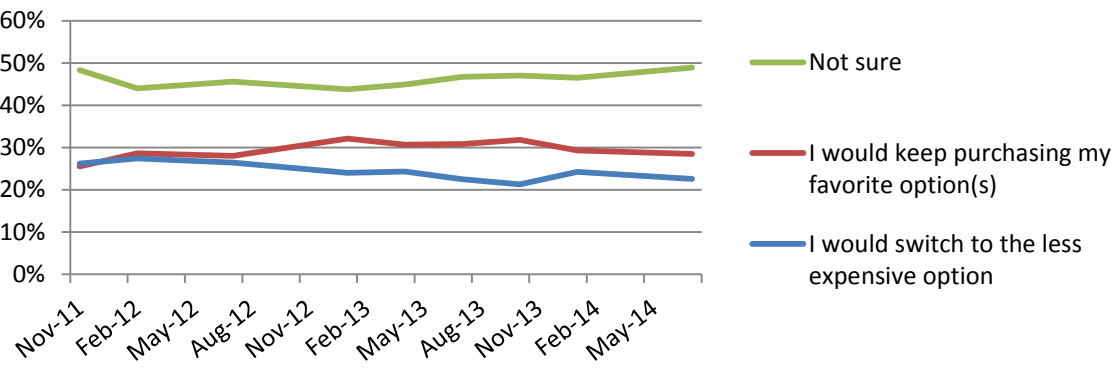


- Confirmation of Keurig brand position/dominance
- Irrelevance of Verismo/never a competitor
- Keurig VUE product: What happened?



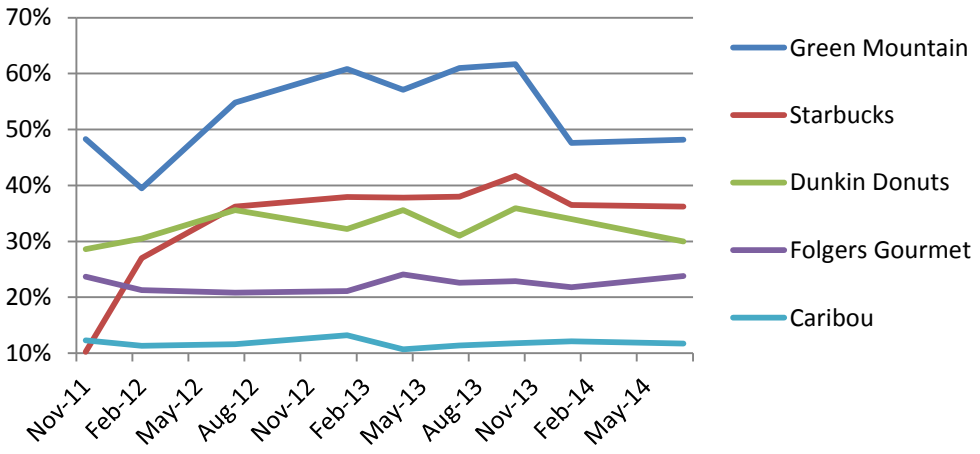
# Survey Results (cont'd)

**Purchase Intentions if Private Label K-cups Were Available at 20-30% Less Than Current Favorite Brand**



- **Consumers not overly price sensitive**
- **More likely to keep purchasing favorite even with 20%-30% discount**

**Favorite Single-serve Coffee Brands**

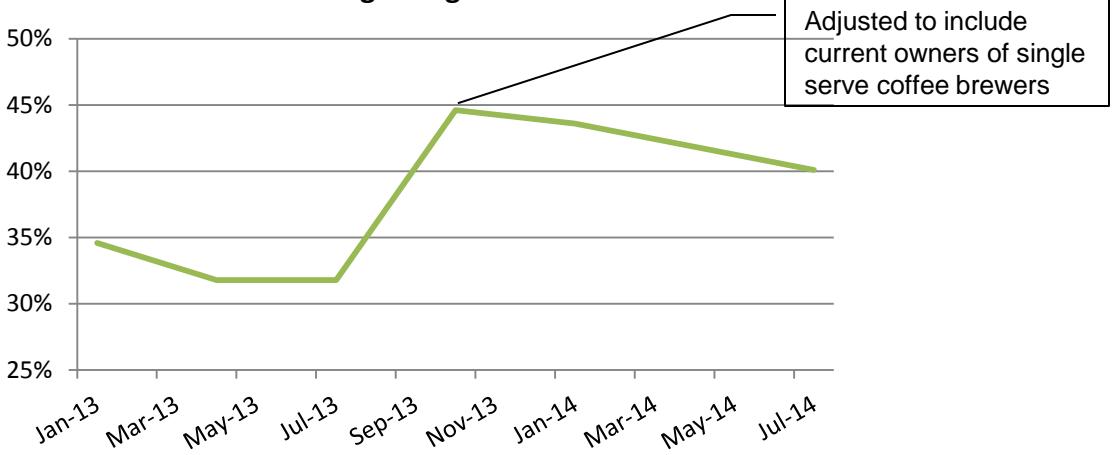


- **Green Mountain remains the top K-cup option**
- **Starbucks and Dunkin Donuts are also top tier**
- **Private label gained some traction (about 5% share in last volume) but consumers are loyal to above favorites**



