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# COFFEE TALK



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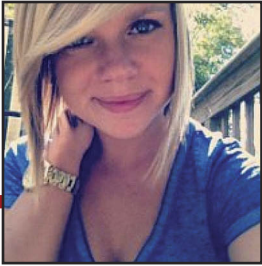
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*The World is Changing*

# The Single Cup Revolution

by Jessica Tanski

Single serve coffee has become all the rage in the coffee world within the last few years. In fact, Packaged Facts estimates that overall retail single-cup coffee sales in the U.S. jumped by 82 percent from \$1 billion in 2011 to over \$1.8 billion in 2012, and will reach a projected \$5 billion by 2016. Actually, single serve coffee accounts for about 25 percent of total coffee sales in grocery and it keeps climbing.

It's simple really and can be summed up in one word: convenience.

Some people are willing to sacrifice superior quality for convenience, but what they do not realize is that it does not have to be that way. There are companies out there that are helping roasters put their specialty coffee into K-Cups, and there are even refillable capsules that can be filled with the consumers' favorite coffee and brewed in K-Cup compatible machines.

While the Keurig® brewer is a fan favorite, there are other ways of getting a great cup of coffee, one cup at a time. You can break out the ol' Melitta® or Chemex® for a great pour-over cup, or pull out the classic French press brewer for that single mug of coffee goodness. You can even use a variety of pods in various drip brewers. What it comes down to here is single serve is slowly starting to dominate the coffee industry. It is important for an industry to recognize the current market trends and to position itself to gain a maximum benefit.



## Single Serve- Important for Retailers, Roasters, and Offices!

For retailers and roasters, this opens up a huge door of opportunities. New technologies are allowing consumers to enjoy the convenience of their single cup experience at home with the quality of beans from their roasters and retailers!

## The UpShot Solution - A Possible Game Changer

The UpShot Solution by LBP may be the perfect solution for roasters to reenter this marketplace. It is a line of eco-friendly filters that are paired with a flexible production model that allows roasters, OCS operators, food service, and even retailers to take advantage of the current single serve trend in the coffee industry. These filters are not only Keurig compatible, but are also compatible with Cuisinart, Mr. Coffee, and multiple other brewers. The UpShot Solution aids in the brand building or leverage of your company and can be utilized in many facilities. This is a great solution to get a competitive edge in the single serve market.

Bill Rickert, Vice President of Sales for Upshot says, "It allows for additional consumers in the market place. People who would normally not take a full pot of coffee can now pop in a single serve, which creates more users in the category."

"For profitability. This is the new standard and the next generation of coffee consumption. Within the ground segment, growth is being fueled by single-serve coffee. Mainstream canned coffee, which is still the leader in coffee sales, is starting, after years, to show a decline," says Bill Meissner, CEO of Tazza Pronto.

Single serve can increase a retailer's or a roaster's profit margin. Since the single serve category is becoming more and more popular, more single serve consumers are entering the market. In return, this is a great way for roasters and retailers to boost their margins with additional sales.

"It is a new delivery platform. It is a new way for roasters and brand holders to market their product," says Robert Melikian, President of Automatic Brewers and Coffee Devices (ABCD).

Offices are becoming more equipped with a better coffee service for its employees. Single serve offers a variety of options that can be implemented into the office atmosphere.

Rickert says, "It offers a variety. People have different tastes and by implementing single serve into the office allows them to have the opportunity to have their favorite boutique coffee at work."

Just like coffee, employees have a variety of different tastes and flavors. You should not limit your employees to just one, full-pot of coffee. Some employees may like a dark roast, while others may prefer a light roast. An office can benefit from single serve because when you cater to a variety of different taste buds, employees are less likely to bring their coffee from home if they can get a great cup at the office.

"If the right single serve system is chosen, then it can serve as a very inexpensive fringe benefit to the office employees and allow them to choose a coffee or tea at the office instead of leaving the office to get what they want," says Tom Martin Executive Vice President of Pod Pack International, LTD.

There are various companies that roasters and retailers can utilize to private label their coffees for purchasing to get them more involved in the single serve category. Mother Parkers Tea & Coffee is just one of many. According to their website, their company has built its reputation on providing quality products and excellent service as part of our private label solutions for retailers. Our teams develop customized private label programs to fit your needs and match the national brands, all manufactured in our world-class, SQF-certified facilities.

