Dutch Bros Inc.:
Strategic Growth Through Culture, Customer Loyalty, and Operational Excellence

BUAD 457

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I. Introduction

Dutch Bros Inc. (the Company) began as a small coffee cart in Grants Pass, Oregon, in 1992, founded by brothers Dane and Travis Boersma. Their focus on quality drinks, fast service, and upbeat customer interactions quickly earned them a loyal following. After franchising in the early 2000s and going public in 2021, the Company expanded rapidly, opening 103 new locations across 15 states in 2024 alone (Dutch Bros Inc., 2024). Today, it stands out for its high-energy atmosphere, inventive beverages, and strong community involvement.

As frequent customers, both authors of this report have witnessed firsthand the brand's growing popularity and customer loyalty. Sierra's go-to drink is the Dream Weaver with Cold Brew, while Allison prefers the Sugar-Free Pink Flamingo. The Sevierville, Tennessee grand opening in spring 2023 marked Allison's introduction to the brand, where a "broista" greeted her with, "What are you sippin' on?" This simple phrase perfectly captured the laid-back, welcoming vibe that defines the Company's experience. Sierra discovered the brand while living in Denver and was excited to see its expansion to Knoxville and her hometown of Murfreesboro.

Since launching its first Tennessee store in 2022, the Company has expanded to 13 locations across the state as of September 2024. Long drive-thru lines and enthusiastic customer engagement highlight its cultural relevance, especially among younger consumers. This paper will analyze the Company's business model, strategy, and competitive environment to identify the key factors driving its success and explore opportunities for continued growth.

II. Company Overview

To understand how Dutch Bros creates value and connects with its customers, it is essential to first examine its internal strategy and business model. The following section uses the Business Model Canvas to outline the Company's key activities, resources, and value proposition.

A. Business Model Canvas Analysis – *Figure 1*

The Company executes a cost-effective, convenience-driven strategy designed to provide customizable beverages and premium customer service to a younger, socially engaged demographic. This approach has fueled robust growth across the United States. Its focus on speed, digital engagement, and brand loyalty – particularly through its mobile app and face-to-face ordering – sets it apart in a competitive market. While rapid expansion brings operational challenges, the Company's commitment to innovation and efficiency positions it for long-term success.

The Company's value proposition centers on delivering caffeinated drinks that are customizable, competitively priced, and served quickly with a smile. Extended operating hours help meet the needs of late-night customers, and its menu includes not only coffee but also energy drinks, teas, and seasonal offerings. Broistas, who are employees that walk up to customers in the drive-thru and help guide them through the menu, elevate service quality and customer satisfaction (Xu, 2023).

Customer relationships are a key strength. The mobile app features Dutch Rewards, a loyalty program, and Dutch Pass, a prepaid account for ordering ahead. Regular promotions like monthly sticker drops, as well as giveaways including straw toppers, tattoos, and rubber ducks, generate excitement and repeat visits (Doner). While competitors rely on speaker boxes, Dutch Bros insists on face-to-face service. This personal interaction is a core part of the Company's identity and aligns with hospitality practices found in top-tier quick-service restaurants (Danley 2024).

Key activities include beverage service, menu innovation, new store openings, and customer-focused marketing. Unlike many corporations, the Company relies less on mass advertising and more on a mission-driven approach. As noted at the 2023 International Conference on Management Research and Economic Development, "Dutch Bros is a fantastic example of a business that has centered its marketing strategy around its target market and claims an ethical approach to business management as opposed to spending millions of dollars on advertising that has no positive social impact."

The Company's key resources include its roasting facilities, proprietary recipes, loyal customer base, and distinctive employee culture. To maintain this culture during expansion, the Company uses a strategy known as "the mob," in which experienced broistas help train new staff and ensure quality and consistency (Dipalma, 2024).

Conclusions from BMC

Dutch Bros' business model reveals several core strengths, including strong brand loyalty, highly personalized customer service, a clear focus on younger demographics, and consistent customer experiences across locations. These elements, combined with an engaging mobile app and energetic employee culture, provide a solid foundation for continued growth.

To build on this momentum, the Company should consider expanding into high-traffic suburban and urban markets, as it has successfully done in Tennessee. Airport locations present a promising opportunity to increase brand visibility and capture a broad audience of travelers. Although operating in airports can be complex, research from *The Restaurant Informer* highlights increased sales and brand awareness as key benefits. Exposure to middle-aged business travelers and savvy tourists could diversify the Company's customer base.

Additionally, Dutch Bros should evaluate the potential of drive-thru speaker boxes to support operations during inclement weather. While its face-to-face ordering approach enhances customer interaction and brand identity, weather-related disruptions can reduce efficiency and harm employee morale. Adding speaker boxes selectively could protect operations and reinforce the Company's commitment to both service and employee well-being. Ensuring a balance between operational resilience and personalized service will be essential as Dutch Bros continues to scale.

B. Strategy Identification

Objective

The Company aims to expand its customer base and market presence by delivering a consistently positive, people-first experience. Chief Operating Officer Brian Maxwell emphasized that "our greatest differentiator is our people and how they strive to be difference-makers in people's days." This commitment to customer service is not only deliberate but also emergent. Dutch Bros ranked second in the "People" category and tenth overall on Forbes' 2023 list of Best Customer Service companies, based on over 4.2 million customer evaluations (Peachman, 2023).

