

MARKETING PLAN:

SIP HERBALS



Prepared For:

Sip Herbals Board of Directors

Prepared By:

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Executive Summary

Overview

Sip Herbals was founded in 2020 by Kelly Raulerson and Orleatha Smith. They wanted a coffee alternative due to health challenges and the negative effects of coffee. This report will explore how we believe Sip Herbals should market its product to increase sales and consumption.

External Environment

The external environment analysis focuses on the coffee and herbal tea industries, which shows that the herbal tea market in the U.S. is increasing due to rising health awareness. A PESTLE analysis reveals political trade dependencies, economic boosts in consumer spending, and social trends favoring healthier choices. Technological advancements and FDA regulations offer opportunities and challenges. Internally, Sip Herbals touts unique products and positive feedback but faces niche market constraints and higher costs. Opportunities include expanding awareness and diversifying products, while threats involve competition and supply chain risks.

Marketing Strategy and Plan

Sip Herbals plans to achieve 34% sales growth through strategic initiatives like leveraging the Ansoff Opportunity Matrix. They aim to boost market penetration by enhancing social media presence, collaborating with health influencers, and offering targeted promotions and subscription discounts to strengthen customer loyalty. They plan to expand into new regions, partner with health retailers, and introduce new flavors and product lines for market development. Addressing consumer price sensitivity with strategic pricing and emphasizing value-driven messaging will be crucial for maintaining competitiveness and driving sustainable

growth. Overall, the proposed strategies, by thorough market research and financial analysis, provide a clear and feasible roadmap for Sip Herbals' sustainable growth and success.

Description of Business

Sip Herbals was founded in 2020 by Kelly Raulerson and Orleatha Smith, who wanted a coffee alternative due to health challenges and the adverse effects of coffee, like anxiety, jitters, and sustainability issues. With a decade of experience in real food research and education, they aimed to create an inclusive and sustainable coffee substitute. Sip Herbal's mission statement is "To create a sustainable coffee alternative both for peoples' bodies and the planet." Sip Herbal's product lines consist of herbal coffee alternatives with different flavors to match a desired morning routine, creamers to add to any herbal substitute, and tools to help brew the loose-leaf herbs. The competitive advantage of this company is that they keep the coffee staple in one's morning routine, but without the numerous negative impacts that come with it. Sip Herbals is also a sustainable company, which sets it apart from many companies in the Herbal Tea Industry. By combining lifestyle, health, and sustainability into one company, they are meeting the needs and wants of many consumers.

External Environment

Industry Overview

When examining a company's external environment, it is essential to consider the industry. We will examine the coffee and herbal tea industries, conduct a competitive analysis for Sip Herbal, and conduct a PESTLE and SWOT analysis for the company.

Looking at the overall industry for herbal tea production in the United States, we know that many people are becoming more health-conscious and supporting sales. According to IBISWorld (2024), the Trade-weighted index has grown over the past decade, harming domestic herbal tea producers. Compared to other beverages, the overall number of tea consumers heavily impacts the demand for herbal tea. This can be influenced by a person's disposable income and health trends. Tea has become more popular in the United States because of its health benefits, reflecting a decline in coffee because of health concerns. Tea consumption greatly increased in 2008 but significantly declined in 2009 (IBISWorld, 2024). According to data from the USDA, per capita consumption declined from 0.99 pounds per person in 2011 to 0.86 pounds per person in 2014. That is due to the world price of tea increasing throughout those years.

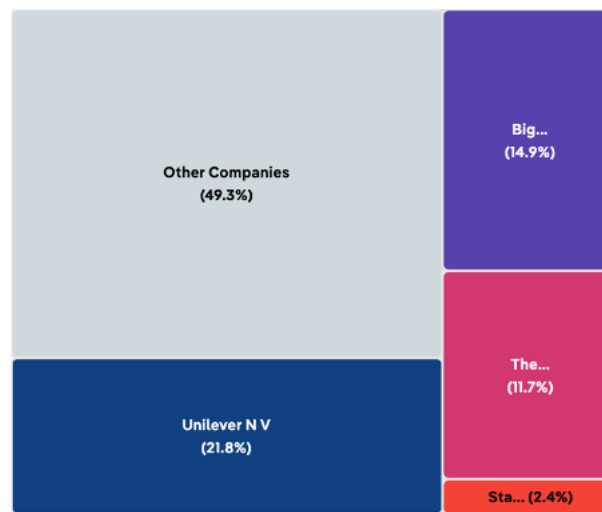


Figure 1: Industry Market Share by Company of Herbal Tea Production

Overall Industry Market Share by Company of herbal tea in 2024 has 14.9% of revenue coming from Bigelow Tea Company, 21.8% from Unilever N V, 11.7% from The Hain Celestial Group, INC, 2.4% from the Starbucks Corporation, and 49.3% from other company (IBISWorld, 2024).

