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Sales Are Brewing

Michael Klong, left,
and Jim Carbone,
have grown the
Classic Group
to a \$10 million
operation.

State of the Coffee Service Industry

The Classic Group in Chicago, IL,
and other office coffee service
providers saw revenues from the
OCS segment increase this year.
Local and artisan roasters as well
as bean-to-cup systems are the
top new industry trends.



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State of the Coffee Service Industry

22 ► Coffee sales rise, so do costs

In the second half of 2013 and start of 2014, the majority of office coffee service providers saw increased revenues, however, an increase in green coffee bean prices and many locations with tight OCS budgets kept the growth moderate. New trends include local roasters and bean-to-cup single cup brewers.



SUCCESS STORY



14 ► Chicago duo broadens coffee service...and profits

How wholesale distributing has heated up sales.

Partners Michael Klong and Jim Carbone used sales, service and coffee to become a \$10 million operation.

FEATURES

38 ► The New CoffeeTea&Water

NAMA has reinvented this year's CTW show with a new look and a centralized focus on education and networking.

40 ► Joe on the Job

The latest insights about the coffee service industry from CTW regulars.

DEPARTMENTS

6 ► Editor's Note

The number of coffee addicts is increasing, but they are still price conscious.

8 ► Publisher's Note

Slow mobile adoption won't keep this technology from becoming wide-spread. Operators need to be ready.

10 ► VendingMarketWatch News

44 ► Products

46 ► Spotlight

47 ► Marketplace

50 ► 2014 Route Driver of the year Quarterly winner

Billy Thornblom
Drapalla Vending,
San Antonio, TX

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*NPD Group SPLENDA® Brand Study Revised, 2012

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The hot business of coffee

The number of coffee addicts is increasing, but they are still price conscious about their artistically roasted specialty-grade beans.

Ah...coffee. I was a late follower to this warm, caffeinated morning (afternoon and evening) ritual. But once I joined in, I haven't looked back, except maybe with pity on those who don't partake. And I, like most consumers, try to balance my increasingly discerning coffee tastes with how much my wallet can bare. Now more than ever before,

consumers know about coffee and are daily drinkers. The evidence is everywhere — the new trend in roasters, the addition of coffee in more quick serve restaurants, statistics from multiple organizations and positive growth in the office coffee segment.

Third-wave and local
More local coffee shops are carrying local roasts manufactured in the back-

broaden business and thrive in a tough urban market, on page 14.

QSR coffee goes national

Quick serve restaurants, most often known for their food, are now viewing coffee as a profit generating segment. VendingMarketWatch.com recently reported that McDonald's is counting on the popularity of its McCafé brand to drive coffee sales...outside restaurants. With the help of Kraft Foods, the McCafé coffee will be available in 12-ounce bags and in on-demand single-cup packages in the U.S. starting in early 2015.

Another QSR restaurant, Chick-fil-A®, announced it will start serving specialty-grade coffee in restaurants using the standards of the Specialty Coffee Association of America (SCAA) — a designation met by only 10 percent of coffee worldwide, according to the announcement. Chick-fil-A is partnering with THRIVE Farmers™ Coffee to introduce the chain's exclusive coffee blend.

The National Coffee Association reports strong coffee drinking habits among U.S. adults, page 34, as does the SCAA. Even organizations geared more toward consumer spending recognize coffee as an important trend. Money Level, an app that helps smartphone users see how much money they can spend, recently published a report on what Millennials are purchasing and coffee topped the list. And no wonder, coffee can be a pick me up, a status symbol and a way to make personal connections, not to mention a premium perk in the workplace. And as one OCS operator said to me, "It's a great time to be in coffee." ▶



LOCAL roasters have developed a following.

room facility, or are showcasing artisan roasters who don't trust their brand to large foodservice companies. These roasters are looking for additional markets, creating the opportunity for OCS operators to become distributors, especially if the coffee has created a local following. The popularity of smaller roasters has also driven a more profitable single-cup opportunity with bean-to-cup systems and offered customers a premium cup of coffee. See how a Chicago, IL-operation used all of these ideas and more to

Automatic MERCHANDISER

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Is mobile a gamble?

Slow adoption won't keep this technology from becoming widespread. Operators need to be ready.

Question. Who is sick and tired of hearing how great technology is? Who wishes we were back to only accepting cash as the form of payment? Weren't things so much easier then? I must admit that there are times when I think times are changing much too fast. Seems like there is a new technology out there every 5 minutes nowadays doesn't it? So it's no wonder why as a business owner, it can seem like quite a daunting task when deciding how to move our businesses forward. I'd be willing to pay top dollar on a guaranteed sure thing, but

unfortunately, there's no such thing as a sure thing when it comes to business. Here is what we know for sure. Those who are willing to take an educated risk in their businesses tend to have more success than those who make no changes from year to year. The latest technology that is getting all the focus lately is the use of mobile payments. Since the NAMA OneShow, I don't think there has been a week that has gone by where someone hasn't asked me what my

thoughts are on mobile payments. There are millions if not billions of dollars spent by companies to develop the mobile payment solution that consumers will hands down use. We've even covered some of those investments in VendingMarketWatch Today.

Education: key to mobile

I read an article published on Banking-Business-Review.com that said that despite a ton of financial backing, consumers have been fairly slow to adopt mobile payments. I'm not really surprised nor discouraged by this finding at all. I personally believe that the U.S. market is still in the infancy

of mobile payment. There's a lot of education that still needs to be done. I know that there is a lot of focus on catering to Millennials, but if you've read any of the characteristics of Millennials, you'd find that they are a generation that doesn't trust blindly and is very skeptical. In fact, their characteristics can be quite similar to that of Baby Boomers. They also are price conscious and look at getting the best value.

According to the Banking-Business-Review article, analytics and loyalty will drive the growth of mobile payments. The article further stated that of mobile payment app users, 53 percent report they've either used or are interested in redeeming offers and coupons with their handsets. I think this will be a key component to mobile payment app acceptance in the future. I think it will certainly appeal to Millennials' needs of getting the best value for the price they pay. We've already reported on successful rewards programs like Starbucks and McDonald's, and I just believe that we'll see the same type of trends in vending. So I think that once mobile payment providers really educate the benefits of their technology to the consumer audience, you'll see adoption gain quickly and the preferred apps.

Don't wait for widespread use

So have I solved what do to with mobile payments in our industry? Hardly. However, I don't believe that mobile payments are something that you can ignore until acceptance is widespread. I think our industry still needs to learn how consumers are adapting and using mobile payments in their day-to-day lives. I also think that our industry must understand the buying habits of its consumers in different locations, identify trends and discover the possible opportunities. The best part of it all? You're not alone. Partner with your VMS, cashless and mobile payment providers. They are a wealth of knowledge. Also, look for more articles on this topic as it relates to the industry in future issues of *Automatic Merchandiser* and *VendingMarketWatch.com*. | ◀

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PayRange Signs Distribution Agreement With Vistar

PayRange announced that it has signed a strategic distribution agreement with Vistar. As part of the agreement, Vistar's nationwide staff will focus on the representation and sales of the PayRange technology. "We see this as an incredible partnership," Paresh Patel, CEO and founder of PayRange, told VendingMarketWatch. "Vistar has a vested interest in the vending industry, as nearly all operators buy from the company, and now Vistar can help operators increase their sales by accepting mobile payment on the machines." There will be no additional shipping cost for operators adding the PayRange technology to their Vistar orders and prices will remain at \$49 each.

Top Investor Backing

Following on the heels of a \$2.75M funding round, PayRange also disclosed a list of notable investors: Nyca Partners (which includes Osama Bedier, former head of Google Payments; Hans Morris, former president of Visa; and Max Levchin, co-founder of PayPal); Anil Aggarwal and Jonathan Weiner, founders of the Money 20/20 conference; Barbara Corcoran; Google Ventures; Jared Leto; and Phil Nadel.



Vistar sales representatives will now sell the PayRange device nationwide.

Refreshments is suing USA Technologies, according to The Atlanta Journal-Constitution. Coca-Cola Refreshments alleges that USA Technologies failed to disconnect its card readers on Coke vending machines after the two companies ended a partnership and the lawsuit claims that USA Technologies continued to collect monthly fees. A USA Technologies representative is quoted as saying the lawsuit is without merit.



Mars, Inc. Introduces SNICKERS Xtreme

► For the first time, SNICKERS® Brand offered consumers the chance to select the name of a new product through an exclusive vote on the brand's Facebook page. Mars Chocolate North America announced the fans' choice – SNICKERS Xtreme. SNICKERS Xtreme includes a single layer of roasted peanuts and caramel blended and enrobed in milk chocolate.

AMS Announces New Ownership

► Automated Merchandising Systems (AMS) President Sharon Shull has announced the purchase of the vending machine manufacturing company by AMS Group, Inc., led by its CEO, Roger Tovar. In a letter to AMS customers, Shull points out, "Roger Tovar is no stranger to AMS, as he was one of our first customers. In that early relationship, Roger and Roy Steeley, like Roger and I, became friends."

BBI Adds National Telesales Office To Its Portfolio

► Burdette Beckmann, Inc. (BBI) announced the addition of a new inside sales office located in downtown Appleton, WI. The office is staffed with a professional inside telesales team that will act as an extension to the existing BBI sales team. The new office and team are being managed by Tammy Whittemore.



USConnect Hosts Affiliate Summer Meeting

► The USConnect family of companies conducted their summer meeting in Baltimore, MD, on July 9 and 10. Nearly all of the current 39 USConnect affiliate companies were represented at the meeting. The balance of the meeting revolved around subjects such as: how to use the USConnect advantages in selling new business, how to roll out the USConnect Rewards Card and services

at client locations, the Bistro to Go! Micro Market concept, end consumer promotions via the USConnect Rewards Card, and how to incorporate the USConnect "The Right Choice...for a Healthier You!" program in account retention and sales.



Coca-Cola Refreshments Sues USA Technologies

► A lawsuit filed in federal court in Atlanta, GA, reveals that Coca-Cola



Keurig Announces 9% Price Increase

► Keurig Green Mountain, Inc. (Keurig) announced a price increase of up to 9 percent on all portion packs sold by Keurig for use in its Keurig® brewing systems and on all its traditional bagged, fractional packs and bulk coffee products. This price increase will be effective beginning Nov. 3, 2014. The price increase is in direct response to several factors affecting the cost environment in the coffee and consumer packaged goods industries, including a sustained increase in the price of green coffee and cocoa, along with increases in packaging materials, energy, and transportation costs. Over the past year, green coffee prices, alone, have increased approximately fifty-five percent.



USG Announces Membership Seminars

► Unified Strategies Group (USG) is announcing membership seminars to assist the co-op members to better utilize the Web-based tools being developed by USG and to introduce the many new supplier programs initiated during 2014. USG membership seminars have been scheduled for Oct. 2 in Myrtle Beach, SC, in conjunction with the ACE Convention and Nov. 11 in Dallas, TX, in conjunction with the NAMA CoffeeTea&Water show.

NAMA Releases Its 2014 Annual Operating Ratio Report

► NAMA announced the release of the association's Operating Ratio Report for 2014. The report's variable data includes metrics for typical and high-performing companies, including sales per employee, costs of goods and services, operating expenses, inventory turnover and accounts receivable. The 2014 Operating Ratio Report provides key insights on high-profit companies and how they operate.