Scope

Dutch Bros operates in the U.S. coffee and beverage market, with a focus on suburban areas and high-traffic urban locations. It primarily targets younger, socially engaged consumers who value fast, customizable service and a genuine connection with staff. CEO David Boersma explains that employees are encouraged to be "cool and creative" in their interactions, reinforcing the Company's identity as an approachable and fun alternative to traditional coffee chains (Yahoo Finance, 2023).

Advantage

The Company differentiates itself through speed, friendliness, and enthusiasm. While competitors may offer comparable products, Dutch Bros stands out with its unique broista experience, extended operating hours, and highly engaging loyalty program. According to Google business listings, Dutch Bros locations are typically open until 10 PM, surpassing many Starbucks stores, which often close between 5 PM and 10 PM. This gives the Company an edge in attracting late-night customers, a segment often overlooked in the industry.

Conclusion

Dutch Bros wins by delivering fast, friendly, and personalized drinks in a way that feels fun and genuine, allowing it to grow while staying true to the people-first experience that keeps customers coming back.

III. External Analysis

While Dutch Bros has built a strong internal foundation, external factors also play a critical role in shaping its strategy. The following section analyzes the macroenvironment and competitive landscape to assess external threats and opportunities.

A. STEEP Analysis – *Figure 2*

Description & Purpose of Analysis

The STEEP analysis examines the external macroenvironment for factors that influence a company's operations and long-term results. By examining Sociocultural, Technological, Economic, Ecological, and Political trends, one can identify potential opportunities and threats to help their company stay competitive and adapt to industry changes.

Explanation of STEEP Table and Its Creation

This table was created to give a structured overview of the key data points analyzed in the STEEP framework. Team members collaborated and researched to come up with the numerous factors influencing Dutch Bros, which ensured a comprehensive evaluation. Then, the data was categorized within the 5 STEEP dimensions, and more sources were found to fill in the gaps.

Conclusions with Specific Evidence from Analysis

Dutch Bros currently has an optimal STEEP profile and appears to be managing their external macroenvironment well. The company benefits from many of the trends, especially the rise of drive through culture in America. According to a podcast by NPR, drive through usage expanded a lot during the pandemic, and has not slowed down since (NPR, 2023). Digital payment adoption is a key factor in Dutch Bros' environment, with its new app offering seamless mobile ordering and rewards. Partnering with Olo, Dutch Bros aims to "enhance the drive-thru experience while maintaining our signature people-first culture," said CTO Leigh Gower (Olo, 2024). The integration enables faster transactions through Google Pay and Apple Pay, improving efficiency for both customers and employees.

However, economic challenges like rising coffee bean prices and rising minimum wage laws and labor costs pose financial risks. According to nonprofit news organization Stateline, "The minimum wage has increased or will go up in 23 states this year [2025]" (Hardy, 2025). Additionally, increased sustainability culture may require operational adjustments, such as switching to paper straws. With proactive responses to these factors, Dutch Bros can sustain its competitive advantage and continue growing in success.

B. Five Forces Analysis – *Figure 3*

Description & Purpose of Analysis

Porter's Five Forces Analysis is a framework developed by Michael Porter to analyze the competitive dynamics within an industry. It helps businesses understand the external forces that impact profitability and market position.

The analysis helps businesses assess the profitability and competitiveness of their industry. By understanding these forces, companies can develop strategic responses such as differentiation, cost leadership, or innovation to gain a competitive edge. It also aids in market entry decisions, pricing strategies, and risk assessment, making it a valuable tool for long-term business planning.

Explanation of Five Forces Table and Its Creation

The Five Forces Table was created using the structure of Table 7.1 in *Strategy in 3D* by Greg Fisher, John E. Wisneski, and Rene M. Bakker. The process began with reviewing the memo created by team members, which provided a foundation of previously researched sources. Additional research was conducted, particularly for Negotiating Power of Suppliers and Competition Between Rivals, to strengthen the analysis. The table was then structured by categorizing findings under Porter's Five Forces, identifying factors that strengthen each force, and supporting them with credible sources to provide a clear, strategic assessment of the competitive landscape.

Conclusions with Specific Evidence from Analysis

Supplier power is moderate. Although coffee beans are sourced from a limited number of countries, companies like Dutch Bros have access to multiple suppliers within those regions (FAS, 2024; Solidaridad Network, 2024). However, switching suppliers can be difficult due to unique roast requirements and quality standards (Baggenstoss et al., 2008).

Buyer power is high. Consumers can easily switch between chains like Starbucks, Dunkin', or local coffee shops, and even opt to brew at home. This forces coffee retailers to compete on experience, speed, price, and loyalty programs to retain customers (Greenlight, 2023; Premise Data, 2023).

Competitive rivalry is intense. The market is saturated with well-known brands and small local competitors. Exit barriers are relatively high due to location-specific buildouts and fixed costs. Slowing industry growth increases the fight for market share (Specialty Coffee Association, 2023).

