

TEA & COFFEE

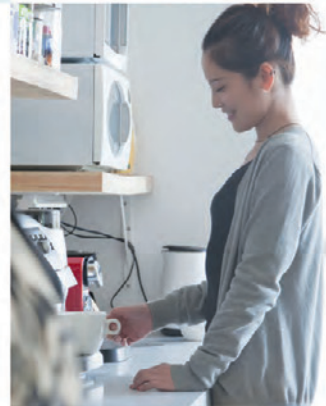
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*Single Serve:
Shifting Expectations
in Beverages*



- Discovering Wulong Teas
- Certifying Organizations Update
- Expanding Options for Soluble Coffee
- Special Report: Social Media Part III
- Origin Highlight: Papua New Guinea Part I



Single Serve: Shifting Expectations in Beverages





Single serve has experienced an influx of innovations from the recent launch of Nespresso VertuoLine's system to the projected release of Keurig's 2.0 bar code system. With the continued interest of major brands, including Krispy Kreme, Lavazza, Starbucks, Bigelow and Coca-Cola, there is no telling where the world of single serve will take us. **By Anne-Marie Hardie**

If there's one segment in beverage that is continually evolving, it is single serve. Once reserved for the office coffee segment, single-serve systems can now also be found in hotels and of course, in homes. The Mintel Group US, New York, reported that single serve continues to be the largest growing hot beverage segment—since 2011 there has been a 213 percent increase in the purchase of single-serve products.

"To understand why the growth is taking place, you have to look at the behavioral aspects. A new generation of coffee drinkers has grown up dragging their backpacks and book bags into specialty shops and choosing their particular drink of choice from the menu," said Howard Chapman, president, Roar Coffee, Birmingham, Ala. "Those same individuals would like to replicate that experience of individual choice and variety whenever they want and wherever they are. When there isn't a barista close by, single-serve systems provide a close approximation to that experience."

Today's market is honed for single serve; consumers are craving quality beverages that can be offered both conveniently and quickly. And so, single serve continues to expand and the brewing systems' capabilities grow with it.

As the capabilities of these systems increase, more and more roasters are launching into the single-serve environment. Initially, there was hesitation to launch into the single-serve category particularly by the specialty markets. "Single-serve brewers jumped into the single-serve market so quickly, they ended up creating a technology that delivered a poor quality taste experience," said William Meissner, president of Tazza Pronto Systems, the single-serve division of Distant Lands Coffee, Renton, Wash. "Early manufacturers did a poor job of allowing the important dissolved solids and oils to flow through the single-serve cup into the consumer's cup of coffee. He said that the resulting quality of the coffee kept many coffee and tea brands away from single serve because they didn't believe that the quality of the finished cup would be beneficial to

their brand. "But consumers forced their hand by demanding their favorite brands in single-serve formats."

Before launching into single serve, John W. Rogers, vice president, Rogers Family Coffee, Lincoln, Calif., said the company wanted to ensure that their product met three key aspects of the Rogers brand: quality, value and commitment to the environment. Based on demand, Rogers decided to enter the single-serve market with a K-cup compatible product in 2011.

Their initial single-cup offering used a fabric mesh filter instead of the standard plastic brewing chamber. "This product reduced overall environmental waste by 40 percent," said Rogers. "But our company continued our research to find a product that would further reduce the environmental impact."

Quality Above All Else

Recently, Rogers Family Coffee launched their single-serve product in a 97 percent biodegradable package. Rogers is proud of being able to offer a series of single-serve products, in their San Francisco Bay Premium Gourmet Coffee and the Organic Coffee Company brands, both of which the company believes not only adheres to, but surpasses consumers expectations.

Distant Lands Coffee also recognized the delicate relationship between the packaging and the product. The company has partnered with Panera Bread, St Louis, Mo., to create and launch their single-serve coffee offerings. "As a provider of private-label coffee to many of America's biggest brands, we set about the task of creating a better technology for single serve cups," said Meissner. "We created Distant Land's Tazza Pronto System, a new single-serve cup technology that delivers a superior coffee experience. The cup features two single-serve innovations: a freshness valve to lock in fresh-roasted flavor, and a dual filter to allow more natural oils that provide coffee flavor to flow into the brewed cup."

