

DUTCH BROS. RESEARCH TEAM CASE ANALYSIS

The Dynamics of the Company

Submitted to

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Part 1: Business in a Changing World

Chapters 1, 2 & 3

–Team Leader

Part 2: Starting and Growing a Business

Chapters 4 & 5

– Team Leader

Part 3: Managing for Quality and Competitiveness

Chapters 6, 7 & 8

– Co Communicator

Part 4: Creating the Human Resource Advantage

Chapters 9 & 10

– Co Communicator

Part 5: Marketing: Developing Relationships

Chapters 11, 12 & 13

– Co Communicator

Part 6: Financing the Enterprise

Chapters 14, 15 & 16

– Co Communicator

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INTRODUCTION

At Dutch Bros it's all about being positive and loving life. That is why when they came across the "Optimist's Creed" they decided to adopt it as their own and call it the Dutch Creed.

To be so strong that nothing can disturb your peace of mind. To talk health, happiness and prosperity to every person you meet. To make all your friends feel there is something in them. Look at the sunny side of everything and make your optimism come true. Think of only the best, to work only for the best and expect only the best. To be just as enthusiastic about the success of others as you are about your own. Forget the mistakes of the past and press on to the greater achievements of the future. To wear a cheerful countenance at all times and give every living creature you meet a smile. To give so much time to the improvement of yourself that you have no time to criticize others. Be too large for worry, too noble for anger, too strong for fear, and too happy to permit the presence of trouble.

MANAGEMENT

The management structure of Dutch Brothers has undergone many changes since the company's inception in 1992. At first the company was owned by two brothers by the names of Dane and Travis Boersma, since then, it has transformed into a successful franchising company with Travis as the CEO. (Dane passed away some years ago.) Today, Dutch Bros allows all of their management to make the final say for their location as long as it falls along with what Dane and Travis called the "Dutch Creed," A short list of principles that help govern the business in its ethics and day-to-day business transactions. (Dutch Bros website)

Becoming a manager for Dutch Bros is not as simple as an interview process. One must first attain employment with the company, and then "excel at our culture and operations." (Dutch Bros Website) An interesting note about this process is that usually people who are looking for a

position with the company are looking for the entry level position, not future franchising. The amount of the start-up costs can be significantly high, pushing those people who want a franchise into an entry level position for some months. So there is a downside to this.

The management culture at Dutch Bros revolves around excellent customer service. “From the beginning our mission has been to serve our customers and community with love and respect—all while keeping it fun,” says Travis Boersma, "This recognition is a demonstration of that philosophy, and shows how much our amazing employees truly care about the people we serve.” Journal of Business (10756124) as you can see, Mr. Boersma believes that the key to building a successful business is not through analysis profit and loss statements or cutting staff members, but through investing in his people and through proper hiring and immersion into the vision that he has for the company.

PRODUCT INFORMATION

The products and beverages that made available at Dutch Bros are like most coffee places with a hip spin for their beverage names. They carry the average café latte, and can make just about anything with their double head espresso machine. They also offer all of the beverages blended or “Skinny,” which substitute’s whole milk with non-fat. This unfortunately does not help a lot when it comes to serving a healthy beverage. However, they do not serve brewed coffee. This is interesting for a coffee chain to not actually brew drip coffee. This allows for less maintenance and less waste. Since Dutch Bros does not deal at all with drip coffee, it frees up expensive experimentation and research when roasting beans and concocting new types of roasts. For these reasons, it can be a downside for those that like to taste different types of coffee. The staff is more than happy to make you an Americano. (Shots of espresso in water)

Dutch Bros has made all the nutrition information about their products available online for consumers to research. After researching the beverages for some time, some startling conclusions were found about sugar content and caffeine content of some of their popular drinks. The average beverage contains 40-60 grams of sugar for a 16-oz cup. The daily limit for the most adult males is 32 grams. (Dutch Bros. Nutrition Information) This calls into question the ethics of the company, selling a product that management knows is potentially unhealthy.