Threat of new entrants is moderate. While starting a coffee business has low entry barriers, scaling nationally is difficult. Dutch Bros' loyal customer base and vertically integrated model

create strong barriers to replication by new entrants (Crimson Cup, 2023; Specialty Coffee Association, 2023).

Threat of substitutes is high. Consumers have access to a wide range of alternatives, including energy drinks, bottled coffee, tea, and subscription coffee services. These options are often more affordable and convenient, especially for price-sensitive customers (NRN, 2023; Coffee Complex, 2023).

Conclusion

Based on the Five Forces analysis, the specialty coffee industry presents moderate profit potential. While buyer power, rivalry, and substitutes exert significant pressure, companies that differentiate through customer experience, loyalty, and operational efficiency like Dutch Bros can still achieve strong margins. The industry is attractive for well-positioned firms but requires constant innovation and brand differentiation to stay competitive.

C. Strategic Group Analysis – *Figure 4*

Description & Purpose of Analysis

A strategic group map is a tool that visually groups companies within an industry based on similar characteristics, such as pricing strategies, market position, or product offerings. Its purpose is to provide insight into the competitive landscape, showing where different companies are positioned and identifying potential gaps or opportunities. By using this map, businesses can better understand how they compare to competitors and make informed decisions about where they fit in the market. Ultimately, it helps companies strategize and find ways to differentiate themselves or learn from others in their group.

Explanation of Strategic Group Map and Its Creation

The Strategic Group Map was created by first identifying the industry – drive-thru coffee. We considered the customer need met by the players of this industry: coffee on the go. Then, the members discussed and chose two features that are important to the industry: customer loyalty and customization of drinks. Customer loyalty was defined as companies who have a strong loyalty program, are very engaged with customers, and differentiate themselves through customer experience. Drink customization was defined as the variety of the menu offered and how easily drinks can be tailored to individual preferences. We then listed drive-coffee coffee stores and researched to add additional companies that have a presence in other areas of the U.S. We then used the evidence gathered in research to plot each company on the map.

Conclusions with Specific Evidence from Analysis

Dutch Bros sets itself apart as a **differentiator**, excelling in customer loyalty and drink customization, ranking just behind Starbucks in customization while maintaining strong brand engagement. Its drive-thru model, energetic culture, and highly customizable drinks attract a

loyal following. Key competitors include Starbucks, Tim Horton's, and Peet's Coffee, with Starbucks as the closest differentiator rival due to its global presence and easy accessibility. While most competitors rely on rewards points, Dutch Bros creates a more interactive experience with fun giveaways like princess straw toppers (Doner, 2023). Starbucks offers more milk alternatives, including oat, almond, coconut, soy, and lactose-free dairy, while Dutch Bros primarily features oat, almond, and coconut milk. Additionally, Starbucks allows customers to adjust ice levels, temperature, and foam preferences, whereas Dutch Bros focuses on flavor add-ons and energy drink customizations (Starbucks, 2025) (Dutch Bros, 2025). This experience-driven approach helps Dutch Bros stand out and continue growing in the drive-thru coffee market.

IV. Internal Analysis

After assessing external forces, it is equally important to examine Dutch Bros' internal capabilities. This section evaluates the Company's key resources and operations through the VRIO framework and Value Chain Analysis to determine its sources of sustained competitive advantage.

A. VRIO Analysis – *Figure 5*

The VRIO framework evaluates a company's resources based on four criteria: Value, Rarity, Imitability, and Organization. Resources that meet all four can provide a sustained competitive advantage. This section applies the VRIO model to Dutch Bros to identify which internal strengths are most impactful to its long-term success.

Explanation

The Company's most powerful resource is its people-first culture. Dutch Bros goes to great lengths to preserve this culture during growth, selling franchises only to employees who have worked for the Company for at least three years and buying out those who do not maintain its values (*Forbes*, 2023). This ensures cultural consistency across shops. Additionally, the use of "mob" teams—groups of experienced broistas who help launch new locations—supports both training and customer experience (Dipalma, 2024). These practices make culture a rare and difficult-to-imitate resource that the Company is well organized to leverage.

Brand loyalty is another key strength. The mobile app, Dutch Rewards program, and creative giveaways (e.g., stickers, straw toppers) foster emotional customer engagement that competitors struggle to match. These resources are valuable, rare, and supported by strong systems. Dutch Bros also maintains a 90% employee retention rate (Eakin) and high employee satisfaction, with 76% of Glassdoor reviewers saying they would recommend working there.

Other resources like the drive-thru-only model, app-based ordering, and rapid expansion are valuable and relatively rare but more easily imitated. However, Dutch Bros strengthens these with a vertically integrated supply chain and company-owned store model that help ensure product consistency and scalability.

Conclusion

Dutch Bros' culture and brand loyalty meet all four VRIO criteria, giving the Company a sustained competitive advantage. These strengths, backed by operational excellence and a committed workforce, are reflected in its continued growth and strong financial performance—including a 32.6% increase in annual revenue from 2023 to 2024. As the Company scales, preserving and building upon these core capabilities will be essential to maintaining its competitive edge.

B. Value Chain Analysis – *Figure 6*

Value Chain Analysis breaks down the primary and support activities within a business to identify where value is added, where competitive advantage lies, and what activities to consider outsourcing.