## The Fan Favorite: The Keurig®

In the last few years, Keurig Green Mountain and its partners has dominated the single serve category. K-Cups are slowly pushing bagged coffee off of the deep end of grocery shelves. In fact, some companies are even abandoning their ground coffee line because the K-Cups are more profitable. Many large companies are jumping on the K-Cup bandwagon. Dunkin Donuts, Maxwell House, and Starbucks are just naming a few.



Even small roasters and smaller companies are coming aboard. This was previously a challenge for the small roaster due to high minimum order quantities and patent disputes. But now, companies like Lasaers Coffee & Tea who only operate a five-store chain and Just Love Coffee Roasters, located in Tennessee are starting to utilize single serve tactics.. Dozens of these specialty coffee retailers are recognizing the need for a single serve option and adapting accordingly. Not to mention they recognize the profit opportunities that occur when adopting a single serve line.

This fall, Green Mountain will start selling a new brewer called Keurig 2.0. This new model will replace the existing lineup soon after the launch. These new machines will only be able to brew K-Cups made by the company. This means that specialty coffee roasters and suppliers lose out, along with many other individuals—including the consumers. Because of this, small roasters who have put their coffee in K-Cups for their consumers will no longer be able to utilize this technology.

The so called "interactive technology" that the 2.0 comes with is a reader that scans Keurig Green Mountain-licensed packs for instructions for that particular, coffee, tea, or other beverages. The new model will be equipped with the necessary tools to make cold beverages as well, provided that they are licensed and compatible with the 2.0 technologies. This strategy has landed the company in court multiple times over allegations of anticompetitive practices.



**PBideas Single Serve 1 Cup Machine**



## New Cup Technology from Tazza Pronto Systems

In 2013, single serve division, Tazza Pronto Systems, launched an innovative new single cup technology that delivers a superior coffee experience. The cup features two single-serve innovations: a patented freshness valve that allows coffee to be packaged immediately after roasting and grounding to lock in fresh-roasted flavor, and a patent-pending dual filter to allow more natural oils that provide coffee flavor into the brewed cup.

“In the past, single-serve has been a premium convenience product for consumers, but not a quality coffee experience.

The reason for this lack of quality taste from single serve comes from a lack of freshness for the coffee. Even the finest coffee lacks flavor if it goes stale in a single serve cup,” says Meissner. “We think this is a groundbreaking technological shift and consumers are going to taste the difference.”

These products are best used in the home or at the office. However, Meissner has bigger visions, “Beyond home and office use, we see other areas where single serve will see growth moving forward. Possibilities include use at group events, which allows portability, variety and ease of use; convenience stores, as an alternative to self serve drip coffee; and many more.”

### Customize your Kups!

One of the biggest problems for small retailers and roasters about adopting a single serve line was the outrageous minimum order quantity. Vice President of CustomKups, Joseph Fernandes III and his two partners, Deland Jessop and Adam Cooper, created a way to acclimate businesses- big and small.



Fernandes said, “We wanted to appeal to the 70 percent of coffee businesses.”

They have created an edible ink that adheres to the foil on top of the pods, that way when the metal pin punctures the foil the toxins from nonedible ink will not contaminate your delicious coffee.



“At first, the process was not easy. We had to go back to the drawing board a few times,” Says Fernandez. “But eventually we created a facility with 10 to 15 medium size machines to print the entire process... even the boxes!”

CustomKups has no minimum order requirement and can craft both small batch promotional items for conferences and corporate promotions, as well as filling the private label needs of retailers, hotels, offices, and restaurants requiring tens of thousands of customized coffee pods.

“We believe in fair transparent practices. We charge between 30 and 35 cents per cup no matter how many someone orders. Every cup is important to us,” Fernandes said.

### The CaliX by XIRA, LLC

A man by the name of Louis Dakis realized the impact that the Keurig brewer has on the coffee industry. He recognized that many people utilize a Keurig machine for its convenience. Realizing this, he longed for a great cup of coffee that could be brewed in the Keurig. He tried some of the other refillable capsules with his favorite blends of coffee, and they didn't do the coffee justice.

Dakis said, “Convenience is no reason to settle for an okay cup of coffee.”

So, he invented the CaliX, A multi-layer brewing capsule that incorporates an extra interior layer to the standard "drip method" capsule, utilizing all the grinds by entirely submerging them. The forced circulation flow allows the water to stay in contact with the grinds slightly longer promoting a more robust cup of coffee.