Although Meissner believes that the packaging plays a

large role in the end product of single serve, he emphasized that the quality of the product is essential. "The only consideration we have for all our products, no matter the form in which they are delivered, is that the coffee inside is the highest quality coffee in the market," said Meissner. "And the high quality we deliver is helping our customers win greater loyalty from their consumers. We have seen our private-label brands move to number one and two in overall sales. We expect the same for our single-serve coffee."

Tom Martin, vice president and COO, Pod Pack International, Baton Rouge, La., said that single serve in itself is already a specialty market. However, with the dramatic shift in consumer demand, the focus has gone from the system functionality (convenience) to the quality of the cup.

"Specialty coffee" has taken on a broader meaning in coffee over the years. Maybe "different coffee" is a better term because of this," said Martin. "To me, it encompasses flavored coffees, single origins, Rainforest Alliance-certified coffees, organic coffees, other higher-quality coffee blends, pods, K-cups, espresso and espresso drinks, dark roasted coffees, etc. That is, just about everything, except the major brand coffees being brewed through an auto-drip brewer." Single-serve consumers are continually searching for ways to experience a better brew,



Keurig's new 2.0 bar code single-serve system will be available in the fall in the US.

a cup of coffee that mirrors one created by a barista. Martin said that the unique aspects of pods paired with a quality, ground coffee can replicate this consumer experience.

When considering packaging, Roar Coffee made the decision to offer its single-serve products in a pod format instead of the popular K-cup format. A decision that Chapman believes has helped ensure the success in his single-serve format. "The success of Roar has been phenomenal. The key differentiator is the quality of coffee in the cup versus other single-serve systems," said Chapman. "Given the current technology, pods simply provide the best opportunity to replicate the time, temperature and turbidity that takes place when brewing the traditional 64-oz. pot of coffee."

The increasingly discerning taste of the North American consumer has influenced Nespresso to launch their VertuoLine system. Known for their Original Line system (which was designed for those seeking the pure espresso experience), the VertuoLine is specifically designed for the coffee connoisseur who desires a larger cup.

"The VertuoLine capsules incorporate new technology, including a bar code on each capsule, which facilitates a product intelligent extraction system, allowing the system to recognize each expertly developed Grand Cru," said Diane Duperret, corporate public relations manager, Nestlé Nespresso SA. The VertuoLine adjusts Nespresso's proprietary centrifusion extraction process, a system where the capsule spins while water is injected into it, offering what Duperret described as a gentle extraction delivering a high quality cup finished with a silky and generous crema.

"North America has traditionally been a large-cup coffee market and it is currently experiencing a massive growth in the portioned coffee segment. As the first Nespresso system that can brew both high-quality, large-cup coffee and authentic espresso, this new line taps into consumer preferences in the region, and it is perfectly positioned to fill an unmet need for exceptional coffee that can be brewed at home," said Jean-Marc Duvoisin, CEO of Nestlé Nespresso SA, Lausanne, Switzerland.

Nespresso's VertuoLine coffee range will include flavored coffees as well as a half caffeinated option among the eight

Old Single Serving Technology



New single-serve technology is more eco-friendly, but does not detract from the taste.

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large-cup varieties and the four espresso blends. The VertuoLine began rolling out to select fine retailers in the US on February 20th. It will be in all Nespresso boutiques by March 1st.