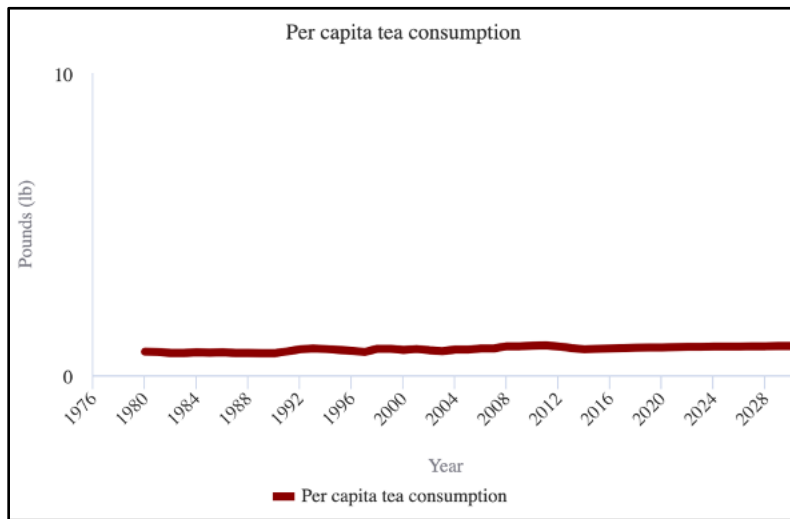


Figure 2: Per Capita Tea Consumption

Tea consumption is expected to increase by 0.4% in the next five years. Still, growth will be uneasy because of the expansion of other caffeinated substitutes, such as coffee and energy drinks (IBISWorld, 2024).

Moving on to explain the industry overview of coffee production in the United States. The world price of coffee beans is high, increasing revenue for US coffee manufacturers (IBISWorld, 2024). Coffee manufacturers must closely follow the FDA guidelines for food and beverage product safety. According to the National Coffee Association, 42% of homes own their brewery in 2019 (IBISWorld, 2024). With the increase in people brewing at home, there has

been increased competition among suppliers of coffee beans and machines. By the end of 2029, coffee consumption per capita is expected to rise.

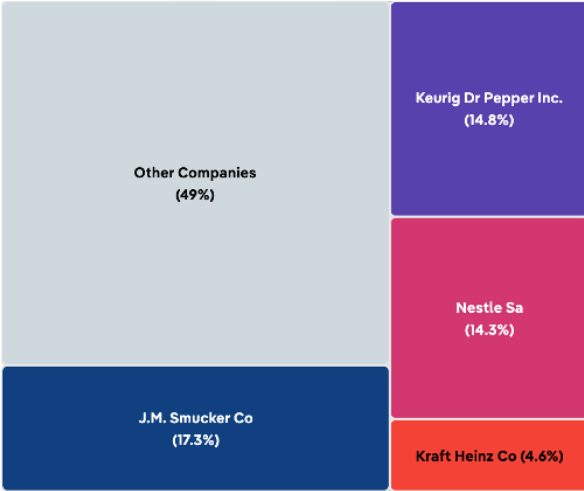


Figure 3: Industry Market Share by Company of Coffee Production

Four prominent companies lead the Industry Market Share by Company in the coffee industry. 14.8% of revenue comes from Keurig Dr Pepper Inc, 14.3% from Nestle Sa, 17.3% from J.M Smucker Co, 4.6% from Kraft Heinz Co, and the remaining 49% is from other companies (IBISWorld, 2023).

Competitive Analysis

When looking at competition in the herbal coffee industry, many companies have ideas similar to those of Sip Herbal. According to IBISWorld (2024), 1,052 businesses are offering herbal tea.

One direct competitor is Teccino. They are a medium-sized company founded in the mid-1990s and based in California. They hold a significant market share in the herbal coffee alternative market because they offer things such as herbal coffee alternatives and organic and caffeine-free products with various flavors. Teccino has had steady growth due to the rise in health-conscious trends and is known for its quality and health benefits. They direct their

marketing and products towards consumers who are health conscious and focus on health benefits and sustainability, along with people with dietary restrictions (Teccino, n.d.).

