

## **Introduction:**

Mt. Meru Coffee wants to expand their distribution onto the University of Wisconsin-Madison campus area. The initial goal of our effort was to determine who makes purchasing decisions on campus and develop a strategy to convince these purchasers to try Mt. Meru. However, after research into on-campus purchasing, a number of barriers to entry were discovered and entering the campus area through these traditional channels proved to be impractical at this time. As a result of these findings we developed alternate strategies for accessing the campus-area market. Through analysis of the characteristics of Mt. Meru and campus buying practices we determined appropriate recommendations by which Mt. Meru can expand distribution. The tools used in this analysis were traditional marketing techniques, secondary research, and inquiries to UW-Madison Food Service, student organizations, departments, as well as local retailers.

## **Recommendations:**

1. Mt. Meru should avoid traditional buying channels at the University of Wisconsin-Madison because of a variety of barriers to entry.
2. Mt. Meru should pursue a strategy of “people vs. profits” when targeting potential outlets for its coffee. This means that Mt. Meru should reach out to potential buyers who are more likely to value doing good and helping the farmers in Tanzania rather than those who are concerned with margins and maintaining a profit on coffee sales.
3. As a result of the “people vs. profits” strategy, Mt. Meru should make efforts to sell to student organizations, University of Wisconsin-Madison departments, and select retailers.
4. In order to best target these segments, Mt. Meru should redesign marketing materials.
5. Mt. Meru should also use the experience and revenues gained through this new selling effort to develop their business further. This includes possibilities of continued increases in distribution, lowering of prices, and introduction of new varieties in flavor and size.

## **Analysis:**

### **1. Avoid Traditional Channels**

The first step in determining the appropriateness of Mt. Meru Coffee for sale on the UW campus was to conduct a traditional SWOT analysis. SWOT is a marketing tool used to analyze the Strengths, Weaknesses, Opportunities, and Threats to a company. Strengths are internal assets of the company, weaknesses are internal problems the company faces, opportunities are potential external outlets, and threats are external dangers to the company. Specifically, this SWOT grid was developed with entrance onto campus through traditional channels in mind (**Appendix A.1**). Traditional channels would be those that conduct coffee purchasing as a part of their normal business. At UW-Madison this includes restaurants, cafes and Food Service. Some examples are The Rathskeller at the Union and The Blue Chip Deli in The School of Business.

SWOT analysis revealed that the biggest challenges facing Mt. Meru for entrance into these markets were a lack of a formal distribution system, low business expertise regarding professional selling and buying of coffee, significant religious ties to the product, and lack of certification for Fair-Trade and Organic coffee. The lack of a formal distribution system and low business expertise make it difficult for Mt. Meru to adequately serve a buyer as large as the University of Wisconsin-Madison. Mt. Meru might also have a hard time meeting University demand on such a large scale without having time to gradually increase capacity. University officials might also be hesitant to enter into contract or do business regarding a product where a

considerable amount of money goes directly to supporting religious causes. These issues would present problems when dealing with a formalized, state-run business process for purchasing. These problems were compounded by the contracts the University is already in regarding purchase of coffee in all for-profit points of sale. For-profit points of sale are all those locations on campus that sell coffee as part of their business (**Appendix B.3**).

After researching coffee purchasing at UW-Madison we found that the University is currently in contracts with two coffee suppliers: Alterra Coffee and Johnson Brothers Coffee. As mentioned before these contracts encompass all business points of sale of coffee on campus. It was also discovered that, starting next year, the University will be moving to an exclusive contract with Johnson Brothers Coffee. This creates barriers to entry because all on-campus food service vendors are required to comply with specific contract terms. Even if the University didn't have an exclusive contract, other requirements would prevent Mt. Meru from using this channel at this point in time. These include contract terms that require the contractor to provide equipment, maintenance, and repair, as well as certify any fair-trade blends (**Appendix B.3**). To verify this contractual information we contacted Rhonda Loger at UW-Madison Purchasing Services and Carl Korz, the Wisconsin Union Catering Services Director (**Appendix B.1, Appendix B.2**). These representatives expressed disinterest in selling Mt. Meru, citing contractual obligations and price issues.