The caffeine content of some of the beverages is scary at best. Their beverage aptly named “911,” contains close to 400 milligrams of caffeine, nearly half of the legal overdose limit for adults. This with the combination of the 56 grams of sugar is a recipe for diabetes. The pricing for their beverages ranges between anywhere from \$1.50 - \$4.00. This pricing range allows catching more of the low income or value consumers. Dutch Bros pricing strategy allows them to attract customer who are not looking to spend a lot of money while still wanting to enjoy the warm, iced, or blended luxury beverage.

SOCIAL RESPONSIBILITY

Keeping the culture from disintegrating into a robotic corporate grind has always been owner Travis Boersma’s top priorities, he wants employees to be a ray of sunshine, spread positivity, and connect with people. Along with that, their mission is to serve customers and their community with love and respect, all while making it fun.

Dutch Bros. help their surrounding areas by donating 1% of all gross sales to their local communities. They also try to buy as much local product as possible, to help local businesses and help customers appreciate the product. They are known for donating to many charities such as the American Cancer Society, The Boys and Girls Club of America, The Muscular Dystrophy Association (in honor of his brother and co-founder Dane), and many others. In 2007 together

Dutch Bros. locations donated \$500,000 in 2007, \$750,000 in 2008, and now over \$1,000,000 annually.

The franchise owners carry the values of the Dutch Creed also. They hold individual fund raisers and can food drives to raise money for different charities of choice. The Grants Pass Oregon locations raise money for youth and forest products at different events by having a cart there and donating the sales from the event to the organization. They have also held benefit concerts and donated all proceeds to local charities. (Oregon Live)

They also have employee contests where the winner is the one with the most points at the end of the shift. Employers have the same respect for their employees as they have for their community, and make sure that they feel appreciated, which helps the employees feel like part of the team and want to do a good job.

Dutch Bros. wants to make sure that they are community involved, not only donating money but their time and efforts as well. They believe that spreading the “Dutch Love” does not just mean having a smile on your face when the customer comes through.

FRANCHISING

In 1999 they decided to start franchising, stressing to their new franchise owners the importance of customer service and community involvement, wanting to continue on their values and expectations. They wanted all the employees to get to know their customers on a personal level, which would (in my opinion) help keep them coming back. They now have around 200 franchises in Oregon, Washington, Idaho, Nevada, and Arizona, with plans to add more.

Currently you have to be either an employee or current franchise owner to open another franchise, that way the owner knows what the expectation is. (Dutch Bros Website 2012) That

does mean that not just anyone can open one, but that is not slowing them down from adding locations all the time.

They also have a “Rock Star” employee program where they watch employees throughout the year and give a franchise to the most deserving employees that could not otherwise afford to open one. (Dutch Bros Website 2012) They opened their first one in Moses Lake in 2011 and plan to open up to five more per year. This also helps support the local community that the location opens in.

Dutch Bros. tends to open more locations nationally and there has been talk of possible international business in the future. However, Dutch Bros. only wants to grow at a pace that is comfortable for them and will still maintain their core values and concepts. As long as they continue keeping their values the same and striving to maintain them, I do not think that Dutch Bros. will have any problem growing at any rate.

PRODUCT SOURCING

Travis and Dane Boersma came to Eugene hoping to jump on the coffee band wagon. They met up with Owner of Horn Coffee’s Ltd., coffee brokerage Paul Leighton. He started them off with 100 pounds of coffee and pointed them in the right direction. Still to this day they get their coffee from him. They took their coffee back to Grants Pass where they roast all of their own beans.

They now have a special combination which is very secret of 3 different blends of beans. They wanted to be unique and have a taste that customers wouldn’t forget. Not only do they get their beans from Horn’s Coffee Ltd, they also get them from El Salvador. In order to serve the best coffee they do not brew their coffee, instead they use the style of Americano, which means

they add hot water to their coffee; by making it this way it gives the coffee the same strength just adds a different flavor depending on how many shots of espresso they use.