Hav-A-Cup Coffee Service Celebrates 34 Years In Business

► Hav-A-Cup Coffee Service, locally-owned and family-run, is celebrating 34 years in business. The business provides coffee and breakroom supply delivery service to companies and offices in the Asheville, Charlotte, Winston-Salem and Hickory areas in North Carolina. Hav-A-Cup credits their success to dedication to service and family values.

Red Bull To Pay \$13 Million To Settle Lawsuit

► Red Bull GmbH has agreed to pay more than \$13 million to settle a New York federal court proposed class-action lawsuit for alleged false advertising, according to Law360. The energy drink company agreed to a settlement that would provide consumers the option of a \$10 cash reimbursement or two complimentary Red Bull products with a retail value of \$15.

People in the News

Mondelez International Appoints New Chief Growth Officer

Mondelez International named Mark Clouse as chief growth officer. In this newly created position, Clouse will be accountable for all of the key areas of the company's growth strategy, and will oversee the teams responsible for corporate strategy, global categories, global marketing, global sales, and research, development and quality.



Clouse

Michigan State Rep. Dan Lauwers Visits All Star Services

Jeffery Smith, All Star Services CEO, hosted Michigan State Representative Dan Lauwers, R-Brockway Township, for a site visit on Aug. 19. Rep. Lauwers met with All Star Services staff, along with Michigan Distributors & Vendors Association (MDVA) President Polly Reber and Governmental Consultants Lobbyist Steve Young.



Lauwers

Vianey Anguiano Joins Dole Packaged Foods, LLC

Dole Packaged Foods, LLC. announced Vianey Anguiano has joined the Dole Foodservice team as Western regional sales manager. Anguiano will be working closely with brokers, distributors and operators, developing strategic partnerships and providing targeted, high impact fruit solution programs for the company's customers.



Anguiano

Dan Cox To Give CTW Opening Keynote

Dan Cox, owner and president of Coffee Enterprises, will be the opening keynote speaker at the NAMA CoffeeTea&Water (CTW) show on Tuesday, Nov. 11 at 4:00 p.m. at the Hyatt Regency Dallas.



Cox

Server Products Promotes John Rayburn

Server Products has promoted John Rayburn to director of engineering and product development. Rayburn has been with Server Products for 10 years, most recently as director of product development, and has spent 28 years in the industry, holding various operations management positions at restaurant chains.



Rayburn

John Conti Retires, Sells Business To Canteen Of Kentuckiana

Founder of john conti Coffee Co., John Conti, is retiring after 52 years in the industry. In a letter to customers and team members, Conti announced that Canteen of Kentuckiana, headquartered in Louisville, KY, will be taking over business operations of john conti Coffee Co., also located in Louisville, KY. "I feel confident that we have found a strategic match with Jack Wells and his team at Canteen of Kentuckiana," said Conti in the letter. He went on to say that the john conti Company would remain intact. "You will still be able to enjoy the highest quality products, and those products will continue to be delivered by your current route territory manager. You will still be working with the same great team, who will be happy to handle any issue or question that you need assistance with."

john conti
Gourmet Coffee
"The Best Coffee In Town"
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John Conti, founder of john conti Coffee Co., announced his retirement in early August.



Keurig, Kraft Announce Licensing Agreement

► Keurig Green Mountain, Inc., (Keurig) and Kraft Foods Group, Inc. announced a multi-year licensing, manufacturing and distribution agreement for Kraft's branded coffees in Keurig® portion pack formats compatible with Keurig® consumer and commercial brewing systems in the U.S. Financial terms of the agreement were not disclosed. Keurig licensed Kraft-branded portion packs will begin to launch in fall 2014.

*Your customers are becoming
more health conscious every day.*





The Coca-Cola Co., Monster Beverage Corp. Enter Into Long-Term Partnership

► The Coca-Cola Co. and Monster Beverage Corp. announced that they have entered into definitive agreements for a long-term strategic partnership. The Coca-Cola Co. will acquire an approximately 16.7 percent ownership interest in Monster (post issuance) and will have two directors on Monster's board of directors. The Coca-Cola Co. will transfer ownership of its worldwide energy

business, including NOS, Full Throttle, Burn, Mother, Play and Power Play, and Relentless, to Monster; and Monster will transfer its non-energy business, including Hansen's Natural Sodas, Peace Tea, Hubert's Lemonade and Hansen's Juice Products, to The Coca-Cola Co.



Fresh Healthy Vending Reports Record Placements

► Fresh Healthy Vend-

ing International, Inc. announced that it secured 115 locations in July, for the intended placement of 121 healthy snack machines across the country. According to the company's release, this marks the largest monthly total during 2014 and represents approximately \$421,250 in anticipated revenue.

CALENDAR OF EVENTS

OCT. 2-4

2014 Atlantic Coast Expo
Kingston Plantation
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Phone: 919-387-1221
www.atlanticcoastexpo.com

OCT. 2-4

Canadian Automatic Merchandising Association Expo
Quebec City Convention Centre
Quebec City, Canada
Phone: 888-849-2262
www.vending-cama.com

OCT. 17-19

Coffee Fest Portland
Oregon Convention Center
Portland, OR
Phone: 425-295-3300
www.coffeefest.com

NOV. 11-13

CoffeeTea&Water Show
Hyatt Regency Dallas
Dallas, TX
Phone: 312-346-0370
www.coffeeteaandwater.org



Mars Chocolate To Increase Prices 7%

► In a statement released by a spokesperson for Mars Chocolate North America, it was revealed that the company will increase prices 7 percent, though the specific change will vary by product.

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Chicago duo broadens coffee services

...and profits

By Emily Reformat, Editor

A focus on sales, service and reaching beyond vending and office coffee changed the future of one small Chicago, IL-based vending company to the \$10 million-vending, micro market, OCS operator and wholesale distributor that it is today.



The entryway mimics a coffee house that is used for meetings, trainings and thirsty staff.

The worst kind of limits are self-imposed. They are also the hardest to break through, making the vending, micro market and office coffee service operation known in the industry as the Classic Group so unique. Partners Michael Klong and Jim Carbone were able to broaden their ideas of coffee service in order to break their own limits and do what other vending and OCS providers have not — to think outside the box. The Classic Group

has grown from a small, family-run amusement and vending company to a 40-employee operation that includes servicing high-end espresso machines and distributing coffee to area supermarkets.

Klong and Carbone have grown the Chicago, IL-based business from \$1.5 million in sales to \$10 million in 7 years. They are in front of the trends and grabbing business with service, sales, experience and the variety of their offerings. “There’s no com-

pany that does what we do,” said Carbone about the services and products offered by the company.

An amusing history

Michael Klong started full-time in the vending business immediately after college in 1999. His mother was running a small amusement company making \$150,000 a year. Klong, with the help of a business partner, purchased her outright. “I knew we couldn’t work together then,” said Klong with

a laugh, as his mother now works in the accounts receivable department of the operation. Klong incorporated the company in 2000 and grew the services and clientele into vending and OCS in 2005.

It was during this time that Klong met Jim Carbone. Carbone had been selling vending equipment for a number of years. He worked for Atlas Distributing, then branched out on his own to form an equipment distributing company called Pro Vending. He sold that company to Betson Distributing in 2005. He got to know Klong well during that time and after briefly trying his hand at the convenience store business, Carbone returned to vending and joined Klong as a business partner at the Classic Group in 2007.

Klong and Carbone decided to sell the amusement segment. “Amusement is a different business,” said Carbone. “You need to specialize in it.” After divesting the amusement business, the pair refocused the company on vending and OCS, which led

Klong and Carbone offer their front area to suppliers for training and demonstrations.

More than just a warehouse

In 2013, Michael Klong and Jim Carbone were outgrowing the 10,000 square-foot warehouse space they had been renting to operate the Classic Group. They were focused on expanding their coffee and tea segment with Chicago's Coffee and Teas and needed a special type of location. They found an old factory building and renovated the 50,000 square foot space with warehouse shelves, loading docks, offices and a temperature-controlled, locked storage area that would be leased to a wine distributor.

The building is a mile from downtown, a good selling point, and has a special coffee-shop like main entrance. “We wanted to do something that no one's done that would turn heads,” said Carbone. That was the idea behind the coffee show room which includes cold brew coffee on tap, a high-end espresso machine and everything you need to make it a training space for local coffee and tea suppliers, restaurateurs and hotel operators who need to train staff. The Classic Group allows partners to use the space free of charge. And employees use it for refueling during the day. “We are proof productivity increases when you have good coffee around,” said Klong.

them straight to some less traditional revenue generating opportunities in the coffee market.

Focus on customer needs

Coffee — as the major growth area of the company — came naturally to both Klong and Carbone. It was some-

thing they both felt passionate about and was growing in sales revenue.

“Vending has grown as well, and it is very important to us, but when we got into coffee we wanted there to be more differentiating aspects about our company,” said Carbone. That was one reason that the company came up with two brands, the Classic Group for the vending, micro market and OCS side and then Chicago Coffees and Teas for the restaurant and café side. “What appeals to an office is different than a café,” said Klong.

Chicago Coffees and Teas took the company from classic OCS to specialty coffee, including third wave roasters. “That's the trend, that's the future,” said Klong. Third wave refers to a new surge in artisan roasters. Klong and Carbone are exclusive distributors of many third wave roasters in the Chicago area, including Metropolis, Colectivo and Stumptown's cold brew. Being distributors means also supplying these products in bulk to restaurants and supermarkets in addition to offering them to offices. Tea has been another large seller on the bulk product side. Klong and Car-



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bone are distributors for Milwaukee, WI-based Rishi teas, an award winning brand. “Tea does so well, it’s crazy how many SKUs we have of it,” said Carbone. Most of the tea the Classic Group sells is to retailers and restaurants.

The company’s main advantage with forming these exclusive partnerships has been their dedication to service. “When we’re working for partnership, they need to feel comfortable we can produce what we say we will,” said Klong. That includes providing quality products, timely delivery and, most importantly, the proper equipment servicing.

“Service is really important to the coffee side of the business,” said Carbone. “There is someone on-call and working 24/7 at our operation, including holidays.”

“Chicago’s Coffees and Teas significantly improved what was already a high level of service for the Classic Group,” Klong added. In fact, the service end of the business is growing. Klong and Carbone have made arrangements with several equipment suppliers to provide equipment maintenance in the Chicago area. That includes restaurants and cafes using the equipment as well as large offices, that don’t use the Classic Group’s vending, OCS or micro market service. Many of these locations can’t wait until the next day for equipment to be repaired, so the service department has been a positive selling asset for Klong and Carbone.

Providing good service isn’t just about having on-call technicians who may also be trained baristas, but also in training the location on the care and cleaning of the equipment. “When you brew into dirty thermals, the coffee will taste burnt,” said Klong. That’s why the company sends and bills out cleaning supplies to the customer on a regular schedule, to maintain quality consistency and promises kept to the roasting partners.



The Classic Group is the distributor for a number of specialty roasters and supplies the bulk coffee and tea to cafes and grocery stores in the Chicago area.