Pricing issues pose a threat to Mt. Meru because their coffee is significantly more expensive than most coffees. On a pound-for-pound basis Mt. Meru is over 200% more expensive than the fair-trade, certified organic blend currently being purchased by the University (**Appendix B.3**). It is already difficult for Mt. Meru to compete in the area of formal coffee purchasing on campus because of the fact that they have so little experience in this arena and their product is closely tied with a religious association, also contract terms that are beyond the current scope of Mt. Meru's business practices. The additional component of a dramatically higher price means that going directly through formal channels at the University in order to distribute Mt. Meru is an inappropriate strategy. A more appropriate strategy is to target those customers who do not engage in coffee buying as part of a professional practice, but who are coffee users and value helping the farmers in Tanzania over managing margins and profits.

## 2. Pursue "People vs. Profits" Customers

Mt. Meru's best target market is people who care about human welfare over real costs. This means that Mt. Meru's strengths as a company, especially their willingness to use all efforts to improve the lives of farmers in Tanzania, are more appealing to these potential customers. These customers would probably not conduct coffee purchasing as part of their traditional business practices. This isn't to say that retailers or coffee shops would not buy Mt. Meru, but it does mean that their motivation to buy Mt. Meru would be to participate in the humanitarian component of the coffee rather than merely providing a coffee product for customers and making profits.

Selling to "People vs. Profits" customers enables Mt. Meru to overcome many of the difficulties initially presented when examining traditional channels. These customers should not be as concerned with high price because they are not trying to make money on reselling Mt. Meru. In fact, Mt. Meru's higher price may provide value to these customers because the final result of this high price is social and economic justice, which is believed to be relevant to these consumers. These consumers, because of the relevance of economic and social justice, should be more involved in the purchasing of Mt. Meru than normal day-to-day coffee.

Coffee is generally thought of as a low-involvement product. This means that consumers are not putting much effort or thought into coffee purchasing. It would be difficult for Mt. Meru to communicate their salient point of difference, which is being better than fair-trade and everything that comes with this, in a normal coffee buying environment. The purchase of coffee is usually a quick, automatic thought process for the buyer. In order for Mt. Meru to successfully overcome their higher price they must have the ability to educate consumers about why paying a higher price is beneficial, especially because Mt. Meru is not certified organic or fair-trade. Even though the coffee is better than fair trade it is difficult for Mt. Meru to communicate this benefit because of the low-involvement related to coffee. Certifications create a heuristic that makes decision making easy for consumers.

In order to relay the information about Mt. Meru adequately the purchasing transaction requires more education for and attention by customers and overall increased communication during the process. This relationship is usually not provided in the day-to-day coffee buying activities. A more involved relationship is necessary for several reasons. First of all, as mentioned before, Mt. Meru is considerably more expensive than other coffees and education is necessary to communicate the reasons behind this. Also, because Mt. Meru is not certified fair trade additional education is required to allow consumers to understand why Mt. Meru is better than fair trade and why they can trust this claim. Usually customers will view the certification label as a simple, consistent symbol that the coffee was traded fairly. Mt. Meru does not have this symbol and needs more time in order to allow the consumer to understand what the coffee stands for. Finally, Mt. Meru is not competing in the category of coffee in a traditional sense.

The coffee market is extremely mature, meaning that products are highly differentiated and almost any combination of benefits sought by a consumer can be found. Although Mt. Meru is high quality, this is not the most salient attribute of the coffee as there are many high-quality coffee offerings in the market for much less. The most important attribute of Mt. Meru is the economic and social justice accomplished through selling coffee. Having coffee to drink would be a secondary benefit to “People vs. Profits” customers because their main concern is the people rather than the cost. Another way to say this is that the psychological benefits of buying Mt. Meru are much more important than any tangible benefits such as having a hot cup of coffee. This isn’t to say that Mt. Meru’s taste and quality aren’t important, this is simply emphasizing that Mt. Meru is not a traditional coffee and must appropriately capitalize on its strengths.