Another direct competitor of Sip Herbals is Dandy Blend. They are a small to medium-sized company in the market for over 20 years. They are outside of Ohio. They are well-known within this niche market of herbal coffee alternatives and have a standard market share because they offer instant herbal beverages made from dandelion root. This company has also had moderate growth because of increased health awareness. Dandy Blend has a strong reputation for health benefits because it emphasizes simplicity and many health benefits. Their primary target market is individuals seeking a caffeine-free alternative who are interested in improving their health (Dandy Blend, n.d.).

The last company is Pero. This small company in Switzerland has a strong presence in the United States. They are a niche market with a steady consumer base, offering caffeine-free instant natural beverages. Pero's growth rate is slow compared to the other companies listed but still stable. They focus more on affordability and health and target budget-conscious and health-conscious consumers (Pero, n.d.).

When looking at Sip Herbals' positioning relative to the other companies listed, there are different things to consider. It is important to remember that Sip Herbals offers a unique "faux joe" herbal coffee alternative, focusing on health benefits such as being non-acidic, gluten-free, and keto-friendly (Sip Herbal, n.d.). They are positioned in the premium segment of herbal coffee alternatives because of their ingredients and benefits. Like the other companies, they emphasize health benefits and sustainability while targeting health-conscious consumers and individuals with dietary restrictions.

In conclusion, Sip Herbals is well-positioned in the growing market for herbal coffee alternatives, focusing on health benefits and sustainability. While they have a large amount of competition, they offer unique products and strong brand values to help them stand out from the rest of the competition.

PESTLE Analysis

When conducting a PESTLE analysis, looking at all aspects, including political, economic, social, technological, legal, and environmental factors, is essential. First, we will look at political elements. Direct trade and trade relationships are imperative to have when producing coffee. The top-producing countries of coffee are Brazil at 39%, Vietnam at 16%, Columbia at 7%, Indonesia at 6%, and Ethiopia at 5% (USDA, 2024). Based on this, we can see that running a coffee shop in the United States depends on international trade. Direct trade is commonly used; it has buyers working directly with coffee farmers to negotiate prices, quality standards, and other terms of trade (Methodical Coffee, 2024). There are many benefits to direct trade coffee, some creating a more equitable and sustainable coffee industry, farmers receiving fair compensation, enjoying high-quality coffee, and building relationships between buyers and producers (Methodical Coffee, 2024).

From an economic standpoint, we should look at consumers and their growing incomes. In 2023, real GDP grew 3.4%, which has helped to support real wages and incomes, leading to increased consumer spending (WH.Gov, 2024). In February of 2024, consumer spending rose 0.4%, according to WH. Gov (2024). With consumer spending growing, they are more likely to consume tea, coffee, and other beverages more often. This can lead to consumers spending more on higher quality items and drinks such as herbal tea and coffee alternatives.

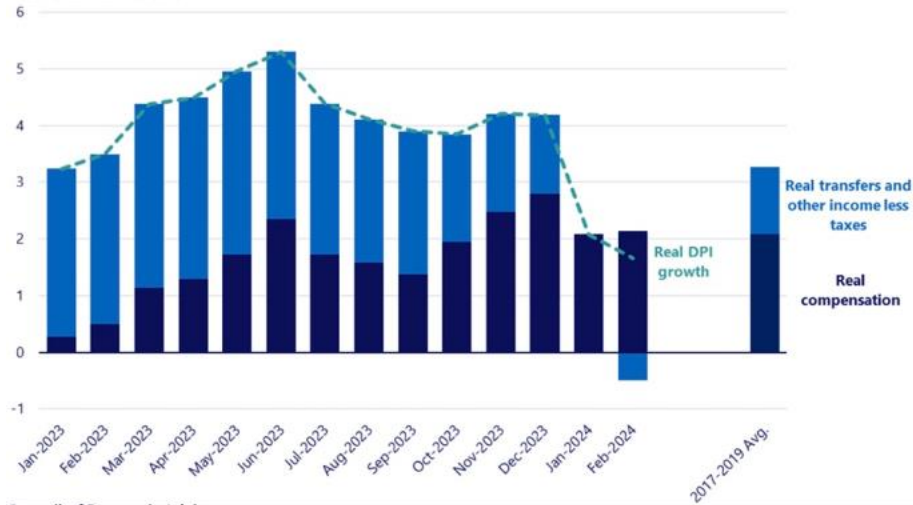


Figure 4: Growth in Real Disposable Personal Income

This graph shows that actual labor market earnings have increased. The accurate compensation contribution to real DPI growth is around 2% (WH.Gov, 2024). Consumer spending accounts for roughly 70% of GDP.