More than a Cup of Coffee

Once a coffee-driven market, single serve has expanded to include all levels of hot (and even some iced) beverages from the common grocery store brands to the local roaster. This system is in wide use globally and is expanding exponentially. Green Mountain Coffee Roasters continues to raise the bar in the single-serve industry. GMCR, Waterbury, Vt., launched the New Year with several major announcements including their upcoming Keurig 2.0 that features a bar code system and Coke's 10 percent investment (and 10-year commitment) to collectively collaborate and develop Keurig's Cold Brewing System. The company believes that single serve is one area that doesn't rest, shifting



Nespresso's VertuoLine is a large-cup SS coffee system for the North American market. It began rolling out to select retailers (Nespresso boutiques, Sur La Table) in the US in February.

not only the products available, but the hot beverage market overall.

"The continued rise of interest in specialty coffee and the growing adoption of Keurig single-cup brewers have been highly synergistic," said Amy Doyle, public relations manager, GMCR. "By bringing a broad array of well-loved specialty coffee brands to consumers—brands such as Green Mountain, Caribou, Starbucks,

and Tully's—with the convenience and consistency provided by the Keurig brewing system, we have made it even easier to adopt specialty coffee as an everyday choice." She added that single-cup coffee has actually been driving specialty coffee growth for at-home consumption over the past few years.

Renown brands are quickly becoming a part of Keurig's growing K-cup portfolio, confirming that single serve is here to stay. In 2012, Lavazza partnered with GMCR with the launch of the Keurig Rivo, which offers both cappuccinos and lattes to the North American audience. Recently, Lavazza has expanded its partnership with GMCR, announcing the upcoming launch of four K-cup varieties of Lavazza's coffee to the North American market. Krispy Kreme is another key player that will be joining Keurig's portfolio at the end of



There is an important balance that must be struck between product and packaging in the single-serve market.

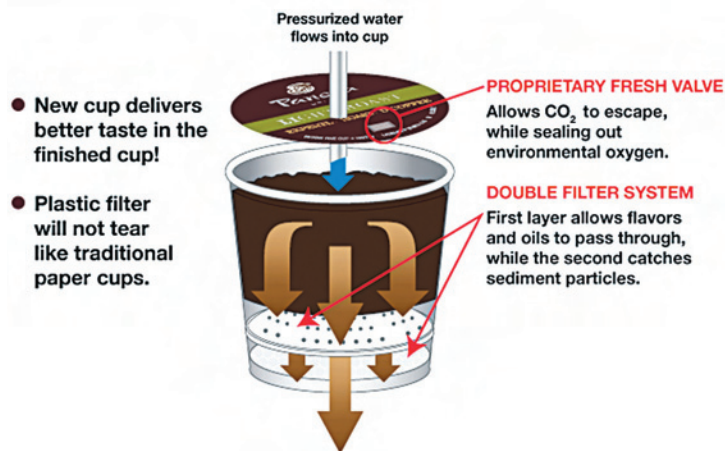
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Distant Lands Coffee new single-serve technology (left). The company partnered with Panera Bread to create and launch the QSR-chain's single-serve coffee.



2014. The familiar brand, best known for its beloved glazed donut, will be releasing two K-cup varieties. "At GMCR, we're committed to partnering with the best brands in the marketplace to bring consumers the beverages they love at the touch of a button," said Brian P. Kelley, president and CEO, GMCR.

Tea Steps into the SS Spotlight

As the single-serve coffee portfolio continues to expand, there is a quieter partner slowly beginning to make its mark: tea. Manjiv Jayakumar, president, QTrade Teas and Herbs, Cerritos, Calif., emphasized that it is no longer the time to wait to see what's happening in the single-serve market, the top beverage players are already fully engaged. "There remains in the tea seg-

ment, a wide opportunity in single serve," said Jayakumar. "Speed to market is critical. You need to get out in front of your client and in front of your market. It is not only about entering the market anymore; it's about securing your existing business."

Initially, there was hesitation to enter the single-serve tea market, said Jayakumar, mainly because there was uncertainty on how to deliver a high quality tea product within the constraints of the current systems. One of the challenges is that the brewing systems restrict the natural behavior of the leaf (to curl and unfurl). However, there are ways to adapt the product so that you still receive the full sensory experience that can be found in a loose-leaf tea today.