Sales focused

The Classic Group hasn’t grown by services alone. Klong and Carbone know a good sales staff is imperative. “We aren’t just waiting around for the phone to ring,” said Carbone. “Good sales people are key. There are other companies 4 or 5 times our size with only 1 or 2 sales people. We have 4, plus Michael and myself.”

All the Classic Group sales staff are trained baristas as well, but specialize in different areas, such as in restaurants or vending and office coffee. This means that depending on the location, salespeople will often double up on a meeting. “It’s definitely a team environment,” said Klong.

Growth in bean-to-cup brewers

For the last 10 years, Klong and Carbone have been switching customers from liquid coffee to bean-to-cup systems. The two cite reasons such as bean-to-cup is more environmentally friendly, there are better margins for operators, it produces a better cup of coffee and the plentiful variety of really good coffee for the bean-to-cup machines.

“Most coffee pots need 3 to 4-ounces of ground coffee,” said Carbone. “Artisan roasters are not going to manufacture a 1.5 to 2.5 ounce frac pack.” He adds that they aren’t going to make a cartridge-style coffee package either.

Quality equipment service and third wave roasts aren’t the only nontraditional coffee service options Klong and Carbone offer. Some locations have bins of snacks such as chocolate covered cranberries, dried mangos and cashews. Most of the product in this category were items requested by a single location. Once Klong and Carbone added it to one location, they began offering it to all similar locations as an available option. “There’s a list of things [food and beverages] that companies like Google are offering their employees. Other tech companies need to offer them as well in order to remain competitive,” said Klong.

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Micro markets

The Classic Group recently started offering micro markets, promoted as Fresh Select. While growth in their micro market business has been slow, there are markets with a lot of potential. Klong and Carbone have found offering freshly made muffins in pastry cases or offering a barista in the market in the morning a few times a week are very successful in certain micro market locations.

The company does not operate a commissary to make food for the micro markets, but uses a third party. The fresh food is delivered to the micro markets the same day it is delivered to the warehouse.

Technology helps

All this couldn't be done without technology. The Classic Group has been a partner with Crane's Steamware for many years, which added an additional software component to help the Classic Group handle the third party logistics of a wine distributor that subleases part of the warehouse. In 2014, the Classic Group also updated warehouse technology to include the mobile Lightspeed application and a zoned warehouse. "Pickers start with vending, then OCS then specialty coffee," said Carbone. "Four people pick for 1 ½ hours. Before it used to take between 4 to 6 hours."

The Classic Group added a bar code reader to the picking system as a way to ensure the correct product was pulled. "You have to pick it right," said Klong. "The bar code system is crucial to the customer experience."

The company has been prekitting routes for 9 years and uses remote machine monitoring to make the prekits more accurate. The company also uses handhelds.

Most of the Classic Group's vending machines are no older than 10 years, according to Carbone. Old machines are retired and the com-



Danny LoCash oversees the customer experience including barista training.

Operation Profile:

Year founded: 1999

Headquarters: Chicago, IL

Owners: Michael Klong and Jim Carbone

Number of employees: 42

Number of routes: 12

Software providers: Crane Streamware, Lightspeed, USA Technologies

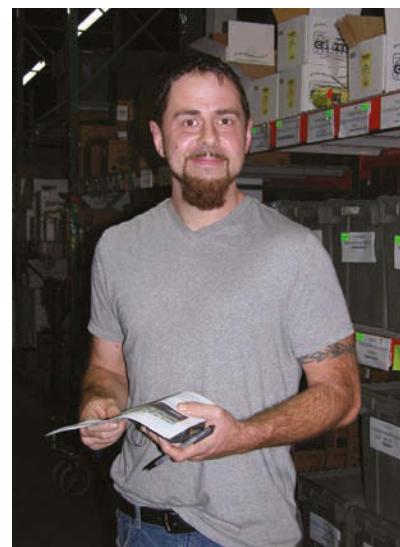
Annual sales: \$10 million

pany purchases new machines for new locations. They have started introducing cashless payment options as well and have them available on about 250 machines.

Putting it all together

The Classic group offers a lot and focuses on a high-end clientele. That means overcoming pricing objections, especially in the OCS environment.

"Price is always an issue," admits Klong, "even for companies like Google. We talk about what we offer. We are a mile from downtown. We



Jason Patnaude handles operations management for the Classic Group.

are about experience and solutions." The goal is to get the location to think about what will increase productivity in the office and offer the proper product lineup.

"We have a good grasp of what the employee is looking for and what the company has to offer to entice the level of employee they want," added Klong. It's a strategy that has served the Classic Group well. With the addition of other revenue generating channels like service and wholesale distributing, the Classic Group has a broad revenue strategy to ensure future success. | ◀

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Coffee sales rise, so do costs

State of the Coffee Service Industry

In the second half of 2013 and start of 2014, the majority of office coffee service providers saw increased revenues, however, an increase in green coffee bean prices and many locations with tight OCS budgets kept the growth moderate. New trends include local roasters and bean-to-cup single-cup brewers.

By Emily Refermat, Editor

Overall, the revenue for the office coffee service segment continued to climb this year reaching \$4.5 billion. While this is modest growth compared to the year before, it is still a record high for the last decade (chart 1). Operators report four main reasons for the rise in coffee sales. In areas where the economy is improving, the number of workplaces offering a beverage program to employees as a perk increased. Growing employee numbers at existing locations also increased OCS revenues. A third reason for better coffee sales is the strong demand for single-cup among consumers. Finally, OCS providers report that the consumer is more educated than ever before about the quality of coffee they drink. If quality and variety is important to the location, these OCS customers are demanding better coffee options and are willing to pay the higher price per cup.

The findings of the 2014 Automatic Merchandiser State of the Coffee Service Industry report are based on input from more than 180 operators from across the U.S. who reported on their OCS businesses. Full-line vending operators, OCS operators who offer vending and OCS-only operators provided the data and insight into the coffee service channel, which continues to break sales records for a fourth straight year.

OCS pulls up totals

A majority, 71.2 percent of OCS providers reported a rise in total operation sales over the last 12 months, in addition to increased coffee sales (chart 2). OCS was reported as the strongest segment of companies' growth. Many operators indicated that increasing coffee sales balanced out stagnant or declining segments, such as vending. Although OCS sales increased, operators saw tighter margins due to the high price of raw green coffee. Since April of 2011, the cost of green coffee has mostly dropped, according to the International Coffee Organization (ICO), see chart 3. However, the price of green coffee spiked in April of 2014 to \$1.70 per pound, up nearly 70 cents from the last quarter of 2013. The price has since gone down in the last several months, but OCS providers are unsure what to expect of green coffee prices for the remainder of 2014. Some coffee-growing countries have reported that crops are being destroyed by drought and leaf rust while others report having a surplus of green coffee. The volatile green prices make it difficult for OCS operators to plan and execute price adjustments to their coffee and service this year.

Many operators reported raising prices and absorbing the increased

THE average price charged to consumers for coffee increased over the past 12-months



CHART 1: OCS REVENUES – 10-YEAR HISTORY

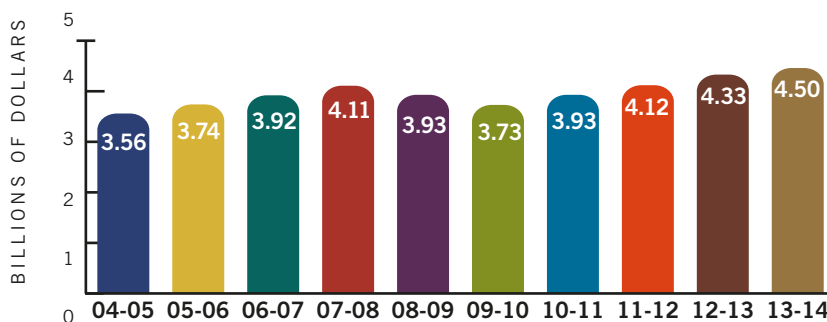
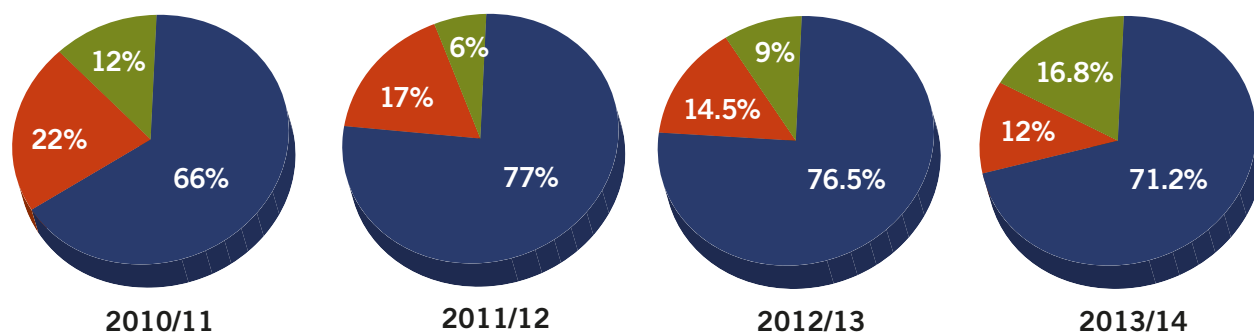
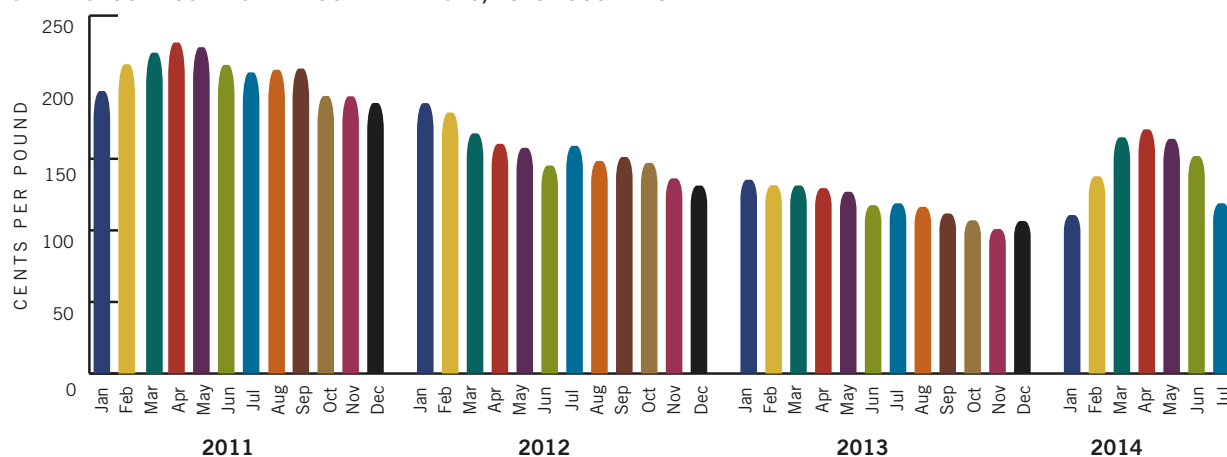


CHART 2: OPERATOR SALES CHANGE, 4-YEAR REVIEW

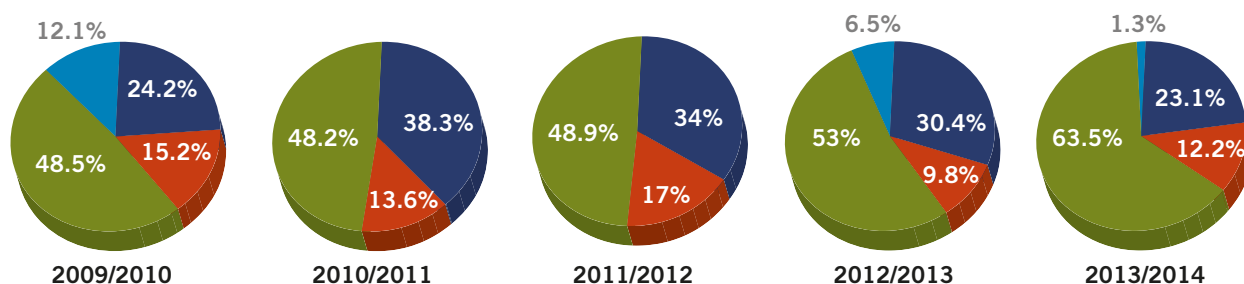
● SALES ROSE ● SALES DECLINED ● NO CHANGE

**CHART 3: COMPOSITE GREEN COFFEE PRICES, 2010 TO JUNE 2014**

Source: International Coffee Organization, London, U.K.