Some social factors affecting the coffee industry would be overall health consciousness. According to DSM (2022), 60% of consumers say the pandemic has made them more health-conscious, and 73% said they plan to eat and drink more healthily. This is a positive for Sip Herbals because their beverages are a coffee alternative and do not have the negative effects of coffee in their ingredients. Sip Herbals products are caffeine-free, non-acidic, unsweetened, gluten-free, keto-certified, AIP-friendly, and eco-friendly. This company has an alternative to coffee with healthy ingredients, leading coffee drinkers looking for something else to herbal coffee.

From a technological standpoint, many different appliances are available for coffee and tea drinkers. These appliances make it easier to consume coffee at home because they are quick and reliable. This does not largely affect the coffee and tea industry. Sip Herbals is easy and can

be made in the comfort of your own home with a French press, coffee maker, or even a mesh tea strainer.

Food and drink regulations are everywhere, so Sip Herbals must follow laws on how their herbal coffee should be stored, transported, and brewed. There are different laws for different countries, so that is important to keep in mind if wanting to expand internationally. Coffee shops must also follow caffeine standards. Some coffee products are labeled as “natural” or “herbal” and can cause serious harm because of the undeclared active ingredients. Some ingredients are found in prescription drugs and can lower blood pressure to dangerous levels (FDA, 2017).

Lastly, it is important to remember sustainable farming practices. Without considering this, it can lead to deforestation. This would have terrible consequences, such as increased greenhouse gas emissions, loss of biodiversity, and a disruption of water cycles (Hussain, 2022). Regarding coffee farming, shade trees have been planted to strengthen coffee farming overall. Since 2014, there have been over 5 million native trees planted in coffee farms across Brazil, Columbia, Costa Rica, Ethiopia, Guatemala, Indonesia, Kenya, Nicaragua, and Uganda (Nestle Nespresso, n.d.).

SWOT Analysis

<p>Strengths</p> <ul style="list-style-type: none"> • Unique product offers • Caffeine-free • Health benefits • Positive customer feedback 	<p>Weaknesses</p> <ul style="list-style-type: none"> • Niche market • High production costs • Higher prices • Specific coffee alternative
<p>Opportunities</p> <ul style="list-style-type: none"> • Increase in health consciousness • Product diversification • Global market expansions 	<p>Threats</p> <ul style="list-style-type: none"> • Competitive market • Needing specific natural ingredients • Supply chain disruptions • International regulations

When conducting a SWOT analysis, you must examine internal strengths and weaknesses and external opportunities and threats. Some strengths of Sip Herbals are their unique product offerings. They have “Fau Joe,” a caffeine-free coffee alternative made from chicory root, carob, and dandelion root that caters to people seeking a coffee-free beverage. Their products have many health benefits because they are non-acidic, gluten-free, unsweetened, keto-certified, and AIP-friendly. All these factors are appealing to health-conscious consumers. The Sip Herbals website has listed positive customer feedback, highlighting customer satisfaction and their successful transition from coffee to Sip Herbals products (Sip Herbal, n.d.).² The company also provides sustainability measures for the planet and humans because of natural ingredients. They can target many people who love coffee but cannot or choose not to drink it due to the side effects.

One internal weakness of the company is its niche market. They focus on the type of coffee alternative, which limits customers compared to more diverse beverage companies. Going forward, they offer premium, organic ingredients and have sustainable practices, which can lead to higher production costs and higher prices for customers to pay (Sip Herbal, n.d.). Another weakness is their popularity and brand awareness. Even though the company was seen on Shark Tank, there is little brand recognition compared to other companies like Starbucks. The main reason could be that the company was created in 2020 when COVID-19 began. The last weakness seen by this company is the FDA’s warning about the health risks of herbal coffee products (FDA, 2017).

The company has many opportunities to offer, some being the community's increase in health consciousness. According to IBISWorld (2023), herbal tea sales in the United States accounted for \$467.1 million. This was a 15.21% increase from \$405.40 million in 2022.