Psychological benefits are inherently harder to communicate with a new product that has not yet gained secondary meaning. Secondary meaning is when a product name or logo comes to symbolize something more than just the product itself. One example of this is Coca-Cola, this product has come to symbolize much more than just soda and is now tied to a sense of American history, Christmas-time, and more. Mt. Meru does not have secondary meaning because it isn’t well known. Consumers will not be able to see the Mt. Meru name or logo and immediately associate it with social and economic justice for farmers in Tanzania because it is not a familiar offering in the marketplace. In order to overcome all the difficulties with educating consumers about what Mt. Meru means and stands for it is essential that Mt. Meru target consumers that have the willingness to invest time and interest in learning about Mt. Meru and then, in turn, value what Mt. Meru has to offer.

Consumers who fit this mold can definitely be found in the University of Wisconsin-Madison campus area outside of the traditional channels, as discussed earlier. We believe that “People vs. Profits” consumers can initially be found in student organizations, educational departments, co-ops, and select retailers.

### 3. Target Student Organizations, Departments, Co-ops, and Select Retailers

After researching the traditional buying channels on campus and finding that there were numerous barriers to entry in this particular arena we analyzed other ways to bring Mt. Meru to UW-Madison campus areas and the surrounding State Street area. In doing this we found different areas of the market which have characteristics of buying Mt. Meru as part of a “People vs. Profits” strategy. These groups were student organizations, educational departments, co-ops and select retailers.

We believe that there are numerous student organizations on campus that might be interested in buying Mt. Meru. Mt. Meru could be used as part of the fundraising or community service requirements that many student organizations have for their members. Student organizations might also be a market for individuals who would be interested in buying Mt. Meru for their own personal use. The Student Organization Office (SOO) was contacted in search of more information and contact lists for student organizations. The SOO provided us with information for all organizations on campus and also informed us that information about Mt. Meru could be included in a future newsletter (**Appendix E.1**). In order to determine the attitudes of specific student organizations an email was sent with an attached informational packet tailored especially to the interests of student organizations, the findings from this effort are highlighted in Appendix E.3 (**Appendix E.2, Appendix E.3, Appendix F.2.1**). There was a mix of feedback from organizations and many did not see Mt. Meru as an appropriate fit for their goals. However, there were a number of positive responses from organizations interested in becoming involved.

We also believe that educational departments are potential outlets for Mt. Meru coffee sales. The coffee could be used by department employees for brewing coffee in work offices and lounges or purchased for use at home. Similar to the research done into student organization’s interest, departments were contacted in order to gauge receptiveness to Mt. Meru coffee (**Appendix D.1, D.2**).

During our research into student organizations and educational departments we came to believe that co-ops on campus would also be an appropriate “People vs. Profits” target segment. Many co-op members are socially conscious and are looking for more socially and environmentally responsible products. These values and concerns would make co-ops an attractive potential market for Mt. Meru because these consumers would be less likely to be price-conscious and more likely to pay a price premium on a product that has a measurable positive impact for farmers. An appropriate way to reach co-ops would be to use the same materials created for educational departments in order to appeal to a psychological benefit of “doing good.”

Our final area of research was retailers and coffee shops on State Street. Our findings revealed that most coffee shops were loyal to current contracts and thought that Mt. Meru was excessively expensive (**Appendix B.5**). Most coffee shops already provided at least one fair trade blend and were hesitant to trust an uncertified “better than fair trade” claim. Retailers were also discouraged by the price of Mt. Meru. Some, including the University Book Store, expressed an interest in having a private label coffee but believed that pricing would be a significant issue (**Appendix B.4**). However, research revealed that there were some retailers interested in providing Mt. Meru to their customers. These retailers were not interested in being able to make significant profit on the sale of Mt. Meru but were interested in the humanitarian component of the coffee that was dedicated to environmental and social justice. They might be

willing to sell Mt. Meru with little to no mark-up in order to help in the humanitarian effort rather than contribute to profits for their business. If the goals of the business are appropriate, Mt. Meru could be able to sell through select retail outlets.