CHART 3B: HOW RISING COSTS ARE BEING HANDLED, 5-YEAR REVIEW

● RAISING PRICES ● ABSORBING ● COMBINATION ● OTHER



*Other includes changing product mix, divesting business, workforce changes, etc.

costs at the same time (chart 3B), due to competitive pressures from other operators, paper supply companies and direct competition from single-cup cartridge manufacturers.

Prices per cup increased from 2013 to 2014, although not by a significant amount. The national average revenue for fractional pack

coffee was relatively flat at 13 cents per cup, compared to 12.9 cents the year before (chart 4B). Single-cup revenues increased, with prices up 3.4 cents to reach 46.5 cents per cup.

Higher costs of coffee and location price point demands are affecting the types of coffee operators are selling. In the past year, OCS pro-

viders report an increase in private label coffee, which is generally a less expensive option than premium national brands, which slipped in share of sales for 2013/2014.

Local roasters meet demands

Possibly a more surprising category change, however, is the emergence



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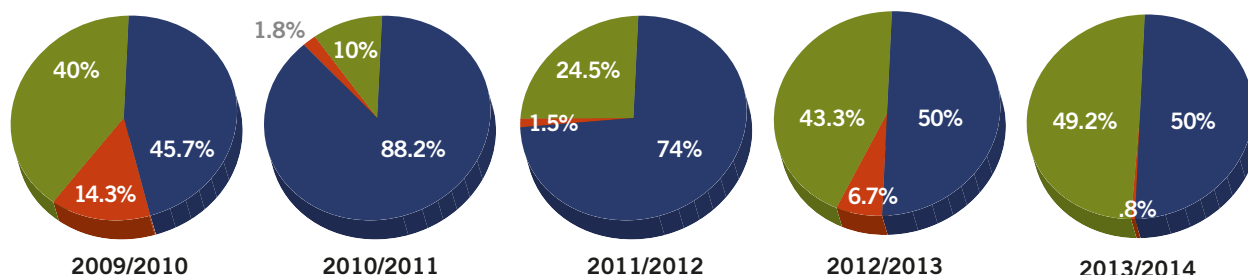
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OPERATOR PRICING ACTIVITY

CHART 4A: OPERATOR PRICING ACTIVITY, 5-YEAR REVIEW

● RAISED PRICES ● LOWERED PRICES ● NO CHANGE



of local roasters accounting for 12.5 percent share of sales in OCS (chart 5). This is the first year that the AM 2014 State of the Coffee Service report has included local coffee brands. The decision to include local roasters was based on early indicators of this growing category. Locally roasted coffees are usually less expensive than national, comparable roasts and blends of the same gram per cup. In addition, operators note that local roasters are able to provide a better tasting coffee as there is less time between its roasting and consumption. Part of the popularity of local coffee brands is the 'local' aspect. Several operators stated that customers like to support their community, and locally sourced coffee can be a positive way to do so.

Single-cup remains strong contender

Single-cup was added as another segment of OCS sales in the AM 2014 State of the Coffee Service Industry report. Operators note that over the past year, single-cup has driven revenue increases, but lowers the profit margins in doing so. Single-cup coffee accounts for over 13 percent of OCS sales (chart 5). That is more than the 12.5 percent from local coffee brands and approaching the nearly 20 percent share of sales of national and private label coffees.

CHART 4B: REVENUE PER CUP IN CENTS PER CUP, FRACTION PACK PLUMBED IN/POUROVER COFFEE, 10-YEAR REVIEW

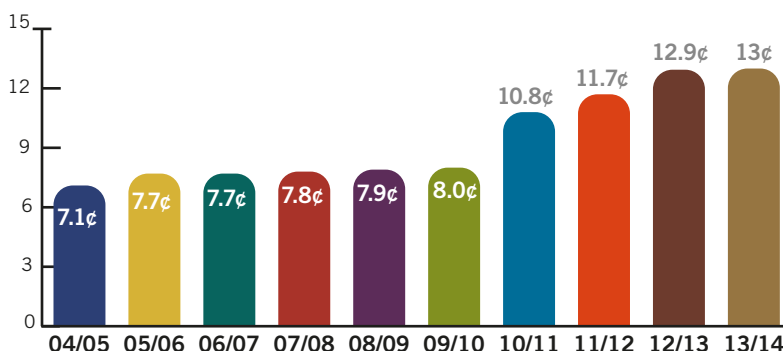


CHART 4C: REVENUE PER CUP, SINGLE-CUP COFFEE, 4-YEAR REVIEW

| | 2010/2011 | 2011/2012 | 2012/2013 | 2013/2014 |
|---------|-----------|-----------|-----------|-----------|
| Revenue | 42.5¢ | 41.8¢ | 43.1¢ | 46.5¢ |

CHART 5: % OCS SALES BY PRODUCT CATEGORY, 5-YEAR REVIEW

| | 09/10 | 10/11 | 11/12 | 12/13 | 13/14 |
|------------------------|---------------|--------------|---------------|---------------|---------------|
| Private label coffee | 39.69% | 28.11% | 28.23% | 18.24% | 21.79% |
| Local coffee brands | | | | | 12.5% |
| National brand coffee | 21.4% | 26.92% | 28.08% | 24.37% | 21.88% |
| Value frac packs | | | | | 3.45% |
| Espresso/cappuccino | 4.94% | 3.6% | 3.77% | 5.38% | 1.85% |
| K-cups | | | | | 7.94% |
| Other single-cup | | | | | 6.02% |
| Other coffee* | 4.63% | 12.07% | 9.86% | 17.36% | 4.75% |
| Total Coffee | 70.66% | 70.7% | 69.94% | 65.35% | 80.18% |
| Other hot beverages | 7% | 4.9% | 5.54% | 6.39% | 3.97% |
| Soft drinks/juices | 3.5% | 5.39% | 5.73% | 6.57% | 1.79% |
| Bottled/filtered water | 4% | 5.7% | 4.75% | 7.29% | 3.92% |
| Creamers/sweeteners | 5% | 5.63% | 6.62% | 6.48% | 5.24% |
| Cups/paper products | 5.5% | 5.41% | 6.17% | 6.51% | 4.48% |
| Other | 4% | 2.27% | 1.25% | 1.88% | 0.41% |

*Includes flavored, whole bean and varietal.

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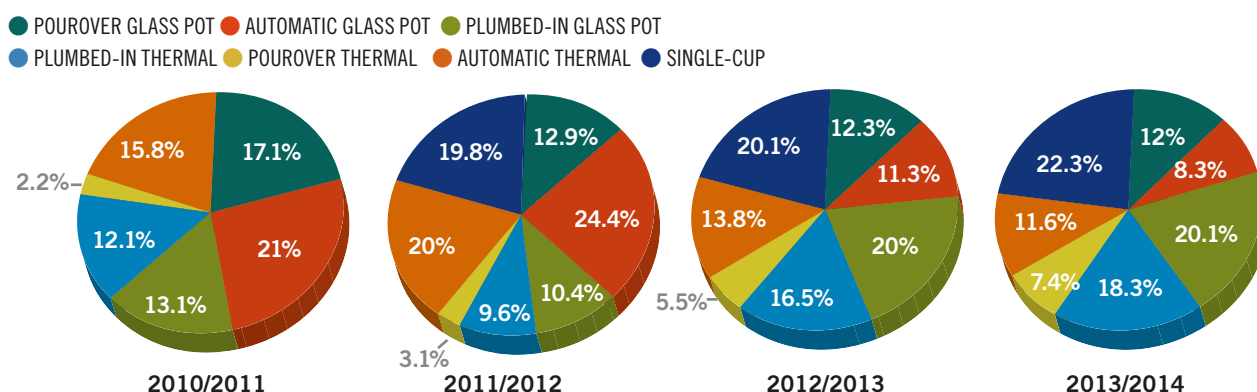
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CHART 6: PLUMBED-IN, AUTOMATIC AND THERMAL AS % OF TOTAL, 4-YEAR REVIEW

As single-cup coffees increase in sales, so does the placement of single-cup brewers. Countertop, brew-by-the-cup machines account for 22.3 percent of brewers placed on location in 2013/2014 (chart 6). As single-cup is more expensive per cup than other types of thermal and pourover OCS options, that likely kept the increase in single-cup brewer placements modest with only a 2.2 percentage-point increase over the prior year. Despite

the number of placements, operators unanimously report that locations are inquiring about single-cup options and prices when searching for coffee service. Operators have seen consumers enthusiastically use single-cup systems when locations are willing to pay for that higher cost option.

Cartridge-style brewers from well-known manufacturers are still the leaders in the single-cup brewer OCS marketplace. Key benefits of

these machines include brand recognition of the coffees available for these systems and their ability to brew coffee-based specialty drinks and personalized beverages.