Explanation

Dutch Bros creates value through a differentiated value chain centered on speed, personalization, and cultural consistency. Its primary activities, such as drive-thru-only kiosks and enthusiastic face-to-face service, minimize costs while elevating customer experience (Peachman, 2023). The loyalty app powered by Olo enhances retention and personalization, while HR practices like deploying "mob" teams ensure consistent culture during rapid expansion (Olo Inc., 2024 and Dipalma, 2024). Interdependencies between support activities (HR, technology) and primary activities (service, operations) create a reinforcing loop of brand loyalty and operational efficiency. These capabilities are hard to replicate and directly support Dutch Bros' unique customer experience and scalable growth.

Conclusion

Dutch Bros' value chain supports a hybrid strategy of cost efficiency and differentiation by simplifying operations while emphasizing service, culture, and technology. Compared to Starbucks, which competes on ambiance and deep product customization, Dutch Bros offers a faster, leaner model that appeals to younger consumers through its energy, affordability, and personalized interactions (Nation's Restaurant News, 2023 and Danley, 2024.). The company's in-house roasting, loyalty platform, and hiring model are clear sources of competitive advantage and should remain internal. However, as Dutch Bros scales, limited outsourcing of non-core functions like certain logistics or digital content may offer efficiencies if brand consistency is protected. Overall, the company's activity alignment positions it for sustainable, values-driven growth (CNBC, 2024).

V. Conclusion

A. Strategic Insight

This thorough analysis teaches several meaningful lessons in business strategy. The company's success is not only about product but also about the people, values, and experience behind it. The most significant strategic insights include:

- Culture is irreplaceable — it drives loyalty and brand identity;
- Tech enhances experience but does not replace human connection;
- Expansion must stay aligned with company values;
- Economic pressures and ecological expectations are growing threats; and
- Dutch Bros succeeds because of who they are, not just what they sell.

B. Recommendations & Next Steps

Short-Term Recommendations

In the short term, Dutch Bros should try out new venue types like airport kiosks and college campuses. These high-traffic spots could boost visibility and attract new customers who already align with the brand's vibe. Small but meaningful sustainability upgrades, like switching to paper straws or being more thoughtful about suppliers, would also go a long way with younger, eco-conscious customers. With rising wage pressures, it's important to keep an eye on staffing costs and look for ways to make scheduling more efficient without losing the energy that makes the customer experience so special.

Long-Term Recommendations

Looking ahead, Dutch Bros could test international growth by starting in English-speaking countries where the culture and operations would translate more easily. They should also think about expanding their milk alternative options. Most importantly, they should keep investing in their people. The culture Dutch Bros has created is what sets them apart and keeps both customers and employees loyal.

C. Final Thoughts

Dutch Bros is more than a coffee company; it is a brand built on intentional culture, fast and friendly service, and a deep understanding of its core customer. Its success to date has not come from product innovation alone, but from operational consistency, strong employee engagement, and a clear sense of identity that resonates across every location.

The Company's future depends on its ability to scale without dilution. Maintaining culture, retaining employees, and staying true to its service model will be essential as it grows into new markets. Dutch Bros must also respond proactively to emerging risks, including rising labor costs, evolving sustainability expectations, and increasing competition from both direct rivals and substitutes.

If the Company continues to invest in its people, optimize through technology without sacrificing human connection, and align expansion with its values, it is well-positioned for sustainable, long-term success. Dutch Bros has the infrastructure, the customer base, and the brand equity to grow—but only if it protects what makes it different.