The CaliX is more durable than other compatible capsules. It only takes one minute longer to brew than regular K-cups. However, it is so worth the wait because it tastes that much better! Using this capsule eliminates the waste of coffee. This means you will get the most out of your specialty coffee. Not to mention, the clean up is quick and easy.



Dakis explained his side-by-side taste tests that he conducted at Coffee Fest New York this March. “We put our product next to another refillable K-Cup compatible capsule. The results surprised me. Our product won the contest 195 to 0!”

This patent pending product is set to hit the market within the near future. Look for the CaliX in stores near you! They will be available in a variety of colors so that each family member can have their own capsule to accommodate their own taste buds. A tea capsule is also in the works!

### Non K-Cup alternatives!

While the Keurig seems to be one of the most convenient ways to brew coffee based on market statistics, there are various ways to get a great cup of single serve coffee with great taste. While they may take a little longer to brew, the final results are in the bottom of your mugs! Keep in mind that these are only a few options, and if you don't see something that you think would work for you... keep looking, there is one out there!

### One Cup Pod by Pod Pack

The One Cup paper pods are changing the way coffee is brewed at home. This company allows consumers to enjoy a variety of premium coffees and teas. A cup of great coffee can be brewed one at a time at home, in the office, or at a variety of other locations. The paper pod is just as easy to use as K-Cups and brewed in single serve systems similar. The paper pod is effective in the office space. It allows companies to give their employees options and convenience. Not to mention, the clean up is very simple and does not leave a mess around the work place. “The pod is actually a superior single cup alternative. With the pod and the correct pod brewer settings, we can achieve a cup quality in the gold cup standard range. The pods are environmentally friendly, since they are compostable. You get all of this at \$.10 to \$.15 per cup cheaper than a K-Cup – Now that's great value,” says Tom Martin.



### AeroPress

Aerobie, Inc produces the AeroPress coffee maker. It is a hand press brewer that yields great quality coffee. Their product helps retailers because it sells well, but perhaps more importantly because it makes coffee so delicious that users will return again and again to buy more beans.



“The movement to single serve is part of the larger movement to higher quality and more enjoyment of coffee. The essence of single serve is brewing one fresh cup of exactly what the user wants right when he or she wants it.” Says Alex Tennant, General Manager of Aerobie, Inc.

“Our product enhances the movement to quality by brewing a cup of coffee under ideal brewing conditions to yield the best possible tasting cup. People getting more enjoyment out of coffee is obviously very good for the coffee industry.”

### Multiple Options by Melitta

The Melitta Company was built on single serve coffee. Over the years Melitta has introduced numerous single serve pour over brewers in every shape, size, and color, always with the mission of creating the best coffee flavor.

“Our founder, Melitta Bentz, actually pioneered single serve coffee with her manual pour over brewer innovation over 100 years ago. Since that point in time, Melitta has devoted itself to perfecting the art of coffee brewing,” says Christopher S. Hillman Vice President, Marketing.

“On our filter business, we introduced two excellent alternatives for our consumers. Our Java Jig filter system provides consumers with a paper filter solution, while our E-Filter provides consumers with a semi permanent filter solution. Both systems are environmentally friendly, economical, and allow consumers to use their own coffee in their single serve machine,” says Hillman.

The Melitta Café de Europa Gourmet Single Serve Coffee has also been recently introduced. It is a prefilled coffee capsule. This gourmet product line uses a proprietary capsule design invented by LBP, which maximizes coffee extraction for the very best flavor.

### Curtis Gold Cup Brewer

Their current solution to single cup brewing is their Curtis Gold Cup brewer (CGC). Unlike any other single cup brewer on the market, their brewer does not use any pressure to increase the rate of extraction in ground coffee. The CGC is the only commercial single cup brewer that brews good old-fashioned drip coffee.



“While originally designed for an office environment, the CGC has seen most sales into cafes and restaurants. Due to the unrivaled amount of technology in the CGC, Specialty Coffee cafes have really taken to the brewer,” says Brant Curtis, Director of Specialty Coffee, Wilbur Curtis Company.

The CGC brewer has innumerable benefits. One of the most important benefits is that it is a commercial brewer. This brewer comes equip with a fully responsive touchscreen and easy programming to fine tune your customer’s favorite recipes. One of the most lauded benefits is the ability to use common pour over devices under the spray head to brew coffee!

“Many roasters want to deliver pour-over quality coffee at their wholesale accounts, but time, training, and passion are usually all lacking at wholesale locales. This brewer helps mitigate any of those concerns,” says Curtis.

