



**KEURIG®**

**Michelle V. Stacy, President  
Keurig, Incorporated**

**CHOOSE. BREW. ENJOY.® THE SINGLE SERVE  
REVOLUTION**

**SINTERCAFE - NOVEMBER 12, 2010**

# GMCR OVERVIEW



# Green Mountain at a Glance

- ◆ A leader in the specialty coffee and coffee maker business with \$1.2B\* in revenue.
- ◆ Two operating segments: Specialty Coffee business unit (“SCBU”) and Keurig (“Keurig”)
  - ◆ SCBU sells coffee as well as K-Cup portion packs® primarily through grocery channel
  - ◆ Keurig manufactures gourmet single-cup brewing systems
    - ◆ Brewers made for consumers at-home and away-from-home settings
- ◆ Pursues a “razor / razor blade” strategy by driving awareness of single-cup brewing and increasing the brewer (“razor”) installed base which drives K-Cup (“razor blade”) usage

## Leadership Position

- ◆ Ranked #2 on *Fortune*’s List of Global 100 Fastest-Growing Companies
- ◆ #1 brand in total coffee maker dollar sales and #2 in total coffee maker unit sales <sup>(1)</sup>
- ◆ Owned portfolio of leading specialty regional coffee brands supplemented by a strong portfolio of licensed brands
- ◆ #1 in single-cup office and hotel coffee brewer placements <sup>(2)</sup>

1) Source: NPD Data

2) Source: Automatic Merchandiser Magazine

## Owned Brands





# Who is Keurig

- Founded in the mid-90's by coffee lovers who believed coffee should always be served fresh – whether at home or at the office.
  - Developed a patented single-cup brewing system and K-Cup® portion pack that work together to deliver fresh, gourmet coffee in under a minute
- Launched first commercial single-cup brewer in 1998
  - Today over 3.5 million K-Cups are brewed every day in Keurig brewers
- Keurig was acquired in 2006 by Green Mountain Coffee Roasters and is a wholly-owned subsidiary of GMCR
  - Keurig remains committed to the multi-roaster strategy that is our primary point of difference vs. other single-cup systems



# Keurig Business Unit

- ◆ Keurig engineers, develops and sells proprietary brewing systems through the following channels:
  - ◆ At-home (“AH”):
    - ◆ Targets coffee drinkers through upscale specialty and department store retailers, select wholesale clubs and mass merchants, select supermarkets, and GMCR website
  - ◆ Away-from-home (“AFH”):
    - ◆ Targets office coffee channel with broad offering of single-cup brewing via a network of distributors in the U.S. and Canada
- ◆ Keurig also sells coffee, tea and cocoa in K-Cups produced by a variety of roasters to retailers and on [www.keurig.com](http://www.keurig.com)

## Selected Brewers



**B60 Special**



**B30 Mini**



**B40 Elite**



**B70 Platinum**

# Specialty Coffee Business Unit

- ◆ SCBU sells the following products:
  - ◆ Whole bean and ground coffee
  - ◆ Proprietary K-Cup portion packs containing coffee, tea and cocoa in grocery channel
  - ◆ Channels include grocery, foodservice, away-from-home (“AFH”), clubs and consumer-direct ([www.gmcr.com](http://www.gmcr.com))
- ◆ Over a dozen gourmet brands and more than 200 varieties of coffees and teas

## SCBU Brands

### Coffee



### Tea



### Dairy-Based Beverages



### New Beverages

Perfect Iced Tea



Iced Coffee





# Attractive “Razor / Razor Blade” Business Model

## Objective

**Drive Awareness of Single-Cup Brewing**



**Increase Brewer (“Razor”) Installed Base**



**Drive K-Cup (“Razor Blade”) Usage**



**Innovation / Replacement Cycle**

Next Generation



## Tactics

- ◆ Away-from-home venues (e.g. Boston Market)
- ◆ Advertising / PR / Demonstrations