Another example is product diversification because they have many different flavors and related health products, which allows them to attract a wider customer base and increase their sales (Sip Herbal, n.d.). The company can enter international markets and consider global expansion to provide growth opportunities.

Lastly, when looking at market threats, we consider things such as the competitive market. Herbal beverages have been rising, and the market is slowly becoming more competitive because numerous brands are offering similar health-focused products. Dependence on specific natural ingredients can lead to supply chain disruptions, which can eventually affect production and costs. With international expansion in mind, navigating various international regulations for herbal products can be costly and complex.

Marketing Strategy

Leveraging strategic frameworks such as the Ansoff Opportunity Matrix is crucial to driving growth for Sip Herbals. Enhancing market penetration can be achieved through amplified social media presence and collaborations with health influencers, bolstering brand recognition. Implementing targeted promotions and discounts, particularly for subscription services, can foster repeat purchases and cultivate customer loyalty. Moreover, educating consumers about the health benefits inherent in our herbal ingredients can deepen their engagement with our products.

Expanding into new geographic regions domestically and internationally, with a focus on health-conscious demographics, represents a promising avenue for market development.

Partnering strategically with health and wellness retailers and tailoring our offerings to specific consumer segments, such as athletes and those seeking coffee alternatives, can broaden our market footprint.

Product development initiatives should include the introduction of new flavors and blends that resonate with evolving consumer preferences and health trends. Additionally, diversifying our product line to include complementary items like tea accessories and wellness kits, informed by customer feedback, will further enhance our appeal and meet market demands.

Diversification efforts could involve launching ready-to-drink herbal beverages and developing herbal supplements and snacks to tap into the expanding health and wellness market. Collaborating with fitness centers and health clubs to integrate our products into wellness programs presents opportunities to reach new customer segments and drive sales growth.

Customer analysis shows that Sip Herbal's customers are very sensitive to prices. Reviews and cheaper alternatives indicate that customers are concerned about cost. Therefore, Sip Herbals must justify its pricing through the added value of health benefits and quality ingredients. Raising prices may turn away new customers and lower overall sales, especially among first-time buyers. Lowering prices or offering more discounts can attract price-sensitive customers and potentially increase market share.

Sip Herbals uses health-based messaging to ensure their prices are acceptable, highlighting the benefits of chicory root, probiotics, antioxidants, and other natural ingredients. Subscription discounts (10% off) are a loyalty program that provides value to repeat customers and encourages long-term engagement. The company mainly offers discounts through subscriptions, promoting loyalty and repeat purchases, and occasionally uses promotional discounts to attract new customers. Promoting the health benefits helps customers feel that the higher price is justified.



Figure 5: Sip Herbals Example of Discounts Offered

Sip Herbals offers discounted sample packs, allowing customers to try different flavors at a lower cost. This reduces the risk for first-time buyers and encourages full-price purchases if they are satisfied. The company also accepts credit card and PayPal payments, catering to online shoppers and ensuring an easy purchasing process.

In conclusion, Sip Herbals, with its focus on health and quality, is well-positioned to use the Ansoff Opportunity Matrix for growth. The company can expand its reach and improve its product offerings by using strategies like market penetration, market development, product development, and diversification. Addressing customer price sensitivity through value-driven messaging and strategic pricing will be vital to staying competitive and achieving sustainable growth.

Marketing Mix

We need to know our marketing mix to market our business and products adequately. The marketing mix consists of the four Ps of marketing: product, price, placement, and promotion. First, we will examine the products and what they can satisfy consumers' needs. This

company's products are considered specialty products. Specialty products are products that the consumer makes a special effort to search out and buy. This product allows consumers to drink alternative coffee products without the other side effects of regular coffee, like caffeine, and the inflammatory effects that it can cause on consumers' bodies. It can regulate these effects by the ingredients included in each product. According to their website, the ingredients included for all flavors include organic chicory root, organic roasted carob, and organic roasted dandelion. These ingredients are similar to those found in herbal teas, which have good herbal medicine effects for consumers. All roasts come in a loose-leaf form that needs to be measured and steeped in water. Consumers can purchase this product online, which is meant for consumption at home as part of the morning coffee routine.