Some locations do not have the budget to offer cartridge single-cup options to their employees, but operators are finding other less expensive ways to give them what they want. One option operators are offering at locations with tighter budgets is

CHART 7: ESTIMATED MARKETSHARE OF SINGLE-CUP BREWER PLACEMENTS IN THE U.S., 5-YEAR REVIEW

| MARKETER | PRODUCT(S) | 2009/10 | 2010/11 | 2011/12 | 2012/13 | 2013/14 | % Change |
|---------------------|-------------------------------|---------|---------|---------|---------|---------|----------|
| Bodecker Brewed | Bodecker | 0.29% | 0.23% | 0.26% | 0.36% | 0.00% | -0.36 |
| BUNN | Single serve pod brewers | | | | | 1.60% | |
| Cafection | Avalon | 3.69% | 4.10% | 3.89% | 1.98% | 3.25% | 1.27 |
| Cafejo | Cafejo | 2.31% | 2.20% | 2.36% | 2.35% | 0.00% | -2.35 |
| Crane | Café System, Genesis | 1.24% | 1.11% | 0.95% | 1.34% | 0.31% | -1.03 |
| De Jung Duke | Virtu | | | | | 0.80% | |
| Filterfresh | Filterfresh | 2.08% | 1.65% | 1.43% | 4.69% | 2.93% | -1.76 |
| Grindmaster | Grindmaster | 1.38% | 1.26% | 1.35% | 6.03% | 0.14% | -5.89 |
| Keurig | Keurig | 36.79% | 43.00% | 46.23% | 46.22% | 39.62% | -6.60 |
| Kraft | Gevalia, Tassimo Professional | 0.60% | 0.66% | 0.81% | 2.91% | 3.85% | 0.94 |
| LaVazza | Espresso Point, Lavazza Blue | 2.12% | 1.98% | 1.68% | 2.12% | 0.40% | -1.72 |
| Mars Drinks | Mars Drinks (Flavia) | 35.50% | 31.80% | 30.13% | 23.41% | 37.52% | 14.11 |
| Newco | Smartcup, Freshcup, CX-3 | 0.30% | 0.31% | 0.41% | 2.15% | 1.72% | -0.43 |
| Rheavendors | Rhea, Cino, | 0.44% | 0.35% | 0.33% | 0.05% | 0.00% | -0.05 |
| Saeco USA | Saeco, Estro | 2.69% | 2.21% | 2.00% | 0.61% | 0.03% | -0.58 |
| Sara Lee | Douwe Egberts | 0.42% | 0.51% | 0.44% | 1.67% | 1.94% | 0.27 |
| Starbucks | Starbucks | 0.92% | 0.81% | 0.75% | 1.64% | 2.60% | 0.96 |
| Suncana | PodPro | | | | | 0.53% | |
| Technologies Coffea | Coffea | 0.03% | 0.16% | 0.22% | 0.03% | 0.00% | -0.03 |
| VE Global Solutions | Venus, Cypris, Juno, Prosyd | 2.00% | 1.91% | 1.64% | 0.12% | 1.90% | 0.59 |
| Wolfgang Puck | Wolfgang Puck | 0.60% | 0.15% | 0.31% | 0.38% | 0.11% | -0.27 |
| Other | | 0.35% | 0.27% | 0.22% | 0.76% | 0.75% | -0.01 |

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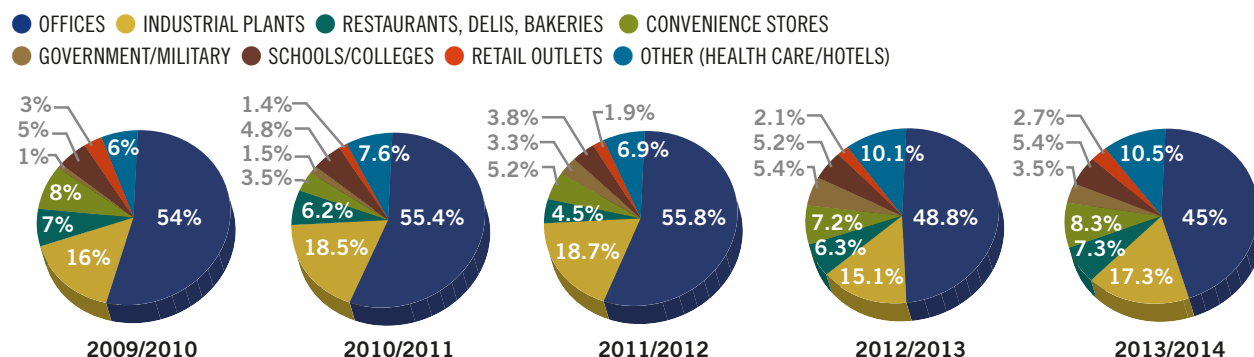
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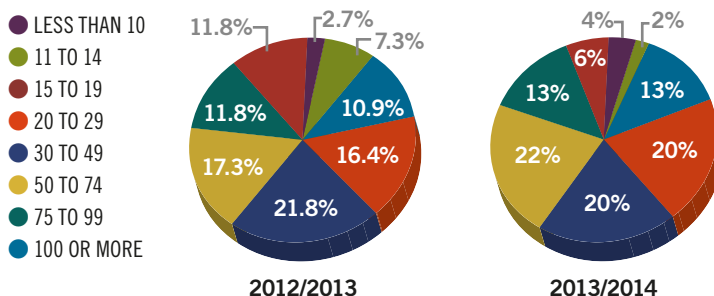
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CHART 8: PERCENT OF NET SALES BY LOCATION TYPE, 5-YEAR REVIEW

bean-to-cup systems which are slowly gaining market share (chart 7). Bean-to-cup systems allow whole-bean coffee to be stored in a hopper attached to the machine. When a user wants a cup of coffee, the beans are ground and the coffee is prepared instantly to the user's specifications. Many of these units have a touchscreen that can enhance the user experience. And because the bean-to-cup system uses whole beans, the cost per cup is lower than prepackaged single-cup options.

Pod brewers are also showing positive growth. They offer the convenience of prepackaged cartridges and since they are made

CHART 9: ACCOUNT POPULATIONS BY SIZE

with filter-like paper instead of plastic, are considered more environmentally friendly than many cartridge-style single-cup options. Pods are often less expensive than cartridges as well.

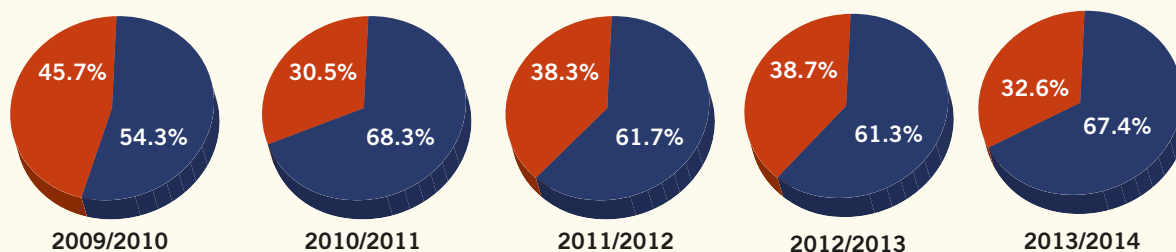
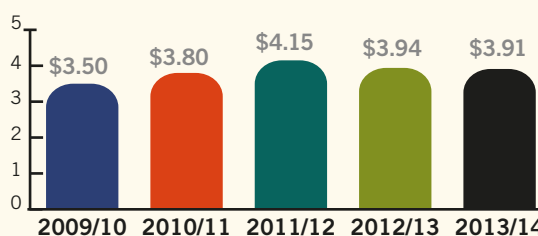
Locations vary

While many OCS customers are asking for better quality coffee or single-cup options, there is still the nagging issue of the price a location is willing to pay for coffee service.

FUEL CHARGE ACTIVITY

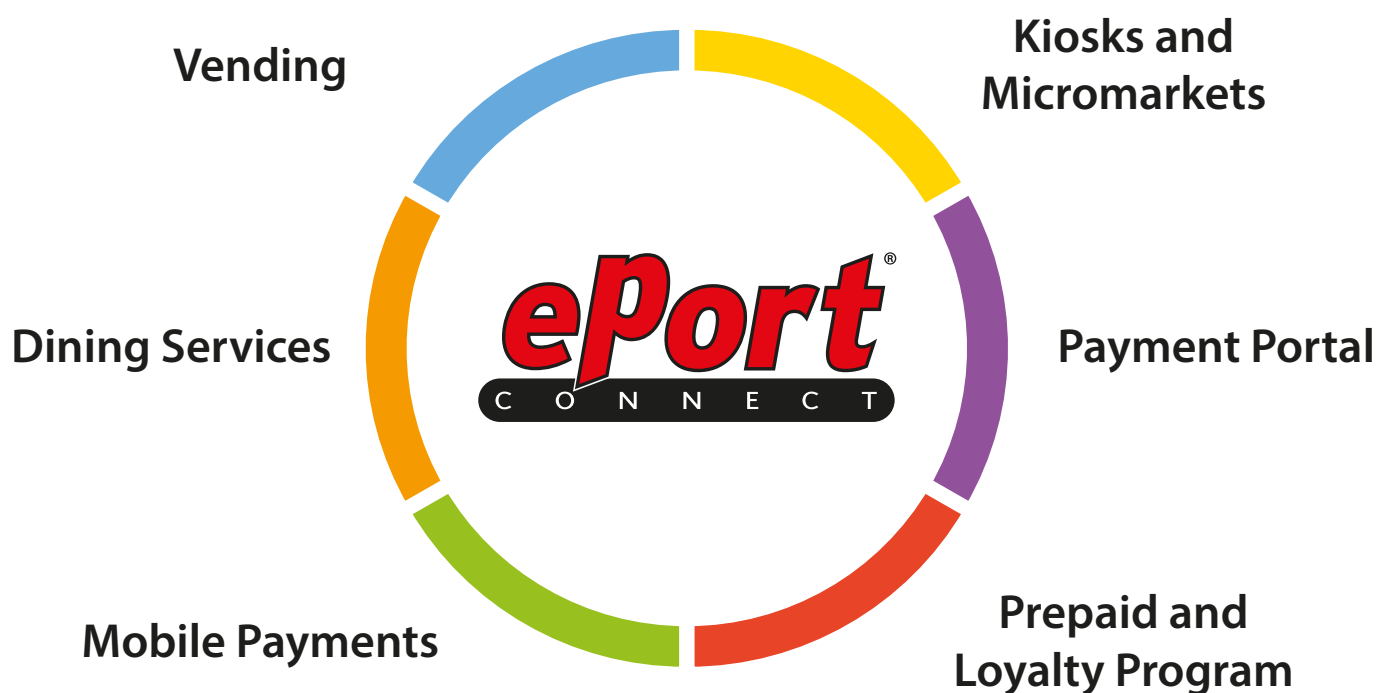
CHART 10A: COMPANY BILLED CUSTOMERS FOR FUEL, 5-YEAR REVIEW

Legend: YES (red), NO (blue)

**CHART 10B: AVERAGE AMOUNT CHARGED FOR FUEL PER DELIVERY, 5-YEAR REVIEW**

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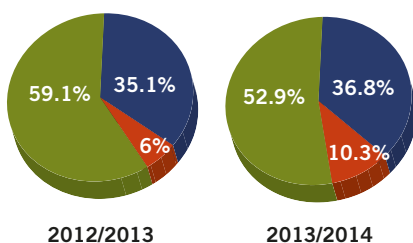


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CHART 11A: HAVE ADDED OR REDUCED STAFF IN THE LAST 12 MONTHS

● ADDED ● REDUCED ● NO CHANGE



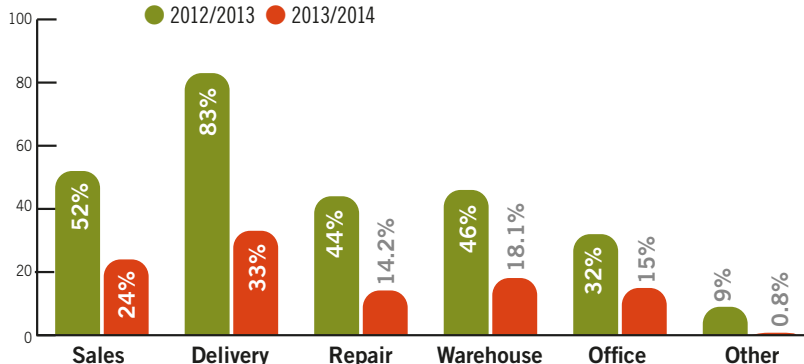
Operators said locations are either price sensitive, meaning they won't pay above a certain amount for coffee service, or they want more products and better service and are willing to pay more money for it. Compared to previous years, operators indicate that fewer locations are balancing coffee service costs versus service demands. If the location's decision comes down to the price of the coffee service, operators have found it difficult to price the coffee for good margins.