### HandyBrew Method

The HandyBrew brewer has a built-in filter. However, using their Clever Coffee Dripper, an extra paper filter is used, and the result yields great taste. This is a filter cone with a stopper in it. This allows the coffee to steep properly before dripping through and into the cup below. This processes extracts more flavor from your coffee. It will give you full-bodied coffee without the sediment.



Image from EK Int'l Co., Ltd.

### The Impress Coffee Brewer

The Impress Coffee Brewer makes delicious hand-crafted coffee one cup at a time. The Impress combines immersion brewing and reverse micro filtration with triple walled insulation. It takes just three minutes to create 14oz of amazing coffee, and keeps it hot for hours, so you can relax and enjoy or take it with you on the go. Saves time and reduces waste, no electric mechanisms, or fussy coils and plungers.



Owner, Beth Khalifa says, “The Impress Coffee Brewer is perfect for any place you want your coffee your way. Fast to make, no mess, stays hot for seemingly forever...it's great at home, the office, in a hotel, on a camping trip, or on your way to any of these places. As a single serve brew tool, it is also a drinking vessel, so you can make it, and take it with you.”

The finished coffee has a glorious crema on top, and grounds are trapped below the coffee, not in it. With the filter size holes much smaller and the tolerances much tighter than a traditional press pot, you can drink a cup free of excess grit and sediment. Cleanup is a cinch. Just scoop out the grounds and wash the inner press and outer vessel.

### Brew Cup Refilling Kit

Single Cup Accessories, Inc. introduced its Brew Cup Refilling Kit that is great for the office and at home, as well as various other places. The kit consists of a dispenser to fill the brew cup and a Cleaning Wand to clean it for reuse. The kit can be purchased with or without a brew filter. While the single cup market is still evolving, Keurig users are looking for ways to get that great specialty cup of coffee that cannot be readily made available through generic K-Cups.



“Up to now, most Keurig owners use K-Cups for their beverage of choice. In fact, the myth is that you need to use K-Cups if you have a Keurig brewer. This has had a negative impact on specialty retailers who cannot (or will not) put their coffee into K-Cups. Essentially, every customer who bought a Keurig brewer was no longer a customer for specialty coffee,” says Mike Gronholm, Founder of Single Cup Accessories, Inc.

While there has been growing concerns for the environment due to the disposal of K-Cups, about 8.4 billion K-Cups in 2013 alone, refillable options have become more attractive to the industry.

“To address these concerns, lots of K-Cup style brewer owners have begun to use refillable brew filters, but many have found them cumbersome to fill and clean. In 2013, Single Cup Accessories, Inc. introduced its products, which make it far easier to use refillable brew filters with the Keurig K-Cup style brewer,” explains Gronholm.

### Why Single Serve?

“We estimate that somewhere around 40 million Keurig brewers have been sold so far. In the 15 months ended 12/31/2013, Keurig sold over 15 million brewers, over 1 million per month. How can you be in the coffee industry and not pay very close attention?” says Mike Gronholm.

Single serve coffee eliminates the waste factor. By brewing coffee one cup at a time reduces the waste of coffee. There are often times where a whole pot of coffee does not get consumed and it ends up being thrown out. By utilizing single serve tactics, consumers will get their full brewed potential when purchasing their favorite coffee.

Consumers can afford to try a higher-end coffee at a coffee shop with single serve. It gives people the option to try different types of coffees without burning a hole in their pockets.

Single serve is the fastest growing segment in the coffee industry. There is no reason that this segment cannot continue to grow. Improved flavor and freshness of single serve and if the industry can work together to bring equally beneficial standards as whole bean or ground specialty coffee, the single serve segment will flourish and keep in line with the current trend of convenience.

“Companies that haven’t been paying attention are already behind. More coffee dollars are going to single serve than any other packaging format at retail. The food service and OCS segments are also starting to bring in more single serve. It’s very significant, and here to stay,” says Meissner.

In the end, what it comes down to is great coffee and convenience. The coffee industry is still working on a way to get both of these aspects into one cup. OSC operators, retailers, roasters, and consumers all need to pay attention to this ever-evolving category. Companies are coming out with newer models of older brewers, different brewing concepts, different strategies to private label specialty coffee in cups and pods, and even new inventions all together.

The reality of it is, people are not going to stop drinking coffee, but they are continuing to look for ways to get a good quality cup, quicker. Change with the times and keep up with the trends. Single serve is here to stay!