The coffee products can be purchased in various flavors, sizes, and combo packs. The flavors include their signature roast, cinnamon roll, salted maple blondie, dirty chai, royal matcha, and peppermint mocha. All these flavors come in standard-size packages of a 6-ounce bag equal to 30 servings. They also come in sample-size packages of 1 oz, equivalent to 6 servings. You can buy this product in a couple of different combination packs. They also sell an "as seen on shark tank," which includes their signature roast, salted maple blondie, and dirty chai. They sell an "irresistible flavors" pack, including peppermint mocha, cinnamon roll, and dirty chai. They also sell "The Favorites" pack, which includes their signature roast, salted maple blondie, and royal matcha. All of these combination packages come in a 1-ounce serving size for 18 servings for all three packages. According to the instructions on their website, this is how consumers can use the product; they do a 2-teaspoon scoop for every 8 ounces of water used. Then, they are too steeped in water for 3 minutes and enjoy their alternative coffee.

Regarding branding, Sip Coffee takes a multi-branding approach to its products. This means that all their products are named under the “Sip Herbal” brand, and then all of their different products are named other things under the brand name. Consumers are interested in the many different issues related to these products. They want a high-satisfaction product, which means they want the taste to taste like coffee without all of the negative side effects associated with coffee. They also want it at a reasonable price. Based on customer reviews on Google, we created this perceptual map of alternative herbal coffee blends and customers' reviews about them.



Figure 6: Perceptual Map of Alternative Herbal Coffee Blends

Next, we are going to look at the price of these products. Price is a significant concern for all consumers as well as the company. The pricing for each Sip Herbals product is specific to the size of the product. Listed on their website, if the product is a 6-ounce bag, they are charging \$24.99 per bag. If it is a 1-ounce sample, the company will charge \$10 per bag. While charging these prices, consumers want to ensure that they are being charged adequately. The company's motive behind the pretty pricey coffee is that the natural ingredients make it. Using these natural

ingredients makes it so that consumers get the comfort of knowing what is going into their herbal coffee and what they are consuming. Also, because many companies can charge a lot for a product like this, consumers are incredibly price-sensitive in this market. They do not want it to be too expensive based on consumer reviews. As there are cheaper alternative coffees, they want to make sure the price is right for the taste of the product.

Sip Herbals is a for-profit company. So, they want to ensure that they are getting adequate pay and profits for their products. According to their Shark Tank Episode, the company has stated that they are a cost-based company; it knows how much it takes to make the product and what it needs to sell it to achieve a profit. Most of their costs go into their inventory purchases and the costs of goods sold. So, when they sell their products, their prices need to cover these costs and some kind of markup to make a profit. Throughout the company's rise and fall of inflation over the last few years, their prices have stayed mostly the same.

Sip Herbals is on the least expensive side of alternative coffee compared to other companies. As shown above, many other competitors charge more for their products on the perpetual map. Some see the same amount of satisfaction, while others see less satisfaction to consumers, which is why consumers are so price-sensitive in this market. They can choose much more expensive products and not get the desired results. Which in a consumer's mind is a waste of their money. Or they might perceive that because it is less expensive, the quality might not be as good as other brands that charge higher prices and get the same satisfaction. This is why where consumers are finding these products is crucial to the selling point of their products.

Next, we will look at where Sip Herbals products are sold. They are only sold online on their website and Amazon. Then, their products are shipped directly to consumers if bought from the Sip Herbals website; it cuts out middle channels and saves the company money. If they make

sales through Amazon, they have to pay Amazon a small portion of each sale. If they want to increase sales, they might look at forming formal contracts with larger grocery chains like Target or Walmart. Their costs would increase slightly, but they would hopefully achieve higher sales. Overall, because customers can purchase the product online, it is very convenient and easy for them to purchase their products. But, if they decide to put their product in physical stores, this will help increase consumer access and broaden their market. Because this is an online company, the location of their warehouse and offices are most likely chosen for logistical efficiency rather than where the best access is for their consumers. Although having their products sold online does not seem to bother consumers, it would still be a good step forward and increase visibility if Sip Herbals were to distribute their products to large retail grocery stores. This would help attract more consumers in this market and help gain sales.



Finally, we will look at how Sip Herbals currently promotes its products. Most consumers now are finding out about the product from their episode of Shark Tank. This helped boost sales and get the company out of a vast consumer market. It helped penetrate their target market and reach consumers looking for a similar product.