Some good news is that the number of workplaces wanting to offer coffee service has increased in the past year. More than half, 57.7 percent, of OCS providers report serving more locations in 2013/2014 than in the previous year. Only 8.7 percent of operators indicated they decreased coffee service at locations.

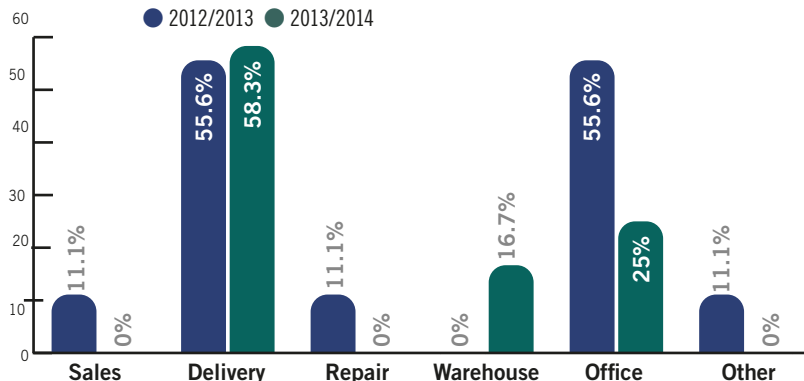
Of the locations adding OCS service, many were small workplaces with less than 10 employees. The share of sales this type of location contributed to the OCS providers'

CHART 11B: IF ADDED STAFF, IN WHICH AREAS?

● 2012/2013 ● 2013/2014

**CHART 11C: IF REDUCED STAFF, WHICH AREAS?**

● 2012/2013 ● 2013/2014



bottom line doubled in 2013/2014 (chart 9). In contrast, operators indicated that for the past year, they reduced service most often at accounts with 11 to 49 employees due to the layoffs and financial challenges at those locations. Larger accounts, those with 50 or more employees, saw the biggest increase in share of sales.

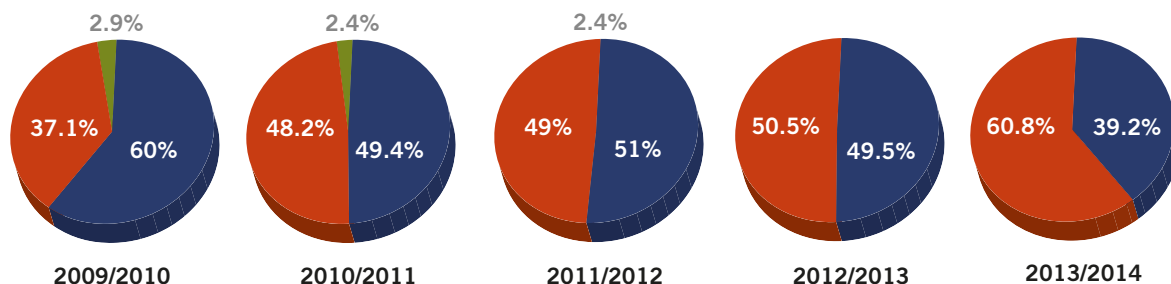
One interesting data point related to the growth of coffee service sales is the decline in sales in office locations. That segment, as a share of

sales, decreased from 48.8 percent to 45 percent in 12 months (chart 8). This drop is likely due to the increase in other types of locations. Operators report an increase percentage of their OCS sales coming from industrial plants, restaurants, convenience stores, schools and retail, supplanting those from offices.

Coffee providers who served large military and government accounts this past year reported revenue declines as a result of the government shutdown.

CHART 12A: HAVE ADDED PRODUCTS THAT ADDRESS ENVIRONMENTAL CONCERNS, 5-YEAR REVIEW

● YES ● NO ● DON'T KNOW



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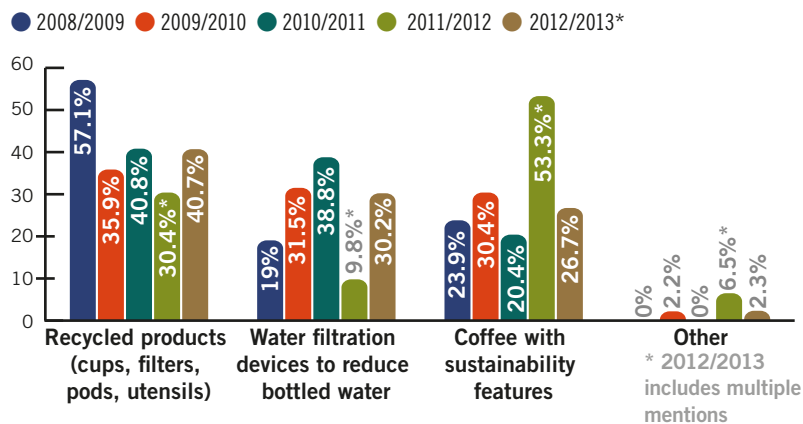
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www.AtlanticCoastExpo.com

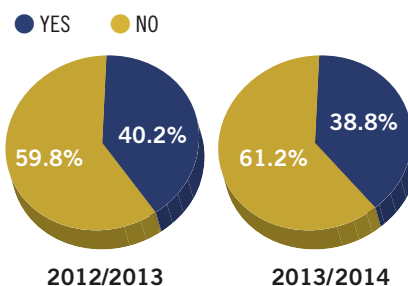
CHART 12B: PRODUCTS ADDED THAT ADDRESS ENVIRONMENTAL CONCERNS, 5-YEAR REVIEW

Consumers demand better coffee

Consumers are more educated about coffee than ever before and opting for gourmet coffee choices. The National Coffee Association (NCA) reports that 34 percent of Americans consume a gourmet coffee beverage daily, up from 31 percent in 2013,

according to the NCA National Coffee Drinking Trends (NCDT) market research study. Daily non-gourmet coffee drinking is down to 35 percent, a drop of 4 percentage points from the year before.

Large offices are also demanding a greater array of nontraditional OCS products, especially in urban

CHART 13: COMPANY CURRENTLY OFFERS ONLINE ORDERING ON ITS WEBSITE

areas. Products such as dried fruit and nuts in bulk dispensers, iced beverages, fruit delivery, cold brew and fresh pastry cases are examples of the emerging OCS requests from locations who want to have competitive offerings in order to attract the best employees. Specific demands placed on OCS providers generally varies with geographic placement of the locations.

Single?...How do you brew ?



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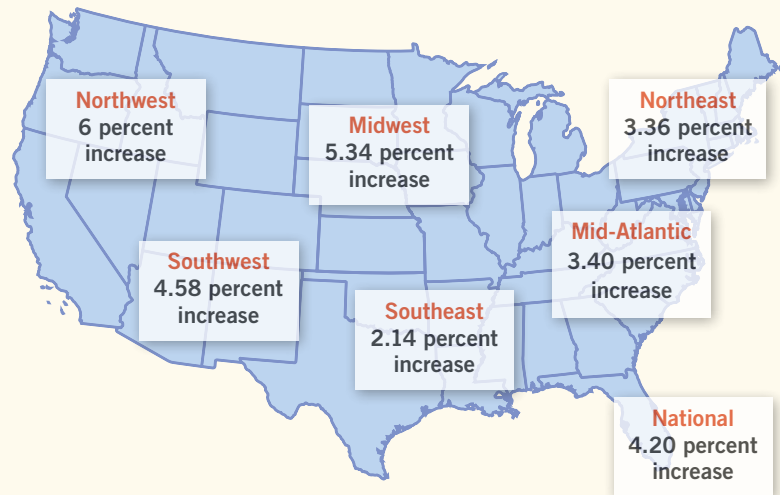


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 K-Cup™ and similar Brewer

Coffee ends strong

OCS providers had another good year. The improving economy has resulted in locations increasing employee counts and refocusing on coffee as an employee benefit in the workplace. Single-cup is gaining market share and increasing sales as more users focus on individual taste preferences and the ability to create coffee-based drinks. A saturated marketplace remains a challenge for operators especially among price-sensitive locations who shop for the lowest cost without regard for service or quality. Still, local roasters and bean-to-cup systems are some tools operators are using to satisfy the end user's gourmet coffee palate while meeting the cost of services that the employer is willing to pay. It's a balancing act, especially with the unpredictable future cost of coffee making it hard

Average Total Sales Revenue Change Per Region



to establish prices that will produce profitable margins for the next year. Right now, OCS remains a strong

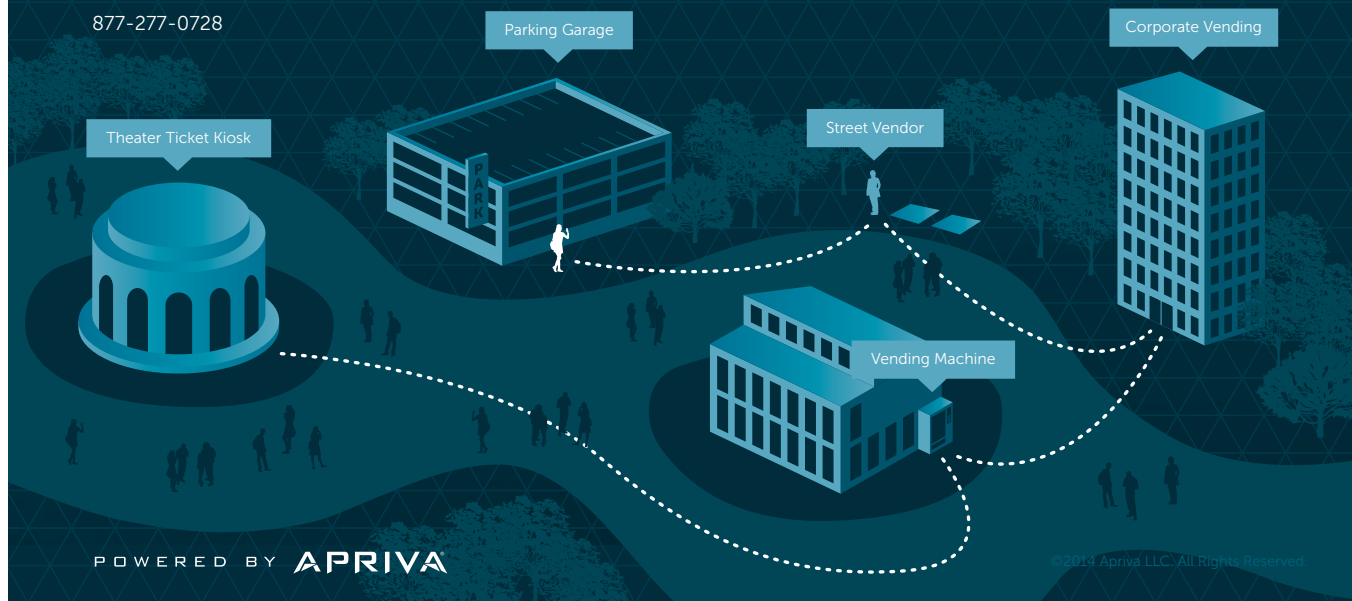
business thanks to the coffee-smart consumer and multitude of brewer and coffee options. | ◀

