

reprinted from:

VENDING TIMES

the Newsmoonthly of Vending, Foodservice, Coffee Service and Coin-Operated Recreational Services

Vol. 45, No. 9 • September 2005

Corporate Coffee Reinforces Manhattan OCS Market Penetration Through Filterfresh Alliance; Targets Acquisitions To Build Density

By EMILY J. JED

WESTBURY, NY — Corporate Coffee Systems has bolstered its position as a preeminent office refreshment service provider in the Big Apple for the past two decades through a joint venture that makes it the largest segment of Filterfresh's U.S. operations. And owner David Henchel says he's hungry for acquisitions to increase the company's presence in the metropolitan New York City market.

The Long Island-based OCS company merged with Filterfresh Coffee Service Inc.'s Manhattan franchise in December 2003. Through the joint venture, Corporate Coffee Systems increased its Manhattan footprint by almost 100%.

Filterfresh Coffee Service, based in Westwood, MA, is a subsidiary of Van Houtte Inc. (Montreal, QC, Canada), one of North America's leading gourmet coffee roasters. The company, founded in 1919, also is a pioneer in single-cup coffee makers. With its partners, Van Houtte provides state-of-the-art equipment, beverages, programs and services to the workplace market.

In addition to adding Filterfresh's exclusive single-cup equipment and gourmet beverage products to its menu, Corporate Coffee has benefited by adding Filterfresh's midtown Manhattan headquarters. The company uses the site as a satellite sales and service office, and for quick and easy access to an emergency supply of inventory for immediate delivery in the city, since CCS's primary warehouse is on Long Island.

"We are very excited to develop Filterfresh in Manhattan," Henchel said. "It has grown our business substantially with the instant addition of quality accounts, and it offers our customers a new, superior single cup program. The Filterfresh machine fills a niche as a more cost-effective alternative to portion pack machines. It offers the industry's best hot chocolate, and delivers premium coffee faster for larger groups."

Single-cup machines are familiar territory to Corporate Coffee, which successfully operated Cafecion's "Avalon" and Crane National Vendors' "Café System 7" fresh-brew machines prior to aligning with Filterfresh.

"Our objectives at Corporate Coffee Systems are to exceed our customers' expectations by providing products and programs that they want, and the brands they demand; to expand our dedicated team of employees; and to develop the 'Van Houtte' brand," said Henchel.

"Van Houtte" coffees are available in fraction-packs for batch brewing as well as in Keurig "K-Cups," and Corporate Coffee is the exclusive OCS provider in Manhattan offering the brand. Henchel



FULL SPEED AHEAD: At the helm of Corporate Coffee Systems, which he founded two decades ago, David Henchel has bolstered his firm's presence in New York City workplaces by merging with the city's Filterfresh franchise operation, and is eager to expand by acquisition.

reports that "Van Houtte" in Canada is equivalent in popularity and name recognition to "Starbucks" in the U.S.

Henchel added that his ongoing mission is to stay on the cutting edge of technology. "We're looking very, very hard at pod machines, and doing field testing in a variety of customer environments to insure reliability and user acceptance," he told VT. "I consider us a leader in single-cup OCS programs, and we want to pick one brewer that is best for the customer, and for us as the operator, before we go to market with it." Thus far, he added, "Café Excellence's 'Milano' has done very, very well in our field tests, and we're excited by the results.

"Pods deliver an outstanding cup of coffee, but there's not enough awareness or demand; customers aren't pushing us for it," Henchel reported. "If we're out prospecting it, people will look at it and give us a chance to demo it. We've done okay with pod brewers, but they are still an unknown, from the customer's perspective. Keurig was like that in the beginning, too; it did not take off right away."

Henchel added that, while the quality of coffee brewed from pods can rival that of proprietary portion-pack machines, the cost advantage is not significant enough to be passed down to the customer at this time. Thus, at present, clients have little reason to seek out the new brewers.

The veteran operator pointed out that, since the



OPENING DOORS: Gregg Henchel takes advantage of being in closer proximity to Corporate Coffee Systems' long roster of Big Apple OCS accounts by scheduling business meetings at Midtown office that the company acquired through its joint venture with Filterfresh. The agreement with Filterfresh increased CCS's Manhattan business by 100% and the OCS operation has its sights set on further penetrating this market and building density through more acquisitions.

CCS ZEROES IN ON UPSCALE MANHATTAN COFFEE MARKET

1960s, OCS customers had been accustomed to paying about 5¢ per cup for coffee brewed from conventional pour-over equipment. When Filterfresh entered the scene with its single-cup machine and a comprehensive sales, marketing and service program built around it, the service commanded a higher price per cup, because it brought something to customers that had not been readily available before: pushbutton convenience and the assurance of freshly brewed coffee, cup after cup.