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VII. Appendix

Figure 1: Business Model Canvas

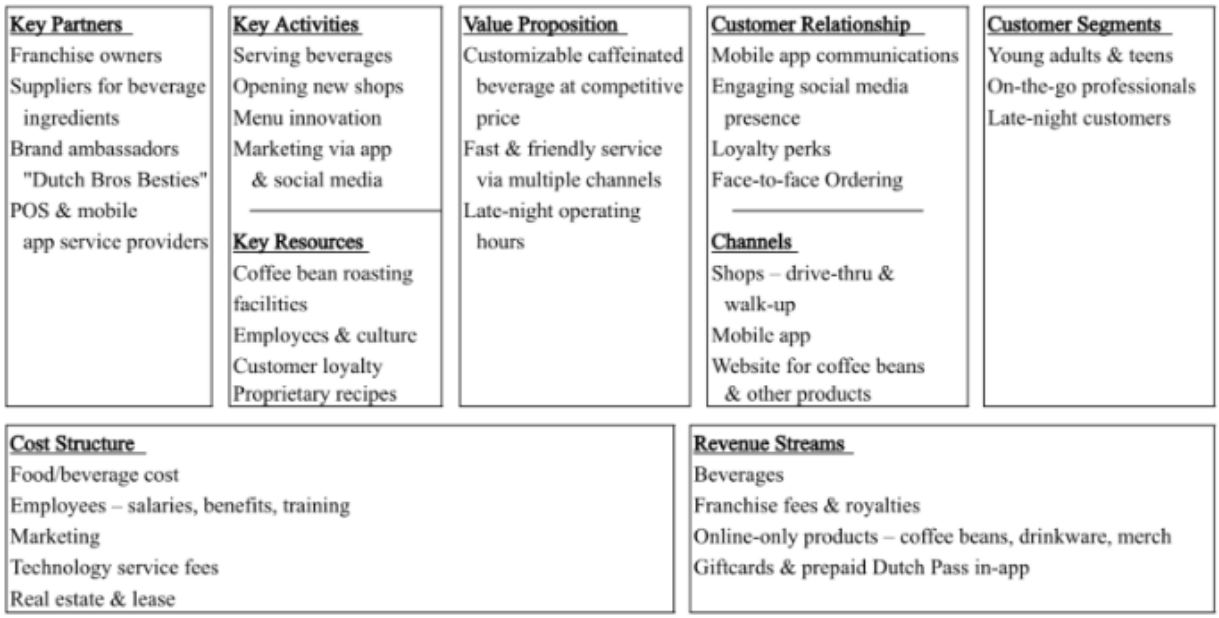


Figure 2: STEEP Table

Element	*Application to Dutch Bros*	*Trends*	*Opportunity or Threat*	*2 Sources*
Sociocultural	Consumer preferences for specialty coffee and drive-thru convenience impact Dutch Bros' operations. Younger generations prioritize unique flavors and brand loyalty, but also healthy options and dairy alternatives.	Rise of drive-through coffee culture	This is an opportunity for Dutch Bros since they primarily operate with drive through business.	Severson, 2023 NPR, 2023
Sociocultural	See above.	Increasing demand for specialty and customized drinks	Opportunity to attract customers with their highly customizable menu.	Oches, 2023 Osmanski, 2024

Sociocultural	See above.	Health-conscious and sustainability driven consumer choices	A threat, as Dutch Bros risks losing eco-conscious consumers to competitors with stronger environmental policies, and an opportunity, as embracing more sustainable initiatives could increase sales.	McKinsey & Company, 2023 Reichheld, Peto and Ritthaler, 2023
Technical	Technology enhances order efficiency and app-based rewards.	Growth of digital payments	This is an opportunity for Dutch bros to save on the administrative costs and time needed to take cash payments, like counting change and taking cash to a bank for deposits.	Faviero, 2022 Olo, 2024
Technical	See above.	Automation in coffee preparation	There is an opportunity to need less employees if they use a machine, but also a threat since it is hard to use a machine to make highly customized drinks.	Lewis, 2024 Ahn, Seo, 2018
Technical	See above.	Expansion of loyalty programs and app usage	This is an opportunity for dutch bros due to their recent partnership with Olo for a mobile app. Their target customer is young people who will appreciate an app.	Danley, 2024 Olo, 2024
Economic	Labor costs, inflation, and	Rising coffee bean prices due	This is a threat to Dutch bros, as	Angel, 2024

	income of Americans due to restaurant coffee being a discretionary spend.	to supply chain disruptions	higher coffee bean prices mean lower profit margins, or having to raise prices for consumers.	Teixeira and Angel, 2024
	See above.	Increased minimum wages impacting operating costs	This is a threat due to the impact on wage expenses and the bottom line of financials.	Department of Labor, 2025 Hardy, 2025
	See above.	Consumer budget constraints due to economic uncertainty	This is a threat, since consumers will not spend as much money on coffee if money is limited. But also, an opportunity if the economy is in good health.	Waelter and Rogers, 2025 Horsely, 2025
Ecological	Environmental sustainability and ethical sourcing have become essential in the coffee industry.	Demand for ethically sourced and fair-trade coffee	This is a threat because ethically sourced coffee is more expensive and harder to obtain, and since currently Dutch Bros does not purchase organic coffee beans.	McKinsey & Company, 2023 Reichheld, Peto and Ritthaler, 2023
Ecological	See above.	Increased focus on eco-friendly packaging and waste reduction	This is also a threat since Dutch bros uses plastic cups and straws.	McKinsey & Company, 2023 Reichheld, Peto and Ritthaler, 2023
Ecological	See above.	Water conservation efforts in coffee production	This could be a threat to Dutch bros since conserving water can increase costs.	McKinsey & Company, 2023 Reichheld, Peto and Ritthaler, 2023 Th
Political/ Legal	Regulations on wages and environmental protection policies impact operations and economic	Minimum wage and labor law changes affect hiring.	This is a threat due to the impact on wage expenses and the bottom line of financials.	Department of Labor, 2025 Hardy 2025

policies impact customer discretionary spending.			
See above.	Government regulations on single use plastic and use of paper straws	This is a threat due to higher costs for non-plastic cups and straws.	Arnaldo, Mailes, Neto, Gomes, Pertel, and Pacheco, 2021 Debussman, 2025
See above.	Tax incentives for sustainable business practices.	This is an opportunity to save money on taxes by implementing sustainable business practices but may not be as relevant with the values of the current president.	Thomson Reuters, 2023 National Real Estate Investor, 2021