An important component of selling to student organizations, educational departments, co-ops, and select retailers are the efficiencies provided by going through intermediaries. Direct selling to end-customers would be time consuming and inefficient for Mt. Meru. Intermediaries allow more end-users to be reached with fewer transactions required by Mt. Meru (**Appendix C.1**). For example, if Mt. Meru was to try to sell directly specifically to end-users on campus then it would take five transactions to reach five consumers. However, there are some consumers that could never be reached through this strategy. Selling through intermediaries requires fewer transactions because the intermediaries take on the responsibility of selling and distributing to end-customers. If Mt. Meru sells through student organizations, educational departments, co-ops, and select retailers then these people have the ability to reach more members, co-workers, friends, family, customers, students, etc. than people at Mt. Meru could do on their own.

Going through these intermediaries also allows Mt. Meru to take advantage of the expertise of people within each organization. This expertise could include finding potential new customers, having reputation in the community, and appropriate ways to reach and persuade consumers. Receiving feedback from these groups also allows Mt. Meru to gain valuable knowledge about the appropriate ways and places to sell Mt. Meru in the Madison community. In order to begin this effort of selling to these groups, however, we felt it was necessary to redesign Mt. Meru's marketing materials.

#### 4. Redesign Marketing Materials

Mt. Meru's current selling materials were created from the idea of selling through church outlets and ambassadors. However, in order to appropriately reach new target segments a redesign of marketing materials was required. A major component of this was to tone down the level of religious references in the handouts in order to avoid alienating any potential consumers not associated with the Evangelical Lutheran Church. In addition, different pamphlets were created in order to target different groups by appealing to their ultimate goals when considering purchase of Mt. Meru coffee.

Each pamphlet was created using the AIDA marketing strategy (**Appendix F.2**). This stands for Attention, Interest, Desire, and Action. In each pamphlet the initial page is intended to gain attention by informing the target what the information is and having a picture of Africa, coffee beans, and coffee cups in order to visually represent Mt. Meru coffee. The pamphlets can be printed in color or in black and white in order to save money. The information on the inside is designed to gain consumers' interest by providing them with information about the organization, coffee, and why the coffee isn't certified fair trade. There is also a paragraph that is specific to each group called "What Can I Do?" This paragraph is intended to create desire in the target segment to buy Mt. Meru by appealing to their needs and interests. The student organization pamphlets talk about fund-raising opportunities and money making a difference. The educational department/co-op pamphlet emphasizes high-quality coffee and making a difference through buying Mt. Meru. The retailer pamphlet focuses on providing benefit for customers and farmers. In order to facilitate action there is a detachable order sheet. This makes it easier for customers to place orders because they can simply fill out the order sheet, detach,

mail to Mt. Meru and receive coffee. There is also contract information for Mt. Meru in case potential customers need more information or have any questions.

In addition to the pamphlets there is also an informational handout for first-time customers (**Appendix F.1**). This handout is intended to inform potential customers about the goals and intentions of Mt. Meru. Another intended benefit of this handout is to gain information from the community about where it is appropriate to sell Mt. Meru and where there is significant potential for growth. The handout is to be used in conjunction with the pamphlets when introducing Mt. Meru to a customer for the first time. Other marketing materials were designed for use after purchase of Mt. Meru. These include a poster for student organizations, a gift tag, and specialized events involving Mt. Meru.

The poster was designed for use by student organizations when selling Mt. Meru coffee as part of a fund-raising activity (**Appendix F.4.1**). The material could be provided to the student organization in order to facilitate their ability to sell Mt. Meru and stimulate interest in the fund-raiser. The poster is visually appealing and gives information about Mt. Meru and the student organization as well as information about where to get Mt. Meru. The purpose of the poster is to provide student organizations with a tool to sell Mt. Meru to more people on campus. This benefits Mt. Meru because; overall, more coffee is being sold.