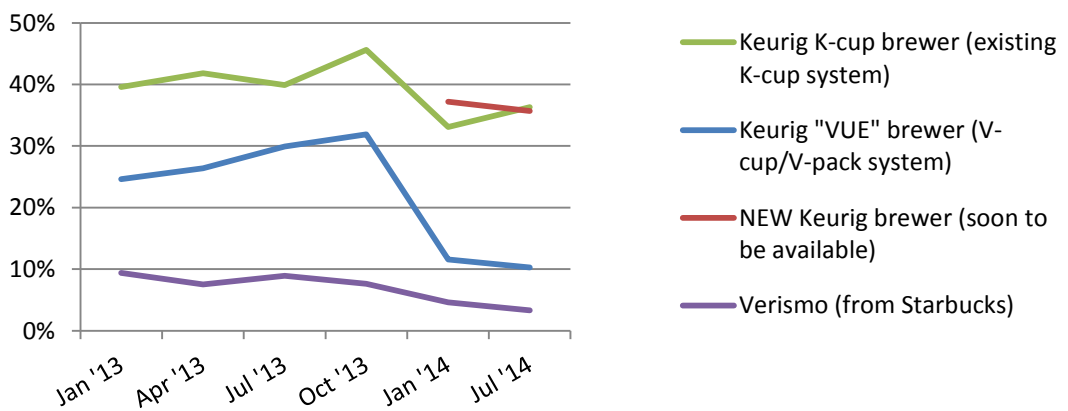
# Survey Results (cont'd)

**Intend on Purchasing a Single-serve Coffee Brewer**



- **Impressive purchase intentions**
- **Slight decline more recently**

**Single-serve Coffee Brewer Brand Purchase Intentions**



- **High level of Keurig K-cup brewer purchase intentions confirmed by growing sales**
- **New Keurig brewer much more relevant than VUE**
- **Verismo never caught on**



## Main GMCR Conclusions

- Study predicted growth in penetration (sales) of K-cup brewers and weakness in Verismo (Starbucks) brewer sales.
- Study indicated that replacement K-cups (Green Mountain brand) did not lose significant market share to private label options and in fact kept hold on market leadership.
- Study quantified importance of Starbucks and Dunkin partnerships with Keurig (Volume 1 conducted in Feb 2011).



## About Wendy D. Farina

Ms. Wendy D. Farina joined MKM Partners in April 2008. Prior to MKM, she spent over 20 years as a business strategist in the management consulting industry focused exclusively on consumer businesses, including food and beverage, retail, apparel and accessories, luxury, consumer technology, electronics, airline, hotel, media, telecommunications, home and transportation companies. Wendy made the shift to Wall Street in 2006 when she joined Vardon Capital Management, LLC, a NYC based investment management firm focused on consumer equities. While at Vardon, Wendy built a primary research platform that she continues to leverage at MKM which facilitates high quality actionable research at significant cost and speed advantage for our clients. Prior to Vardon, Ms. Farina was a Principal with Kurt Salmon Associates, a strategy boutique widely respected by C-level and other senior executives across the entire retail and consumer industry landscape.

Ms. Farina is a graduate of the City University of New York/Baruch College where she earned her Masters of Business Administration, with honors. Wendy also graduated from The University of Arizona where she received her B.S., with concentrations in merchandising and marketing. Additionally, she earned a Post Masters degree in Accounting from The Leonard N. Stern School of Business at New York University.

Wendy is frequently sought out for her insights and opinions on emerging consumer trends and important marketplace developments. She has appeared on CNN's "American Morning", NBC News and Bloomberg Radio. In addition, she is frequently quoted in both general and financial news publications such as *The Wall Street Journal*, *TheStreet.com*, *Business Week*, *Women's Wear Daily*, *Shop Magazine*, *The Washington Post*, *The Washington Times* and many others. She is also regularly invited to speak at important industry and consumer focused conferences around the US.





## About Matthew J. Bielawski

Matt Bielawski joined MKM Partners in June 2011 as a Research Associate covering the Communications Equipment and Mobile Technologies sectors. In the summer of 2013, he transitioned to his current role as an Analyst on the firm's proprietary research team, called MKM Intelligence Community. His professional experience includes product design and process engineering at multiple technology companies. Matt holds an M.B.A., majoring in Finance and Accounting, from Indiana University's Kelley School of Business and a B.S.E. in Chemical Engineering from the University of Iowa. He has passed all three levels of the CFA Program.

## About Jane Friman

Jane joined MKM Partners in April 2014 as a Research Associate in the MKM Intelligence Community. Jane brings 10 years of market research experience to the MKM Intelligence team including project management and development, survey design, programming, field monitoring and data analysis. Prior to joining MKM Partners, Jane was a Project Manager for MarketTools, Inc. where she managed multiple online market research projects simultaneously. Prior to that, Jane served as Project Director for Perception Research Services where she oversaw multiple consumer goods packaging research projects, in both domestic and international markets. Jane received a B.A. in Psychology from Rutgers.



# Disclaimer

The material in this presentation has been prepared by MKM Partners LLC, ("MKM") a U.S.-registered broker-dealer. This material is provided for informational purposes only and is not an offer or solicitation of any investments or investment services. Not all investments or investment services described are available in all US states.

While information contained in Intelligence Community studies is obtained from sources deemed reliable, MKM, the Consumer Advisory Group, nor any other party makes any guarantees that the information is accurate, complete, and timely or contains correct sequencing of information. This information is not generally circulated to the public but is prepared solely for the needs of a particular client and does not take into account the financial position or particular needs or investment objectives of any customer. The MKM Intelligence Community enhances all of MKM's other economic, technical, fundamental and channel check research and analysis. Any discussion of past performance should not be indicative of future performance.

[WWW.MKMPARTNERS.COM](http://WWW.MKMPARTNERS.COM)