Figure 3: Five Forces Table

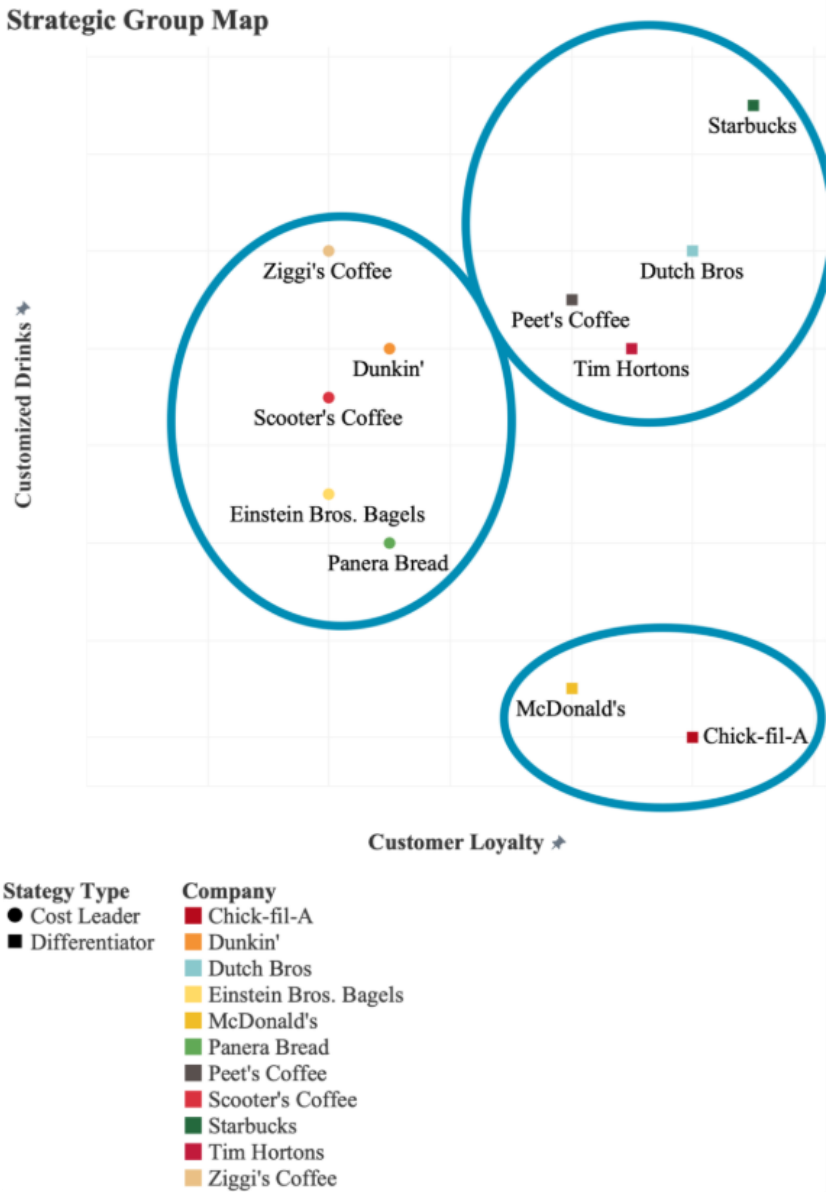
Force	*Factors that Increase the Force*	*Evidence from Two Sources*
Negotiating Power of Suppliers	High supplier concentration (i.e., few suppliers)	The global coffee supply chain is controlled by a limited number of exporters – Brazil, Colombia, Vietnam – to name a few (FAS, 2024). However, in each country, there are numerous suppliers for coffee retailers to choose from (Solidaridad Network, 2024).
	High differentiation of inputs	Inputs are differentiated based on the coffee bean needed for specific blends and other products for proprietary recipes (Baggenstoss et al., 2008; Tao & Kim, 2022).
	High switching costs to different suppliers	Coffee roasters and retailers purchase their supplies many months in advance and rely on established relationships (Reuters, 2024). Retailers that roast their own beans have facilities with specific time, temperature, and roasting specifications that affect the bean type and moisture level, so it would be costly to switch suppliers (Baggenstoss et al., 2008).
	Lack of substitute inputs	Coffee retailers rely on high-quality coffee beans and proprietary flavoring ingredients, making it difficult to substitute suppliers