- ◆ Priced at or close to cost
- ◆ Drive availability and distribution
- ◆ “Keurig Brewed” partnerships

- ◆ Broad availability
- ◆ New usage occasions (e.g. Perfect Iced Tea)
- ◆ More proprietary brands

- ◆ Quiet brew technology
- ◆ Enhanced brew strength
- ◆ Increased cup sizes

**We believe in using the power of business to make the world a better place. Each step on the long road from **tree to cup** gives us an opportunity to create better coffee, and a better world.**





# Pillars of Partnership



**Partnering with  
Supply-Chain  
Communities**



**Supporting Local  
Communities**



**Protecting the  
Environment**



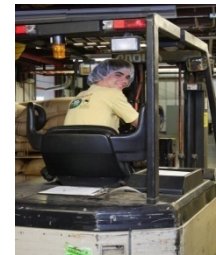
**Building Demand for  
Sustainable Products**



**Working Together  
for Change**



**Creating a Great  
Place to Work**



# The Keurig Opportunity



# A Leading “Single Cup” System

## Substantial Opportunity to Increase Installed Base

- ◆ Today’s limited marketplace penetration leaves substantial room for growth
- ◆ Of the total 114 million U.S. households, approximately 79%, or 90 million, own a coffee maker
- ◆ Based on Green Mountain’s Segmentation Study, the single-serve brewer opportunity, defined as households which drink at least 2 cups of coffee per day, is as large as 64 million households, or 56% of all households



Source: Company Segmentation Study



# The Keurig K-Cup

- The patented Keurig K-Cup portion pack is the key to the perfect cup of gourmet coffee.



Airtight (unlike pods) to lock in freshness and flavor.

Pressurized brewing takes place inside K-Cup mini-brewer.

The perfect measure of coffee, tea or hot cocoa in over 200 varieties.

A sophisticated filter for best flavor extraction.

A great tasting cup of gourmet coffee every time.



# The Keurig Brewer

- Keurig's patented brewing technology delivers the perfect cup every time!

## Microprocessor controlled technology

- Constantly maintains water at the perfect brewing temperature
- Consistently delivers the exact volume of water and precisely times the brewing process for optimal flavor extraction
- Constantly monitors water levels to ensure a full cup every time



# The consumer is demanding...

## Personalization



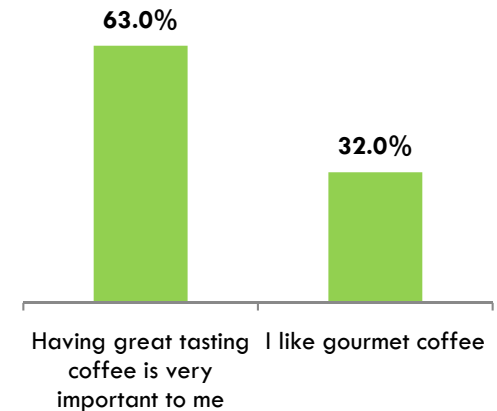
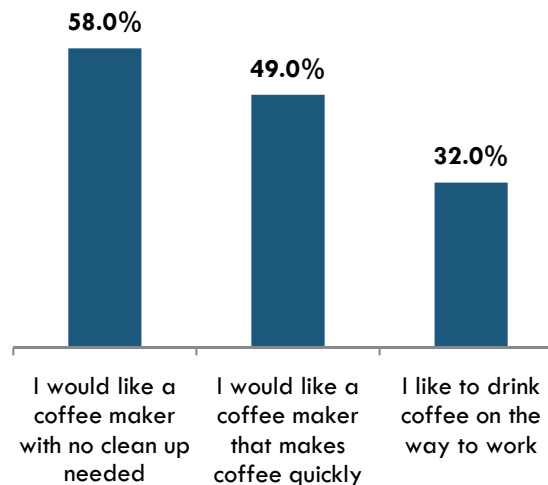
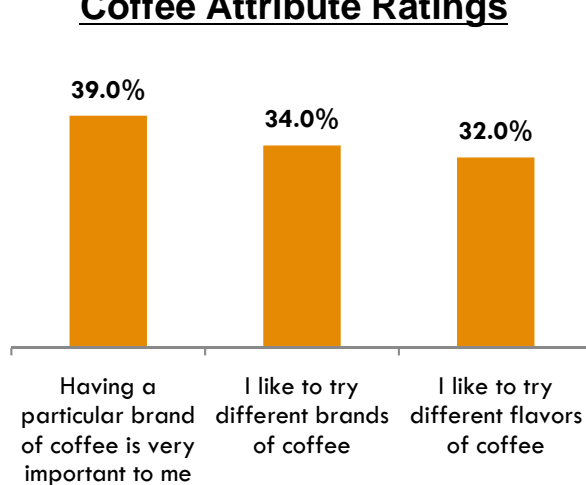
## Convenience