While this has helped get their company out into the world, they also do a lot of social media marketing for their company. They are very

active on Instagram and Facebook. Both pages do a great job of keeping the firm's page positive. Their Instagram page also highlights recipes, FAQs, and information about the company itself. They post a lot and keep up with trends by creating fun reels. When they post, their ads' timing is appropriate for what is going on with social media trends. They also promote samples for new consumers to try their products. They often post photos, videos, and interactive posts to get

consumers to engage with their pages. On their Instagram page, they have an ongoing theme throughout their posts, so each post flows nicely from each other. On their pages, they make a fair amount of “customer experience” posts where they ask customers to comment on their favorite flavors and recipes they like and even open comments for their consumers to ask questions. This way, they can get feedback from consumers in many ways. Here are some examples of posts from their social media. One is an example of the polling questions they are asking consumers to interact with. The other is an example of educating consumers on the new coconut creamer they are selling.

Financials

Sales Forecast

To create a sales forecast for Sip Herbals based on the strategies provided, we will consider the potential impacts of market penetration, market development, product development, and diversification. Our forecast is supported by secondary research data from the growth rates in the herbal tea and health and wellness industries. We believe that using all these strategies will allow for an overall 34% increase in sales.

For market penetration, we suggest three main strategies. First, we believe that increasing social media and influencer marketing by leveraging health influencers and social media campaigns to boost brand awareness can lead to a 10% increase in sales. According to a survey by Influencer Marketing Hub, businesses earn an average of \$5.20 for every \$1 spent on influencer marketing, indicating high potential returns for this type of marketing. Secondly, offering promotions and subscription discounts to encourage repeat purchases can contribute to a 3% increase in sales. Research by McKinsey & Company shows that the subscription e-

commerce market has grown by more than 100% a year over the past five years, indicating strong potential for growth through subscription discounts. And thirdly, providing educational content about the health benefits to encourage and engage customers can lead to a 2% increase in sales. We believe our market penetration strategies can lead to a 15% increase in sales.

For market development, we advise two strategies. We believe that expanding into new domestic and international markets by targeting health-conscious consumers can lead to a 5% increase in sales. According to Grand View Research, the global herbal tea market is expected to grow at a CAGR of 7.1% from 2020 to 2027, highlighting opportunities for market development. And our second marketing strategy for new groups in this market can contribute to a 2% increase in sales. Overall, we believe that our market development strategies will contribute to a 7% increase in sales.

We advise two strategies for product development. Introducing new flavors and blends based on customer feedback can lead to a 3% increase in sales, and expanding the line of tea accessories and wellness kits can contribute to a 2% increase in sales. Our product development strategies can contribute to a 5% increase in sales.

For product diversification, there are two strategies we believe will increase sales. Developing ready-to-drink or premade herbal beverages that will increase overall convenience can add a 5% sales increase. Entering more markets in the overarching health and wellness industry with more health-related products to boost loyalty and brand awareness can contribute to a 2% increase in sales. The global ready-to-drink (RTD) tea market size was valued at \$29.9 billion in 2019 and is expected to grow at a CAGR of 7.1% from 2020 to 2027, suggesting strong growth potential in this category, so we believe expanding into more markets will steadily increase sales and company growth. In total, product diversification will increase sales by 7%.

Strategy	Projected Sales Increase (%)	Description
Market Penetration	15%	Social media campaigns, influencer marketing, promotions, educational content
Market Development	7%	Geographic expansion, targeting new customer segments
Product Development	5%	New flavors and blends, related products
Diversification	7%	Ready-to-drink beverages, herbal supplements and snacks

Figure 9: Expense Sales Increase Strategies

By implementing these strategies effectively, Sip Herbals can leverage the Ansoff Opportunity Matrix to achieve a 34% increase in sales, setting up the company for sustainable growth in the competitive Health and Wellness Market and the Herbal Tea Industry.

Expenses

There are many different aspects that makeup expenses for Sip Herbals. We will focus on the cost of goods sold, labor, promotional expenditures, and operating costs. The Cost of Goods Sold (COGS) for Sip Herbals includes the direct costs of producing the tea drinks. This covers the cost of raw materials of tea leaves, herbs, spices, and any additional ingredients used in production. It also includes packaging costs like tea bags, labels, and boxes. Labor costs for employees involved in production, blending, and packaging are also a part of their COGS.

Additionally, overhead costs are directly tied to production, such as utilities and equipment maintenance in the manufacturing facility. These combined expenses represent the total cost incurred to produce and deliver the product to customers. We expect that these expenses will also increase with the additional sales of 34%. In the next section, we will break down these expenses more.

