

Peet's Coffee & Tea: Building a Community

Alfred Peet has grown up working in his family's coffee business in the Netherlands, so after several years of living and working in the U.S., in 1965 he invested in a roaster and decided to open his own shop selling coffee beans and loose tea in Ca. Peet bought premium coffee beans and roasted them the same way they did in the old country, and thus the gourmet coffee movement in the US was quietly born.

When customers came into the Berkeley shop, Peet would offer them a fragrant cup of coffee while they waited for their beans to be freshly roasted. Customers enjoying and talking about the coffee created a related community atmosphere that soon proved contagious. Today Peet's Coffee & Tea has more than 120 neighborhood stores, selling and serving a variety of apparently recession -proof coffee and tea products. It also distributes its products online and through more than ,4000 grocery store partners around the country.

Throughout its history, however, Peet's stores have been the hub of the business, the place where most people sample and discover its unique coffee and tea products for the first time. Peet's employees are enthusiastic about coffee and tea, and they share their passion with store visitors. Educating customers about what makes Peet's different is an important part of their responsibilities.

Peet's also sells coffee and tea through home deliver, which over time has become a significant part of its business. Customers from all over the world can now order Peet's products through the company's call center or website. Because Peet's is able to roast its coffee, pack it, and ship it the same day, it can ensure the freshest possible product reaches customers who don't live near a Peet's store. In 2003 Peet's introduced the highly successfully Peetniks Program, which allows customers to have one or more products shipped to them on a regular basis to ensure a constant supply. Over time Peet's has expanded this replenishment service to a true customer loyalty program. Peetniks can spend as much or little as they want and still retain membership and a sense of community like that developed in the stores. They use a special phone number to call in their orders and a special place not eh website for managing their deliveries, and they enjoy a 15% discount on shipping fees and special merchandise. Exclusive special offers and gifts-such as a free Peetnik baseball cap recently sent to all members- also give them a strong sense of belonging, as does the name Peetnik, which is what Peet's calls its employees.

Peet's informs its customers about new product in a number of ways. In addition to encouraging in-store sampling, it trains its callcenter employees to look at what customers have been ordering, ask them what flavors and qualities they like, and recommend new coffees and teas. Peetniks Program members also receive e-mails announcing new products, describing their flavor and origin, and discussing what makes them special. Peet's discovered that one of the most effective ways to get customers to try new products is through coffee sampler packs. These are promoted through its stores, the call center, the Peetniks Program, and online.

Monopolistic competition

A market situation in which there are many buyers along with a relatively large number of sellers

Oligopoly

A market (or industry) situation in which there are few sellers

Monopoly

A market (or industry) with only one seller, and there are barriers to keep other firms from entering the industry

Natural monopoly: an industry that requires a huge investment in capital and within which any duplication of facilities would be wasteful

Product differentiation

The process of developing and promoting differences between one's products and all competitive products