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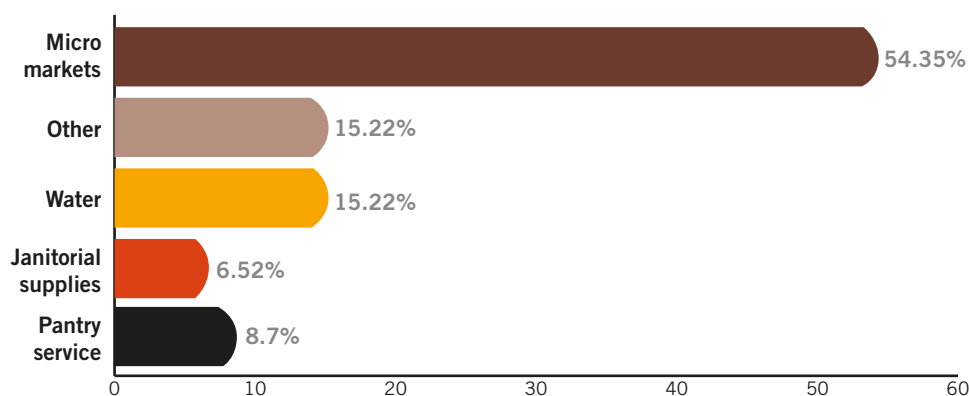


OCS operators expand into micro markets

Micro markets are a fast growing industry segment and OCS operators don't want to be left behind. In the past 12 months, when OCS providers launched new services, many looked to micro markets for added revenue. OCS providers report adding micro markets to diversify offerings, and many are finding that consumers are more willing to pay a higher price for a cup of coffee in a micro market than in a vending machine or traditional office coffee brewer.

► OCS EXPANSION

The 2014 State of the Coffee Industry report found that 33.88 percent of operators expanded into new lines of service. Of those 33.88 percent, more than half of the operators expanded into micro markets. OCS-only operators accounted for 25 percent of those.



► WILLINGNESS TO PAY

Coffee service operators expanding into micro markets are finding new challenges such as what types of coffee sells best in micro markets. The overwhelming majority sees the new business as a way to offer more, higher quality choices to the consumer. Some operators are witnessing unexpectedly low OCS sales in micro markets, however, most operators are reporting an increase in coffee service sales in micro markets due to their ability to offer more premium options and the consumer's willingness to pay more for a better-quality cup of coffee.

Types of coffee service system

For those coffee service operators who expanded into micro markets in 2013/2014, **14.93 percent** placed a bean-to-cup brewer in a micro market location, while **10.45 percent** of coffee service operators reported placing a Keurig single-cup brewer in a micro market location. Flavia drink stations were placed by **7.46 percent** of operators and **23.88 percent** reported placing another type of single-cup brewer. Pour-over, automatic and thermal brewers trailed in micro market placements at **2.99 percent**.

"PEOPLE like many different types of offerings and larger size cups. And they are willing to pay higher prices for a cup of quality coffee versus vending."

Wisconsin-based operator

"SINGLE-CUP systems break and counter-top brewers do not have the necessary capacity and are difficult to service. There is currently not a good, cost-effective solution for coffee in the micro markets."

Roger Sweeney, Ace Coffee Bar

"IN some cases they (micro markets) have not increased sales from traditional vending."

Dennis P. Dionne BE'S Coffee & Vending Service, Inc.

"PREMIUM coffee has sold, even in locations where we provided free, loose grind brew systems."

Texas-based operator

"COFFEE service in general has been a challenge in the markets. Having the proper system for the control of cups continues to be an issue. The cups do not have a bar code for scanning and are frequently picked up for other uses."

North Carolina-based operator

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The New CoffeeTea&Water

By Adrienne Zimmer, Assistant Editor

NAMA has reinvented this year's CTW show with a new look and a more centralized focus on education and networking.

The coffee, tea and water industry has been reinventing itself over the last decade with new trends, consumption methods and equipment offerings. NAMA is reflecting that reinvention by rebranding the look and feel of this year's CoffeeTea&Water (CTW) that will take place November 11 to 13 at the Hyatt Regency in Dallas, TX.

As the largest coffee, tea and water service show in the U.S., CTW gives operators, sales representatives, managers and additional staff the opportunity to network, learn industry trends and experience product launches firsthand. CTW's rebranding includes a centralized focus on

education and networking and how operators can use newly gained information and relationships to grow their OCS business.

Focus on education and networking

Earlier in 2014, NAMA conducted a needs assessment with members to identify key areas in which the organization could expand educational offerings. From that assessment, six tracks of consumer research, industry trends, workplace innovations, technology, workforce solutions and sales strategies were identified as key segments on which to base this year's CTW educational sessions. "The fourteen educational

sessions that we will be offering at CTW are positioned in one of the six tracks that were identified from the needs assessment sent to members earlier this year," said Joann DeNardis, director of education and certification at NAMA.

With topics ranging from sustainability in the coffee supply chain to the new sales buzzword on Storytelling by Lisa Linke, actor and graduate of The Second City conservatory, educational sessions are offered across a diverse spectrum. Dan Cox, owner and president of Coffee Enterprises, will be giving the keynote address entitled "Heating Up Your Coffee Business" on November 11 at 4:00

As the saying goes, "Everything's bigger in Texas," and with Dallas as the CTW 2014 host city, attendees should expect nothing less.



p.m. Cox began his career in the coffee industry more than thirty years ago and has served as the president of the Specialty Coffee Association of America and as chairman of the board of the Coffee Quality Institute.

Education, however, isn't the only reason to attend the show. Every year CTW brings together industry members from across the country to build and foster relationships through networking — and Dallas is the perfect place to do just that, says Sue Ralston, director of events at NAMA. “We are very excited to bring CTW to Dallas for the first time! The Hyatt Regency is the perfect venue for CTW because it offers top-notch meeting spaces, restaurants and sleeping rooms,” she said.

Technology oriented

In addition to the newly created mobile app for Android and iPhone, NAMA will have attendees interacting through their smartphones via live polling during educational sessions. There will also be a silent mobile auction, hosted by the NAMA Foundation, on November 11.

Kerri Goodman of Coffee Talk Magazine will be discussing social media in business and will provide



attendees ways in which social media can benefit the consumer and the company, while concurrently, Jamie Womack of CareerBuilder will be discussing how attendees can use “big data” from social media and the Internet to develop a strategic workforce plan. Attendees can also see the newest technology and product launches firsthand on the trade show floor November 12 from noon until 5:30 p.m.

QCC program returns

This year, NAMA is bringing back its Quality Coffee Certificate Program (QCCP), November 10 to 11. Over 1,000 individuals have completed the QCCP in its 14-year run. The first day of the program consists of coffee fundamentals. Speaker Mike Tompkins, president of Coffee Products Associates, will present the development of coffee flavor qualities such as the history of coffee, its countries of origin and the ideals for processing, sorting, grading, blending and roasting. Attendees will also have the oppor-

tunity to try different types of coffees through guided tasting exercises.

On the second and final day of the QCCP, NAMA is introducing a new Single-Serve Evaluation Process to give attendees information on how to leverage the growing single-serve market segment. Operators, sales staff, sales managers and route drivers who are hoping to increase single-serve sales are encouraged to sign up for this session which will teach attendees how to evaluate single-serve systems and basic principles surrounding filtered coffee preparation.

The new CTW

Reinvention doesn't mean “out with the old.” This year's theme “Same great show. New packaging. Everything you need to build your business, conveniently packaged,” exemplifies how the CTW show will offer an even more diverse and informational experience for attendees.

NAMA will be offering CTW and QCCP online registration at www.coffeeteaandwater.org/register. Attendees registering before October 15 will receive early-bird pricing and save \$100. To view the full list of events, please visit www.coffeeteaandwater.org. | ▶





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Name: Dan Hart

Title: CEO

Company:
Southern
Refreshment
Services

**Years in the OCS
industry:** 30 years

Q: How did you get your start in coffee?

A: We started a vending company in 1981. The business was growing and our customers started to talk to us about their coffee needs. The coffee was an extension of our vending business, and now it is a separate division of Southern Refreshment Services.

Q: What are the most significant trends/innovations in coffee/tea service?

A: Single cup continues to grow. Bean-to-cup is growing in the high-end offices. Tea is also becoming important to the non-coffee drinkers and a drink in the afternoon for everybody.

Q: What are the biggest challenges facing you in the year ahead and beyond?

A: Finding quality personnel to sell and service the customer correctly. Government regulations are and will be issues in every business.

Q: What are you looking forward to at CTW?

A: CTW is a great place to exchange ideas and meet new business leaders. You get to see new products and the latest ideas that will shape your business in the future. Networking at CTW can be something that will help your entire career and business.



Name: Karen Webster

Title: Chief
Financial Officer

Company: Newco
Enterprises, Inc.

**Years in the OCS
industry:** 26

Q: Tell us a bit about yourself.

A: I joined Newco in 1988, with a background in finance and human resources. My role in finance afforded me the opportunity to work with our customers, evaluate their needs and develop affordable finance programs to assist with their purchase of coffee and tea brewing equipment.

Q: What trends/innovations are having the most impact on the industry?



A: Single-serve coffee/tea and the variety of product choices used to brew and dispense the beverage.

Q: What are the challenges?

A: With the numerous single cup and traditional product offerings currently available in the market, educating our customers to determine a brewing solution that is most suitable for their particular account and overall business profile will be a primary focus.

Q: Why do you attend CTW?

A: CTW provides a unique forum to meet with customers and other business partners to learn about their challenges, opportunities and current industry trends. I look forward to the educational sessions as they will provide a valuable insight to the future of both equipment and product offerings to the industry.



Name: Roseann Pohida

Title: Business Development Manager

Company: Twinings North America

Years in the OCS industry: 4

Q: What is your background and what is your role in the coffee/tea industry?

A: My background is in retail merchandising and management where I have held various positions within department/specialty stores and with distributors. As a lifetime tea drinker, my role as Twinings North America's Business Development Manager was the perfect fit. I manage the

OCS/vending channel and e-commerce accounts and consider my customers to be part of my Twinings family. I encourage them to reach out to me anytime and often check in with a phone call or e-mail. It's a terrific way to do business together. I honestly love my position and am proud to work for such a well-respected leader within the tea industry.

Q: What tea trends do you see in the industry?

A: In 2015 premium specialty hot tea is expected to continue to grow as a category, while mainstream tea is expected to continue to decline. Premium recognized branded teas appeal to today's savvy tea drinker who wants options just like their coffee drinking counterparts. They are willing

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NAMA Foundation Annual Golf Classic at the Cowboys Golf Club.