Revenue and Profit Potential for One Year

According to an update with Shark Tank, it is estimated that Sip Herbals has an annual sales revenue of 250,000 dollars. With our marketing strategy, which is forecasted to increase sales by 34%, we believe their new sales revenue will reach 335,000 dollars annually. Below is a chart comparing the expenses for an herbal tea company with sales of \$250,000 and \$335,000. The costs shown are from industry averages compiled with data from IBIS World. The chart below illustrates the breakdown of expenses into various categories, showing how each type of expense increases with higher sales. It shows multiple expense categories and how they increase with higher sales; for example, COGS increases proportionally to sales, but operating expenses only slightly increase. With the rise in sales due to our proposed marketing strategies, the total expenses will be \$268,100 with sales of \$335,000, leaving a gross profit of \$66,900 before taxes and other potential financial considerations. With the continued use of these marketing strategies, we expect that Sip Herbals will grow steadily as the market for health and wellness drinks becomes more popular.

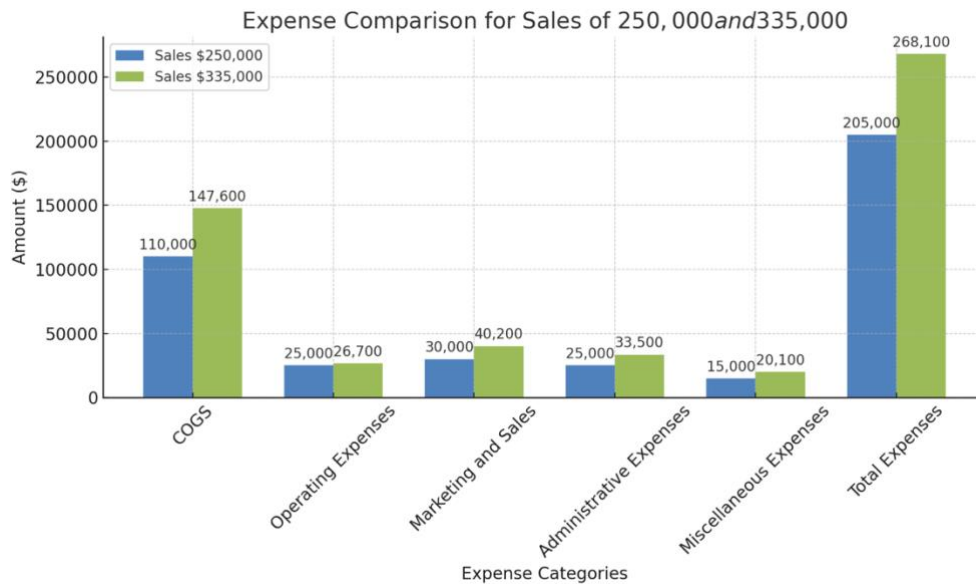


Figure 10: Expense Comparison for Sales

Recommendation/Reflection of Feasibility

Based on the situational analysis and proposed marketing strategies for Sip Herbals, it is evident that the company has significant growth potential in the health and wellness market. By leveraging the Ansoff Opportunity Matrix, Sip Herbals can effectively navigate market penetration, market development, product development, and diversification to drive growth. Increasing social media and influencer marketing efforts, offering promotions, and providing educational content about the health benefits of their products will enhance brand awareness and customer engagement, potentially leading to a 15% increase in sales. Expanding into new domestic and international markets and targeting new customer segments like athletes or coffee alternative seekers can contribute an additional 7% increase. Developing new flavors and blends based on customer feedback and expanding their product line to include tea accessories and wellness kits can drive a further 5% sales growth. Diversification into ready-to-drink herbal beverages and other health-related products can add another 7% increase, making a combined potential sales increase of 34%.

The financial projections support the feasibility of these strategies, showing an increase in revenue from \$250,000 to \$335,000 annually, with a gross profit of \$66,900 before taxes and other financial considerations. This growth will necessitate an increase in expenses, but the proportional rise in revenue should offset these costs, maintaining profitability. Sip Herbals'

focus is on health-based messaging, highlighting the benefits of its natural ingredients and its multichannel sales approach via its website and Amazon, which ensures that it can reach and retain a broad customer base. We could further boost visibility and sales by expanding into physical retail locations like Target or Walmart. By addressing customer price sensitivity through strategic pricing, value-driven messaging, and maintaining high product quality, Sip Herbals can continue to attract and retain customers in a competitive market. Overall, the proposed strategies, by thorough market research and financial analysis, provide a clear and feasible roadmap for Sip Herbals' sustainable growth and success.

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