		without affecting taste and brand consistency (Baggenstoss et al., 2008; Tao & Kim, 2022).
	High threats of forward integration by suppliers	There is the threat of large producers starting to roast and retail coffee products, such as Nestle did in 2017 (Intelligence Coffee, 2023). However, there are also many coffee retailers who vertically integrate to be their own suppliers (QSR Magazine, 2024).
Negotiating Power of Buyers	High Buyer Volumes	Buyers do not buy in high volumes. The average cup of coffee retailers is priced at $4.90 (Greenlight, 2023). And 70% of Americans drink coffee at least once a week, making it a $343.2 billion (about $1,100 per person in the US) industry in 2022 (NCAUSA, 2023).
	Low Buyer Switching costs	Buyers have exceptionally low switching costs, with many coffee retailers with drive-thrus across the street (Premise Data, 2023). They can also join loyalty programs of multiple retailers and choose to switch companies based on what deals are available (Greenlight, 2023).
	Increased information available to buyers	Buyers have more information than ever with the use of mobile apps, with the menus of every coffee retail chain – including price, nutrition, and ingredients (Pixcap, 2023; The Sun, 2023).
	High seller dependence on buyers (a few customers)	Coffee retailers sell low quantities to many customers. Last year, about 70% of Americans drank coffee at least once a week (NCAUSA, 2023). Even with the rise of other beverages, coffee remains America's favorite caffeine source (Sleep Foundation, 2023).
	High threat of backward integration by buyers	Growth in home brewing, subscription-based coffee deliveries, and specialty home equipment (e.g., Nespresso, Keurig) allows consumers to bypass coffee shops entirely, though it is not the same product as found at coffee retailers (Greenlight, 2023; GlobeNewswire, 2023).
	Low levels of product differentiation	While each retailer has a unique brand identity and offerings, coffee itself is a commoditized product, making competition based on service and experience equally important than uniqueness of the drink (Baggenstoss et al., 2008; Tao & Kim, 2022).
	Substitute products available to buyers	Energy drinks, tea, matcha, protein shakes, and bottled cold brews offer consumers alternative caffeinated beverages. Some coffee retailers offer some of these products, but there are other restaurants that offer them more prominently (NRN, 2023; Mordor Intelligence, 2023).
Level of Rivalry	High exit barriers in the industry	Coffee retailers invest in long-term leases, equipment, and labor, making it costly to close

Between Competitors		underperforming locations (United Baristas, 2023; First Research, 2023).
	Low levels of industry concentration	The coffee retail industry is highly fragmented, with major players (Starbucks, Dunkin', Peet's) as well as independent coffee shops competing in the same space (KoronaPOS, 2023; Specialty Coffee Association, 2023).
	High fixed costs to operate	Rent, labor, supply chain logistics, and franchise fees contribute to significant operational costs that pressure profitability (United Baristas, 2023; First Research, 2023).
	Low industry growth	While specialty coffee demand remains strong, overall industry growth is stabilizing, making competition for market share more intense (Premise Data, 2023; Specialty Coffee Association, 2023).
	Overcapacity in the Industry	The market is saturated with local and national coffee brands, increasing competition and price pressure (Premise Data, 2023; Specialty Coffee Association, 2023).
	Low Product Differences	Most coffee chains offer comparable products (espresso drinks, cold brews, flavored lattes), but they are differentiated through specific recipes, branding, and customer experience (Baggenstoss et al., 2008; Tao & Kim, 2022).
	Low switching costs for buyers	Customers can easily try a new coffee shop without financial or time barriers, intensifying competition or opt to make coffee at home, which is rising in popularity (Premise Data, 2023; GlobeNewswire, 2023).
Threat of New Entrants	Low economies of scale within industry	Small operations can compete with low economies of scale, such as specialty coffee shops (Crimson Cup, 2023). However, large coffee retailers have high economies of scale by producing and ordering in bulk (Specialty Coffee Association, 2023).
	Low product differentiation and/or brand equity	While products can be similar, coffee, and other beverage products are differentiated by the unique coffee bean blend and other proprietary recipes (Baggenstoss et al., 2008; Nolo, 2023).
	Low capital requirements	Coffee upstarts are common and constantly shaping the industry (United Baristas, 2023). Coffee shops are less costly to start than other businesses, including other restaurants (First Research, 2023).
	Low switching costs for buyers	Consumers can easily switch to new coffee shops without additional costs, usually saving money (Premise Data, 2023; Greenlight, 2023).
	Easy access to distribution channels	Suppliers, online marketing, and franchise models make it easier for new entrants to access

		necessary resources and customer bases although it is difficult to do on a large scale (United Baristas, 2023; First Research, 2023).
	No government policy restricting industry	The coffee retail sector is not highly regulated, allowing new businesses to open with minimal legal obstacles. There are licensing requirements with the FDA and the Health Dept (KoronaPOS, 2023; FDA, 2023).
	Easy access to necessary inputs	Coffee beans, syrups, and brewing equipment are widely available from suppliers, reducing barriers for new entrants. If new entrants wish to create a signature blend, the ease of access is limited (Webstaurant Store, 2023; Voltage Restaurant Supply, 2023).
	Limited learning curve benefits for incumbents	Unlike industries with complex technological barriers, running a coffee business relies more on service, branding, and efficient operations, which can take a while to develop (Baggenstoss et al., 2008; United Baristas, 2023).
	Limited expected retaliation from incumbents	Incumbents are not expected to retaliate but may shift to new customer preferences discovered by entrants (Premise Data, 2023; Specialty Coffee Association, 2023).
	Limited patent and trademark protection	Copyrights are available for recipes, but not commonly used. A simple list of ingredients cannot be copyrighted. Trademarks are used for brand names and images (Nolo, 2023; Duke Law, 2023).
Threat of Substitute Products	Low switching costs	Customers can switch from coffee retailers to energy drinks, bottled coffee, or tea without extra costs, even saving money (Greenlight, 2023). Coffee at home is significantly less expensive than at a retailer (Premise Data, 2023).
	High buyer inclination to substitute	Younger demographics, a key customer base for the retail coffee industry, are increasingly experimenting with alternative caffeinated beverages like matcha, kombucha, functional wellness drinks, and dirty soda (NRN, 2023; Innova Market Insights, 2023).
	Low price-performance tradeoff	Home coffee brewing, subscription-based coffee services, and convenience store options provide similar caffeine benefits at a lower price per serving (Coffee Complex, 2023; Greenlight, 2023).
	Easy ability to substitute	There are many substitute products such as canned energy drinks. It is extremely easy to find and purchase substitutes and usually at less expensive prices (Greenlight, 2023; NRN, 2023).