In conjunction with CTW 2014, the NAMA Foundation is hosting a golf outing at the world's only NFL-themed golf club, Cowboys Golf Club, on Monday, November 10.

Golfers will enjoy a resort-style golf experience on this sprawling 18-hole, par-72 course including the following amenities included in the registration price:

- Shuttle transportation to/from the course
- Green fee, cart fee, and practice balls
- Fully equipped golf carts with Visage GPS System, coolers, towels and logo tees
- Custom-fit logo golf shirt
- Lunch buffet
- All snacks and non-alcoholic beverages, both on and off the course
- Two beverage tickets
- Grilled sausages and fajitas at Holes 7 & 11
- Dinner and awards reception following the event
- Raffle prizes and more!

The Golf Classic is the perfect opportunity to catch up with old friends, entertain current or prospective clients or simply enjoy a day of relaxing before the CoffeeTea&Water show!

All event proceeds go to benefit the NAMA Foundation annual fund mission to support the charitable, educational and scientific research needs of the refreshment services industry. Visit www.coffeeteaandwater.org/attend/golf for more information.



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at home to pay more for a premium selection and expect the same quality offering in their workplace. Consumers would rather forgo a cup of tea than settle for something they don't know or have not tasted previously. Gone are the days when a tea drinker is satisfied with a plain, no-name cup of tea. They want to be offered a trusted, recognized brand in blends that include traditional Blacks, spicy Chais, refreshing Greens, and flavorful Herbals. In addition, non-tea drinkers are more likely to sample a recognized brand when looking for a healthy, less caffeinated drink option. Coupling a widely recognized brand, with a varied assortment of Keurig® authorized tea K-cups® continues to be a trend in 2015. Employees can brew their favorite cup of tea, even an iced tea, in less than a minute. Looking for a "coffee house" experience in the workplace, tea drinkers are also expanding into K-Cup® offerings that include milked options like Chai Lattes.



A word about CTW from Howard Fischer

"NASHVILLE was great...Dallas will be better. CTW, the respected knowledge source for coffee, tea and water, will deliver new education sessions and a tour of Mother Parkers' Fort Worth, TX roasting facility, all designed to deliver value to our attendees. So, join Pete Tullio and me, put on a cowboy hat and we'll see you in Dallas," said Howard Fischer, CTW Co-Chair and President and CEO of US Roasterie.



Q: What are the biggest challenges facing you in the year ahead and beyond?

A: Although Twinings has been blending tea for over 300 years, some coffee service operators are just learning about our presence in this channel. Furthermore many operators are not aware that Twinings Tea K-Cups® are Keurig® authorized. I welcome the challenge to spread the word, since I know our premium offering is competitively priced, requires small minimum orders, and is coupled with superior customer service.

Q: Why are you looking forward to CTW?

A: CTW is one of my favorite shows since "tea" is specifically highlighted. I embrace any opportunity to "talk tea", especially with coffee service operators. I share their passion and enjoy working directly with operators, providing them with the customer support they need to develop their tea business. CTW offers time to visit with current customers, while introducing potential customers to our brand and product offer-

ing. It's a wonderful combination of relevant educational sessions, networking and trade show. I look forward to providing attendees with added tea knowledge and a better understanding of the role that Twinings plays in the OCS/Vend channel. This leads to new customers joining my Twinings family. | ◀

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PRODUCT NEWS



Starbucks introduces its **Interactive Cup® Digital Brewer**

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ensure everyone is getting an exciting and rewarding coffee experience. The machine features brew by the cup or carafe, plumbed and filtered water line and a large capacity waste bin.

www.vendingmarketwatch.com/11347406



Nu-Health International introduces six flavors of its new **Fruit In Fruit Juice** healthy snack. Flavors include: Peaches; Peach Pineapple Pear; Mandarin Oranges; Pineapple Mandarin Apple; Pineapple; and Mango Pineapple Apple. Fruit In Fruit Juice is all natural and gluten free and with no sugar added. Moreover, it has no fat, no sodium and no cholesterol.

www.vendingmarketwatch.com/11621459

Back by popular demand, **General Foods International (GFI)** is here to kick off the fall season with **Pumpkin Spice Cappuccino**. Beginning in October, consumers can enjoy this rich and creamy blend of pumpkin flavor and hearty autumnal spices. GFI offers eye-catching and newly designed merchandising to get customers' attention and boost sales. By offering GFI Pumpkin Spice Cappuccino, operators can satisfy customer expectations for seasonal beverages.

www.vendingmarketwatch.com/11602570



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Landshire Inc. announces

the release of its newest line of butcher wrapped subs. Each sub is hand wrapped in white butcher paper that look like they were just freshly made at the deli. The lineup includes a **Ham & Cheese Sub**, an **All American Sub** and a **Philly Cheese Steak Sub**. All products have

a 14 day refrigerated shelf life, last 4 hours in a warmer and have a 12 month frozen shelf life.

www.vendingmarketwatch.com/11621432



AdvancePierre™ Foods is expanding its Hot 'n' Ready sandwich line with the launch of the **Sausage, Egg & Cheese Pretzel Flatbread**. The Sausage, Egg & Cheese Pretzel Flatbread features a savory sausage patty with a scrambled egg and American cheese, served on a pretzel flatbread (280 calories). The new sandwich has a seven-day refrigerated,

12-month frozen shelf life. The hand-wrapped sandwich can hold hot in a sandwich warmer for up to four hours.

www.vendingmarketwatch.com/11585102





Monster Energy unveils its newest drink, **Muscle Monster® Energy Shake** an energy infused protein shake in the vending channel. Specially formulated with

Monster's proprietary Monster Energy blend plus 25 grams of protein, Muscle Monster® Energy Shake combines its popular energy with high-quality protein offering a convenient way for consumers to add protein to their diets. It is available in five types: chocolate, vanilla, strawberry, coffee and the newest offering, peanut butter cup.

www.vendingmarketwatch.com/11500073

Herr's introduces **Good Natured Selects Baked Vegetable Crisps and Baked Ranch Vegetable Crisps** made with real carrots, bell peppers and spinach and containing a half serving of real vegetables in every ounce. Good Natured Selects have no artificial ingredients, 0 grams of trans fat, no preservatives added and are gluten free.

www.vendingmarketwatch.com/11500185



Lavazza, in partnership with **Green Mountain Coffee**

Roasters, Inc., will bring the authenticity of Italy's favorite coffee to K-Cup® packs for the Keurig® hot brewing system starting fall 2014.

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www.vendingmarketwatch.com/11621421



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2014 ROUTE DRIVER OF THE YEAR QUARTERLY WINNER

Billy Thornblom

Drapalla Vending, San Antonio, TX

On July 29, 2014, Thornblom celebrated 29 years as a route driver for Drapalla Vending.

Thornblom's loyalty and ability to accept change make him a company-wide role model.

By Adrienne Zimmer, Assistant Editor

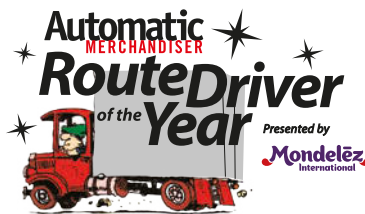
BILLY THORNBLOM is as close as it gets to a perfect employee. The 2014 third quarter route driver winner of Drapalla Vending in San Antonio, TX, Thornblom respects his locations, his equipment and his vehicle. He adapts to changes in the business, especially in technology, and he believes in supporting his customers. But most importantly, he does all of the above because he knows it will improve the company for which he works.

Loyalty matters

Thornblom began his career as a route driver for Drapalla Vending in 1985 and has been with the company ever since. "Billy has been going in and out of some of the same buildings for the past 29 years," said TJ Gossett, president of Drapalla Vending. "His customers are loyal to him and know him on a first name basis," said Gossett. In 29 years, Thornblom has missed only a handful of work days due to illness or vacation, but if he is going to miss work, he prioritizes his route himself in order to guarantee that no customer is left unattended.

Not only is he loyal to his customers, but he also shows the utmost respect for his equipment and his vehicle. He maintains clean and error-free machines and corrects issues on all equipment,

"He is a man that is dedicated to learning new tasks to improve our business as a whole."



which saves the company a service call. "He knows his equipment and his accounts very well and has a well-trained eye to notice the smaller details of his equipment," said Gossett. Thornblom additionally keeps his van extremely organized in order to work faster at servicing his machines. "The maintenance on his van is very minimal due to his driving habits and him caring for his vehicle," said Gossett. "He keeps his van clean, inside and out, making a great impression to our customers."

Accept change to improve

In 29 years as a route driver, Thornblom was bound to encounter some changes. What no one expected, however, was how quickly he would adapt to those changes, such as technology. "He is a man that is

dedicated to learning new tasks to improve our business as a whole," said Gossett. "Over the past couple of years we implemented inventory management software and Billy embraced this challenge better than any other driver we have on staff. He was used to doing the same thing day in and day out for over 25 years and to throw this change onto him was a great deal to ask." After a year the company moved the route drivers to handheld computers. "Again, Billy accepted the change and has done better than any other driver with his handheld device," said Gossett.

Company-wide role model

Thornblom's loyalty to his customers and his ability to accept and embrace changes has led him to be a company-wide role model, for newcomers and vending veterans alike.

"Our other drivers here on staff look up to him," said Gossett. "He is an excellent role model for our younger drivers. He is an excellent face in the field and I am proud to have him as a member of our team." | ◀

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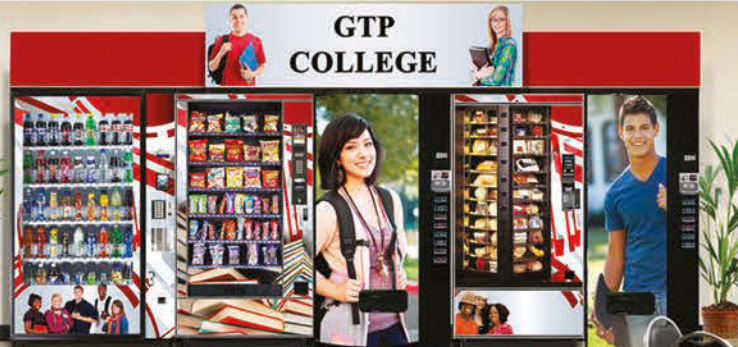
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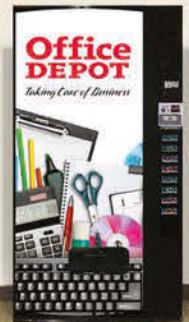
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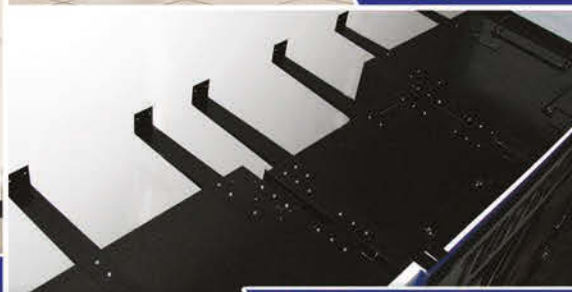
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