Due to the current constrictions in the single-serve system (on average both the temperature and time are standard), the contents of the cup are extremely critical. Jayakumar emphasized that it is essential that the single-serve product consistently reflects both the taste and quality of the brand. In order to maintain this consistency, the single-serve product may have to be altered. "The particle size tends to be smaller in single serve. However, it's still situation specific and tea specific," he said. "The formulation requires the capability of extracting in a short amount of time."

Cindi Bigelow, president and CEO, Bigelow Teas, Fairfield, Conn., agreed, emphasizing that formulations when producing a single serve versus a tea bag are slightly different. Adjustments are made so that the final flavor profile can be very similar. This may require adding flavors or a higher concentration of tea, the focus is on making adjustments to the content of the cup so that at the end the full flavor profile of the tea can be captured.

Innovations in the brewing system but more specifically in the contents of the cup/pod itself have demonstrated that this can occur in coffee. In fact, unless you are a barista it is probably more likely that you will receive a better brewed (perfectly measured and balanced) cup through single serve than through a drip brewer.

As more and more individuals are falling in love with tea, the same advantages are starting to apply. "Loose-leaf tea sales have been challenged by teaching people how to brew properly, the requirement for additional accoutrements, and a new generation of people who don't necessarily know that the things we eat and drink should typically grow out of the

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ground,” said George Jage, founder and director of The Beverage Group at F+W Media, Inc., which organizes of World Tea Expo, Healthy Beverage Expo and the North American Tea Championship.

As the adoption of healthier lifestyles increases, consumers are seeking higher quality tea products both in loose leaf and in tea bag format (the original single serve). However, both of these systems leave a lot of the brewing into the hands of consumer; something that can seem very daunting if they are looking for a quick and convenient brew.

The challenge of brewing the perfect cup has opened up the single-serve market to tea. “This ultimately facilitated a massive growth in brand introduction and brand availability at the grocery store. And with the explosion of in-home single-serve brewers over the past few years, pioneered by Green Mountain Coffee Roaster’s Keurig, there has been a flood of companies entering the K-cup market with new tea offerings,” said Jage.

Bigelow Tea has been offering tea in a K-cup format for the past four years. Originally, Bigelow teamed up with Canadian based Van Hotte coffee. However, they both became partners with GMCR two years ago when Van Hotte joined the GMCR family. Cindi Bigelow is fascinated by how the single-serve systems are creating a new tea clientele. “These consumers were traditionally not tea drinkers,” she said. “In fact, they most likely bought the product for coffee but are now seeking alternative beverages.”

Bigelow said that about 5 percent of the single-serve industry is currently tea consumers. “These consumers on average are generally new to the tea market. “Due to the unique attributes of this market, it is important to pay attention to the products offered.” She said that Bigelow’s Vanilla Chai (one of their newer single-serve products) seemed like a natural transition for traditional coffee drinkers. “The savory beverage, full-profile flavor is an ideal introductory tea, which is probably one of the reasons that this newly launched single-serve flavor is quickly becoming



Rogers Family Coffee offers biodegradable packaging for both of its single serve brands, San Francisco Bay and Organic Coffee Co. (not shown).

one of the top requests,” said Bigelow.

Playing with both the formulas and the single-serve system, can not only replicate existing products but also open the door to new formulas/products. QTrade Tea’s Southern Sweet Tea is one product that has incorporated the full benefits of the single-serve system. With a push a button, customers will receive a glass of perfectly sweetened iced tea (the pod contains not only the tea herbs but the sugar).

The main advantage of single serve is that consumers can now experience a variety of beverages with a push of a button. “The single-serve segment of the market remains a powerful and important market segment for tea,” said Jage. “[The United States] is inherently a nation bred on convenience. With the convergence of the specialty and premium growth with the technology and innovation of delivery systems, I believe single-serve tea sales growth will join the double-digit growth race to make tea the most consumed beverage in America—like the rest of the world.” ☕

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