After a fire ravished their own supplies destroying a half of a million dollars in supplies and equipment, they scrambled for help. They found it in Boyd's coffee co-president from Portland Oregon. This solidified Boermas belief that fellow specialty coffee roasters were compatriots rather than competition. One quote from him is, "Anyone in the coffee trade, in my mind, is an ally." Dutch Bros. believe that local is the best way to go. If they can get it locally then they will make every effort to do so. They have a strong belief in supporting the community. Some of the suppliers are Oregon Chai, Blue Rebel, Torani Smoothie, Pacific Soy, Guayaki and Yerba Mate'.

The Boersma brothers' were raised on a milk farm so they have their own supply of milk products, Dutch Bros. chocolate milk, and many more ingredients have the trade mark of Dutch Bros. because they believe that you should have choices. They want you to be able to make the best decision possible for your health and wellbeing. They have set the bar high for other baristas in the area. Dutch bros. pride themselves on an inexpensive, easy to prepare and convenient mentality. They have several locations to choose from and easy access helps customers come and go with leisure.

MARKETING

Dutch Bros uses many means to market their products and their company. The way they market and the strategies they use are instrumental to their success.

One way that they advertise is to use word of mouth. The manager will tell all his friends about Dutch Bros. and they will hopefully tell their friends and all of a sudden you have a lot of people coming to Dutch Bros. just because someone told them.

They also use social networking sites such as Facebook, Google +, Foursquare, and Twitter to advertise specials and other promotions. When someone presses the like button on Facebook it shows up on their news feed, letting their friends see that they like it and giving them the option to also.

Dutch Bros. also has good customer service which keeps people coming back and thus telling others about Dutch Bros. When someone goes into Dutch Bros. they ask you how you're doing and they connect with you and treat you like a human being. They are polite and very friendly. They are also fast and efficient and won't keep you waiting long.

Dutch Bros. target audience is people who want a low cost luxury beverage. Dutch Bros. does this by having reasonable prices and promotional deals like a punch card for when you buy enough drinks you get a free one. They once did a food drive where you could bring in 3 cans of food and get a free drink.

By using word of mouth, internet, good customer service, and good prices to get their customers in and they do pretty well for themselves.

SUMMARY

Two brothers saw an opportunity, a trend that was growing across America. They wanted to give the people a place that was easy to get to and easy to get out of quickly. That had great service and drinks that would bring the people back. After Dane past away, his brother decided to carry on their dream. He was able to give back to the community through charity.

The company grew to become the country's largest privately held drive through only coffee company in the United States. Hard work and a love for customer satisfaction had helped a small two manned coffee cart grow into a large franchise that is now available in several western states.

The idea of Dutch Bros. franchise is to have people understand the business. Whoever is interested in owning a franchise must work for 3 months for the company. This helps people understand what Dutch Bros. is trying to portray to the public. They want people to be invested in Dutch Bros. philosophy. Travis said, "my mission is to be a ray of sunshine and spread positivity; connect with people."

The public has a demand for sugar. They want it fast and want it to go. They almost need to have an I.V. hooked up to their arms. We live in a fast pace world, where to go is the only way to squeeze in our daily need for caffeine or the need for some kind of sustenance.

If they could continue to focus on the charitable organizations and cut back on the sugar intake finding a healthy way to serve the caffeine freaks of our generation that might be a good path to start. Other than that they strive to help the community in many ways. Dutch Bros. motto is, "making a difference one cup at a time." They are a company that is worth taking the time to try, and we feel they are doing exactly what every other company should be doing out there.

J.D. Power and Associates ranked them as #1 coffee company in terms of customer satisfaction in 2012. How many companies can say that they did the same?

SWOT ANALYSIS

<p>Potential internal Strengths</p> <p>They have a decent number of products</p> <p>They have good marketing skills</p> <p>They're fast and efficient</p> <p>They're open 24 hours a day</p>	<p>Potential internal Weaknesses</p> <p>They only open franchises to employees</p> <p>Structures limit access to customers</p>
<p>Potential Environmental Opportunities</p> <p>They have room to expand</p> <p>Structures built are much more inexpensive than competitors</p>	<p>Potential Environmental Threats</p> <p>They compete heavily with Starbucks</p> <p>Healthcare costs keep going up</p> <p>Minimum wage keeps going up</p>

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