## Quality



### Coffee Attribute Ratings





# ...and Keurig is delivering against these needs

## Personalization



## CHOOSE...

Keurig is the **ONLY** single-cup system that offers over **200 varieties** of premium coffees, teas and hot cocoa from 15 leading brands

## Convenience



## BREW...

By far the most consumer friendly single serve system on the market, offering a fast, hot cup of coffee with little clean-up required

## Quality



## ENJOY...

Patented Keurig K-Cups combined with superior brewing technology provides a consistent cup of coffee every time



# Premium Branded Partners

K-Cups are available in over **250 varieties** from 15 premium brands!







# The Keurig Consumer

- 90% of Keurig consumers love their brewer!
- Over 95% of Keurig consumers would recommend their brewer to a friend! **Great loyalty among Keurig owners who feel Keurig has positively changed their coffee routine.**
- Freshness and taste drive satisfaction.
- Keurig is changing consumer behavior. **No more grinding beans, measuring water and cleaning up soggy filters.**
- Keurig consumers recognize the value of owning a Keurig. **In these tough economic times it's much less expensive to brew gourmet coffee at home than hit the coffee house**





# Keurig Brand Positioning

## OUR POSITION:

### THE KEURIG WAY = THE KEURIG SYSTEM

- RAZOR AND RAZOR BLADE
- COOKIES AND MILK

Keurig® is the way to brew the coffee I love.

### FUNCTIONAL BENEFITS:

- Simple and convenient
- Choice and variety
- Gourmet coffee
- Fresh, under a minute
- Perfect, consistently

### EMOTIONAL BENEFITS:

Keurig® brews coffee just the way I like it, to fit my every taste and mood.

# Keurig's Distribution

# Marketing & Distribution

- ◆ Retail & supermarket locations selling Keurig Single-Cup Brewers and / or K-Cups

## 19,000 Retail Stores

BED BATH & BEYOND



the magic of  
★ macy's

KOHL'S

bloomingdale's



Walmart  
Save money. Live better.

COSTCO  
.COM

LOWE'S



JCPenney  
Every Day Matters

Sears

BJ's  
WHOLESALE CLUB

## 13,450 Grocery Locations



meijer

STOP & SHOP

shaw's  
*Good things are just around the corner.*

Publix

Loblaws

GIANT  
Quality. Selection. Savings. Every Day.