Figure 4: Strategic Group Map



Chick-fil-A

1. Wida, 2020
2. Javanian, 2024

Dunkin'

1. Vachon, 2022
2. Laskowski, 2022

Dutch Bros:

1. Doner, 2023
2. Dayton, 2025

Einstein Bros. Bagels

1. Close Up Media, 2021
2. Reuters, 2024

McDonald's

1. Schieck, 2024
2. Maynard, 2024

Panera Bread

1. Panera Bread, 2025
2. Hoffman, 2022

Peet's Coffee

1. PR Newswire, 2023
2. Peet's Coffee, 2025

Scooter's Coffee

1. Food and Beverage, 2025
2. Carbonera, 2025

Starbucks

1. Vachon, 2022
2. Masternak, 2024

Tim Hortons

1. Richelieu and Korai, 2013
2. Tim Hortons, 2025

Ziggi's Coffee

1. Global Franchise Team, 2022
2. Manus, 2023

Figure 5: VRIO Table

Resource/Capability	Valuable	Rare	Costly to Imitate	Organized to Capture Value	Outcome	Performance Metrics
1. Drive-thru-centric model	Yes	No	No	Yes	Temporary Advantage	Customer wait time, revenue per store
2. Company culture & employee loyalty	Yes	Yes	Yes	Yes	Sustained Advantage	Employee turnover, Glassdoor ratings
3. App-based rewards program	Yes	No	No	Yes	Competitive Parity	App downloads, active users
4. Brand identity and loyal community	Yes	Yes	Yes	Yes	Sustained Advantage	Social engagement, NPS, repeat visits
5. Unique drink customization	Yes	No	No	Yes	Temporary Advantage	Customer satisfaction scores
6. Rapid expansion strategy	Yes	Yes	No	Partially	Temporary Advantage	Store count growth, same-store sales
7. Low-cost operating model	Yes	No	No	Yes	Competitive Parity	Operating margins
8. Strong regional presence	Yes	No	No	Yes	Competitive Parity	Market share by region
9. Franchising experience	Yes	No	No	Yes	Competitive Parity	Revenue from franchising
10. Founders' entrepreneurial legacy	Yes	Yes	Yes	No	Unused Potential	Brand storytelling impact, cultural appeal

There is not space to include full citations within the chart, but the following sources were used to inform each aspect of the VRIO analysis:

- **Drive-thru-centric model** – Nation's Restaurant News (2023)
- **Company culture & employee loyalty** – Glassdoor (n.d.)
- **App-based rewards program** – Olo Inc. (2024)
- **Brand identity and loyal community** – Xu (2023); Tao & Kim (2022)
- **Unique drink customization** – Xu (2023)
- **Rapid expansion strategy** – World Coffee Portal (2025); Kelso (2024)
- **Low-cost operating model** – Eakin (n.d.)

- **Strong regional presence** – Nation's Restaurant News (2023)
- **Franchising experience** – Kelso (2024)
- **Founders' entrepreneurial legacy** – Doner (2023)

Figure 6: Value Chain Table

Activity	Dutch Bros Execution	Value Contribution
Procurement	Strategic supplier relationships and inclusive pricing (e.g., no dairy upcharge)	Ingredient consistency, positive brand perception (World Coffee Portal) (McKinsey & Company, 2023)
Inbound Logistics	Centralized supply chain management for drink ingredients including coffee bean roasting	Cost efficiency, quality control, flavor consistency, protecting the brand (Baggenstoss et al., 2008) (Tao & Kim, 2022)
Operations	Small-format drive-thru-only and kiosks	Speed, convenience, low cost, scalability (CNBC, 2024) (Danley, 2024)
Outbound Logistics	No delivery focus, relies on fast in-person pickup	Customer flow optimization, requires customer interaction (Peachman, 2023) (Danley, 2024)
Marketing & Sales	Word-of-mouth, social media, community events, app rewards	Customer acquisition, brand loyalty, high engagement (Xu, 2023) (Doner, 2023)
Service	Friendly, enthusiastic "broistas" trained for connection	Exceptional customer experience, increased visit frequency, brand loyalty (Peachman, 2023) (Kelso, 2024)
Technology (Support)	Loyalty app powered by Olo integration for seamless ordering and rewards	Enhanced retention, personalized promotions, operational data insights (Olo Inc., 2024) (Danley, 2024.)
HR Management (Support)	Culture-based hiring and "mob" teams to launch and train new stores	Employee consistency, morale, and scalable company culture (Dipalma, 2024) (Kelso, 2024)
Firm Infrastructure (Support)	Values-driven leadership with focus on people-first strategy and sustainable growth	Aligned vision, consistent service, long-term growth (Peachman, 2023) (Yahoo Finance, 2024)