A second creation is a gift tag to include with bags of coffee (**Appendix F.4.2**). This can be included with any bag of coffee and simply provides the buyer or anyone that receives Mt. Meru as a gift with more information about the product. This is especially valuable for retailers thinking about buying Mt. Meru for sale in their business. It allows them to attach a gift tag on Mt. Meru, which provides information to their customers. This information should motivate the right kind of “People vs. Profits” consumer to buy the coffee from the retailer. Attaching the gift tag can also create more demand by informing and motivating those people that receive Mt. Meru as a gift and may consider future purchase of the coffee for their use or as gifts for others. The gift tag design and text can also be formatted to create a coffee cup cozy. These cozies are used when coffee is sold by the cup in an insulating holder. This way the message of Mt. Meru to spread when the coffee is being used or sold by the cup rather than by the bag.

Another potential way to increase distribution of Mt. Meru is to plan a “Mt. Meru Day” or to sell Mt. Meru as part of cultural celebrations relevant to Tanzania. Certain student organizations, educational departments, or co-ops would be given the ideas and tools about Mt. Meru coffee and the celebration to plan a day where Mt. Meru would be sold (**Appendix F.3**). The purpose of these events would be to increase sales and awareness of Mt. Meru and Tanzanian culture. Increasing exposure of Mt. Meru would allow the coffee to become more recognized and could potentially increase the customer base by reaching new customers in a new way. This would also appeal to the customers being targeted because of the “People vs. Profits” mindset. Combining Mt. Meru coffee with a celebration of Tanzania is a logical fit and is something to be explored further. This is only one example of efforts Mt. Meru can take in the long-term as they develop their business.

## 5. Use Revenues and Experience from this Effort to Further Develop Business

It is essential that Mt. Meru use the experience from this effort to further develop their business. Mt. Meru should explore where there is success and where there is not in order to determine the appropriate direction for future development. This combination of tactics should be evaluated in order to gauge where there is solid potential for building relationships. Mt. Meru should evaluate any response from student organizations, educational departments, co-ops, or

retailers whether it is positive or negative. This will allow Mt. Meru to see where their business plan is appropriate and where it is unrealistic to expect success. The experience of moving forward into new markets will provide valuable information for Mt. Meru and important knowledge about the process of selling outside of a church environment. This information and knowledge can be used by Mt. Meru in the future if they decide to expand into more markets.

The relatively limited scope of this effort will also allow Mt. Meru to prepare to handle increased ordering and capacity. If there is too dramatic a jump in ordering, such as immediately trying to enter into a professional contract, it may be difficult for Mt. Meru to effectively meet demand while a gradual increase would allow Mt. Meru to grow successfully. In addition, Mt. Meru can use information gained from this effort, as well as any potential revenues from increased sales, to pursue future market opportunities. Some examples of potential future ventures are providing more sizes and blends or possibly lowering prices to be more competitive with other coffees in the market.

### Conclusion

After extensive research into Mt. Meru coffee and the campus purchasing environment we determined that, although entering onto campus through traditional channels isn't feasible at this point in time, there are definitely opportunities for Mt. Meru in and around UW-Madison. In order for Mt. Meru to be successful in their distribution expansion they must avoid the traditional channels on campus, focus on customers who value doing good more than making or saving money, initially target select customers, redesign marketing materials to target these groups, and use the experience and knowledge gained to make decisions in the future. Through these efforts Mt. Meru should be able to reach a new customer base and grow sales.

Finally, despite our research into these areas many people may not be receptive to purchasing Mt. Meru coffee. It is essential that Mt. Meru use any feedback provided in the market in order to adapt and adjust the proper mix of distribution strategies both within and outside of church activities. We believe that there is definitely room for expansion of Mt. Meru coffee distribution in the Madison area because of a strong community presence of caring, socially-conscious citizens. We also believe that our recommendations are a good framework for an initial endeavor into selling on and around UW-Madison. The knowledge gained from these recommendations can be used in whole or in part depending on the resources available to Mt. Meru in order to shape the best, most efficient strategy for expansion.