Wegmans

ACME

H-E-B  
Here Everything's Better.™

Price  
Chopper  
SUPERMARKETS



Note: Location totals current as of June 2010



# Coffee - The Category

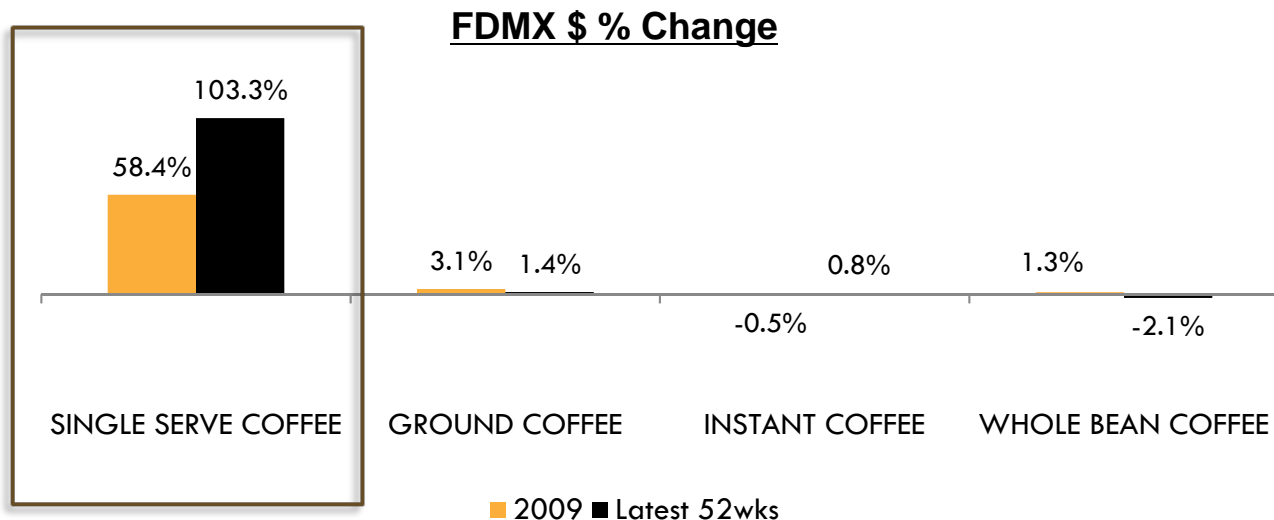
*Fundamentals of the category have shifted over the last 24 months...*

**Single Serve - New, innovative segment driving growth**

**Premium pricing - driving greater revenue for retailers**

**Basket and annual spend larger for single-serve vs. whole bean, ground, or instant coffee**

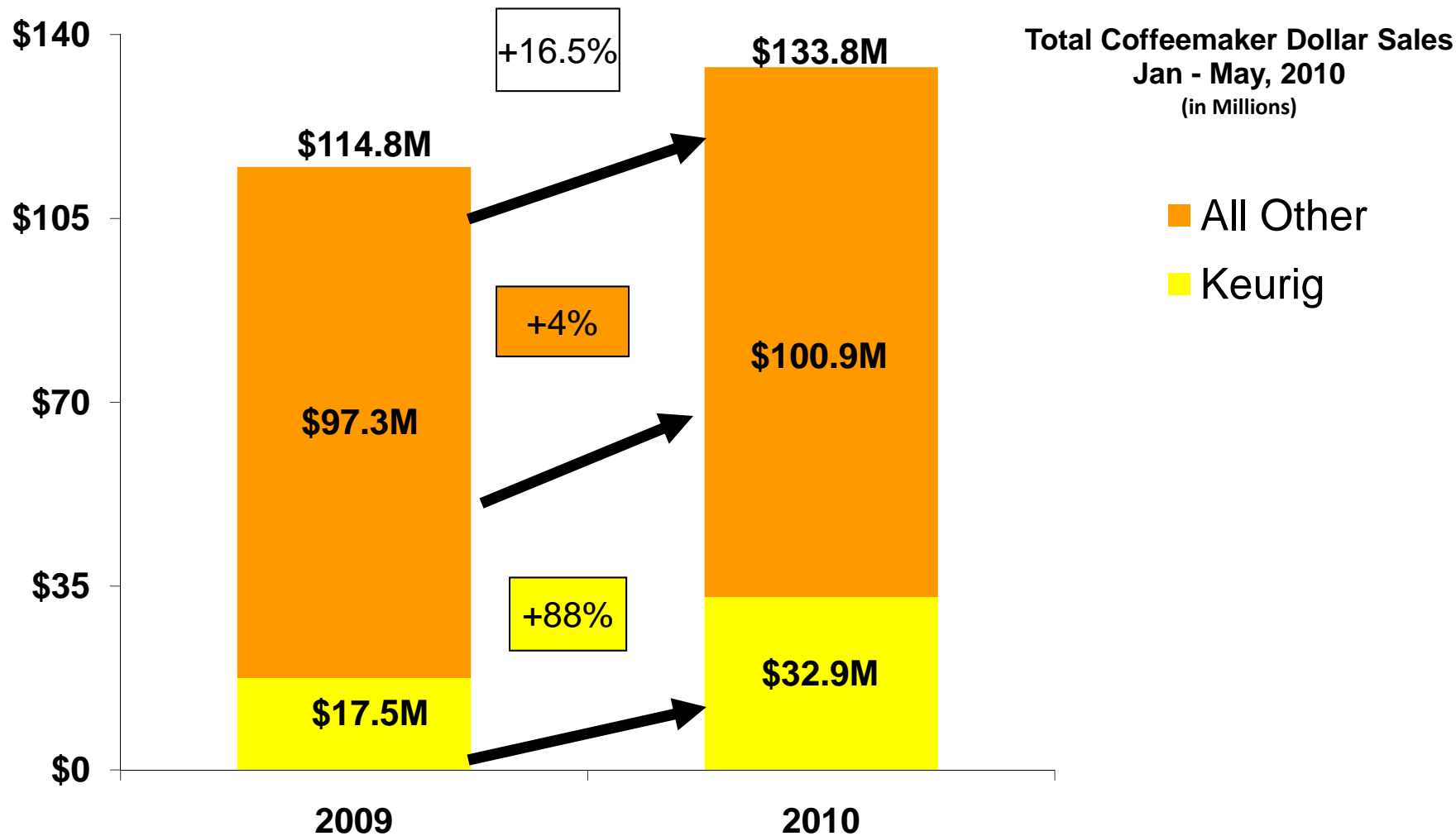
**Keurig K-Cups drove 76% of FDMX category growth last year, despite Keurig's brewer penetration being only 5% nationally!**