"When Keurig came along, it cost customers 40¢ to 45¢ per cup," Henchel pointed out. "People eagerly accepted it because it was a major 'wow' as far as freshness and convenience. Pod brewers are not quite different enough to create that kind of stir."

"Pod brewers offer technology that customers perceive as similar to the Keurig – the user opens the drawer and pushes a button," Henchel explained. "So we're not getting the same 'wow!' effect as we had when we introduced the Keurig system."

He added that many operators are turning to pod brewers to remain competitive, because they do not meet the performance guarantees required to participate in Keurig's and Flavia's programs.

"We will be leaders in technology and continue to reinforce Corporate Coffee Systems as the premier single-cup provider in Manhattan – almost 50% of our business is single cup," Henchel emphasized.

The demand for pod brewers may well increase as consumer advertising for branded product and equipment ramps up. Prestige accounts in large urban markets like New York City always have wanted the latest and best; as pod brewers enter this spotlight, Corporate Coffee System is ready to provide them.

"Manhattan is where the business is, and we're looking to increase our density. Density is everything when you're in distribution. We actually look at how many deliveries we can make per parking spot. It's such a challenge to park in Manhattan that the expense of parking tickets and getting towed are factored into our operating costs."

With 14 route trucks on the road as well as service and supervisory vehicles, parking-related expenses add up, but Henchel takes it in stride because the payoff of doing business in Manhattan far outweighs the inconvenience. It is currently his prime geographical focus.

Henchel is eager to acquire other operators in the New York City metropolitan area, to further enhance Corporate Coffee's density in Manhattan. Since his merger with Filterfresh, the combined company has acquired three OCS operations: the Manhattan business of Long Island-based Regal Coffee Service, Werner Brothers Vending & OCS of Long Island and Perfect Brew of Queens.

"I hope this year will be as active with acquisitions as last year, if not more so," Henchel told VT. "We've grown organically through our customer base and through new business produced by our sales team. Looking ahead, we're a very motivated buyer with a lot of experience with acquisitions. We have a template for buying other businesses, so it all just falls into place; we have the capital in place. Small or large, we're looking for qualified businesses, for good companies – and good operators too, because we have opportunities within our organization for skilled managers."

Water represents a substantial portion of Corporate Coffee's product mix, and point-of-use filtration systems are in high demand among his clientele, especially since Filterfresh focused on this service. "Since our merger, we're seeing more

activity in water," Henchel reported. "We would acquire a good, high-quality water business in our area. When you're building density, the formula is simple: get more product onto the truck, and make more deliveries from each parking spot."

Another focus for Corporate Coffee Systems as it strives to sustain its rapid growth is creating a work environment that attracts and retains a dedicated team. "We need to draw talented, caring people; we can't grow without them," said Henchel. "To do this, we're planning to renovate our offices to make them more employee friendly, and improve our benefit programs, along with other incentives." The company initiated this process by renovating the new Manhattan office late last year.

Henchel credits his successful relationship with Filterfresh to that organization's sophisticated infrastructure at its corporate headquarters in Massachusetts, which lends exceptional support to its affiliated operators in the areas of procurement, marketing, human resources, financing and providing instant access to OCS industry information.

"It puts me in a position, as an independent owner, to call on tremendous resources. I have incredible support when it comes to writing an employee manual, preparing a comprehensive sales bid or designing a salesperson compensation plan," the Corporate Coffee Systems owner applauded. "They have all the experts there who know how to run an OCS business. They're also sending people here for equipment, service and sales training. I'm very pleased with the decision to align with Filterfresh. It's been a great 18 months, and the potential of what lies ahead is exciting."



A GOOD PLACE TO WORK: Supporting Corporate Coffee Systems' growth are customer service team members (from left) Melissa Jackson, Sandra Contreras, Lenore Moorer, Samantha McClain, Nicole S. Rose, Katrina Thompson, April Crawford and Wendy Ferner. CCS strives to maintain a congenial environment in order to retain capable, dedicated people.



ON THE LINE: Service manager Vladimir Vayner keeps CCS's new fleet of tabletop Filterfresh single-cup fresh-brew machines working smoothly in the demanding metropolitan New York market. Filterfresh parent Van Houtte pioneered single-cup brewer design, in which Canada is a world leader.

Published SEPTEMBER 2005 © Copyright 2005 Vending Times Inc.

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