Source: IRI, 52wk ending Sept 5, 2010



# Keurig Has Fueled The Growth Season To Date



Source: NPD All Channels

Note: Total Coffeemaker category includes all coffeemakers and espresso makers

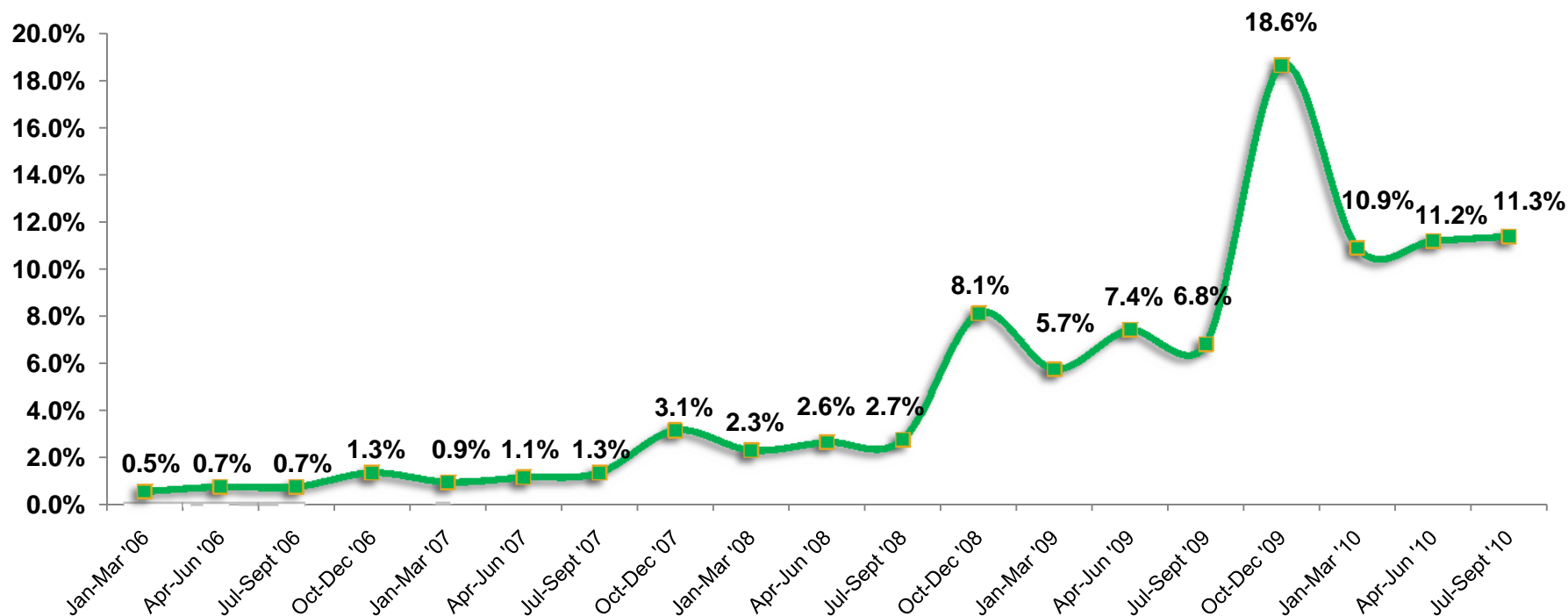
NPD data does not include all retailers, and is estimated to represent 35-40% of the total market



# Keurig Unit Sales Trends

## Keurig % of Total Coffeemaker Unit Sales Trend

January 2006 - September 2010



Source: NPD All Channels

Note: Total Coffeemaker category includes all coffeemakers and espresso makers. NPD data does not include all retailers and is estimated to represent 35-40% of the total market

# Keurig's Marketing Support





# Fall 2010 Marketing Program

## Fall 2010 Marketing Campaign

Includes:

- National TV
- Buzz Events
- Mall Demos
- Online Advertising
- In-Store Demos & Merchandising



# Merchandising – Promotional Support

## Four Foot Section in Supermarket





single-serve savings from Keurig® & Cuisinart®

Sale 10.99-199.99, reg. 119.99-239.99



CHOOSE. BREW. ENJOY.™

**24.99**

Keurig® classic  
12-cup thermal hot & cold  
brewer. Reg. 29.99

**169.99**

Keurig® My K-cup  
48-oz. thermal water  
reservoir. 5 serving choices.  
Reg. 209.99

**NEW**

**199.99**

Cuisinart® single-serve  
K-cup brewing system  
48-oz. thermal water  
reservoir. 5 cup settings.  
Includes K-cup & filter.  
Reg. 239.99

**FREE**  
24 COUNT  
PERFECT ICED  
TEA BY MAIL  
with the  
purchase of any  
2 K-cup brewers

**14.99**

Keurig® My K-cup  
filter. Brew your own  
ground coffee. Reg. 19.99

**139.99**

Keurig® Special Edition thermal  
48-oz. thermal water reservoir.  
5 serving choices.  
Reg. 169.99

Iced Teas	Iced Coffees	Hot Coffees	Lattes and Creams
<p><b>9.99</b></p> <p>16-oz. K-cups Choose from most variety of 16-oz. K-cups. Reg. 14.99</p>	<p><b>9.99</b></p> <p>16-oz. K-cups Choose from most variety of 16-oz. K-cups. Reg. 14.99</p>	<p><b>9.99</b></p> <p>16-oz. K-cups Choose from most variety of 16-oz. K-cups. Reg. 14.99</p>	<p><b>10.99</b></p> <p>Cafe lattes 16-oz. K-cups Choose from most variety of 16-oz. K-cups. Reg. 14.99</p>

**TAKE  
AN EXTRA 30%, 20% or 15% off EVERY**

# Merchandising – Non-Grocery Retailers

**BED BATH &  
BEYOND®**



  
macys

