



“Why Specialty Coffee?”

December 29, 2008

Coffee Today

Each day, millions of Americans head to their local coffeehouse, kiosk, or drive-thru in search of their preferred beverage. Vanilla non-fat latte. Decaf café mocha. Freshly brewed coffee. Blended coffee beverage. Hot tea. Each customer has their favorite brand, blend, beverage and brew.

Over the past fifteen years, with the vast expansion of specialty coffeehouses, like Starbucks, and its subsidiary, Seattle’s Best Coffee, the American coffeehouse has become the place to meet. Providing a sense of community, coffeehouses are the perfect place for business associates, friends, social groups and others who want to gather to share ideas and enjoy each others company. The “coffeehouse experience” has become big business and has created one of the most stable and fast growing small business opportunities in America today.

Staying Power

But will the coffee business remain hot? As people’s lives get busier and busier, they are more than ever looking for this sense of community and gathering place. Coffeehouses continue to play this role, and offer a relaxing, inviting environment, along with high-quality coffee beverages and great food options. With the proliferation of cafes and gourmet coffee retailers in the 1990s, specialty coffee has become one of the fastest growing food service markets in the world. In 2007, specialty coffee businesses had total sales of \$13.5 billion in the U.S. alone.¹

Additional key facts from the 2008 National Coffee Association (NCA) *Coffee Drinking Trends Report*:

- The average number of cups consumed per drinker has remained quite stable in the last four years – total coffee sits at slightly over three cups per drinker per day, while gourmet coffee sits at roughly two-and-a-half cups per drinker per day.
- Current gains in the consumption of specialty coffee beverages are seen among those 25 years and above.
- Daily consumption of regular coffee increases as one ages (71 percent among 60 plus versus 26 percent for 18 to 24 year olds). On the other hand, the reverse trend is true for espresso-based beverages (9 percent among 18 to 24 versus 5 percent for those 60 plus).
- Daily coffee consumption is highest in the North East region (60 percent); however, all regions show fairly stable levels over the past several years.
- One-in-five consumers (20 percent) report consuming an espresso-based beverage within the past week – a level relatively unchanged since 2004.
- Specialty coffee beverage drinkers tend to be younger, more ethnically diverse, and have higher income.

Specialty Coffee Franchising

Specialty coffee franchising has exploded in the past two decades with well over 35 brands.² Now that explosion has spilled over into brands that are mostly known for their food. While these companies do offer franchises, they are expensive and the focus is on food rather than coffee with the barista experience, which attracts prospective franchisees to the coffee industry.

So what are the choices for the franchise prospect? Until now, those investigating specialty coffee as a franchise business have had to choose among a limited selection of small to mid-size franchised brands, since some of the larger brands didn't offer franchise opportunities. However, those looking at specialty coffee franchising today have a great, strong national brand choice. Seattle's Best Coffee, owned by Starbucks Corporation, has begun offering franchise opportunities to multi-unit operators in the United States. Seattle's Best Coffee is already a nationally well-known coffee brand, currently available at more than 550 Seattle's Best Coffee cafes in the U.S., nationwide in supermarkets and at more than 6,000 foodservice locations, such as college campuses, hotels, airlines and cruise lines.

Why Seattle's Best Coffee?

- **Brand recognition:** A strongly recognized brand helps build a customer base from day one.
 - A growing and vibrant national brand with a rich history and nearly 40 years of experience.
 - Seattle's Best Coffee has national distribution through branded cafes, grocery stores and foodservice locations.

- **Operation systems:** The established infrastructure will provide on-going support franchisees need.
 - Superior design, development support, and a complete equipment package to get franchisees up and running quickly.
 - Expert training and regular in-cafe support help employees help employees confidently deliver the Seattle's Best Coffee experience customers have come to expect.
 - Marketing programs with seasonal campaigns, new products and local marketing support help keep Seattle's Best Coffee cafes fresh and drive business throughout the year.

- **Flexible concepts:** Seattle's Best Coffee offers a full continuum of concepts to optimize operator profitability.
 - A diverse portfolio of cafe concepts, including custom cafes and kiosks, with many focused on small spaces allowing choices to maximize investment.

- **Best of class menu:** Everyday favorites, as well as seasonal specialties of the house, support all day parts.
 - Seattle's Best Coffee's signature Uncommonly Smooth™ coffee flavor has broad appeal among many coffee lovers' palates.
 - Beverage program that builds customers loyalty by offering enticing options throughout the day.
 - Proprietary OvenSong Bakery™ program features pastries, warmed sandwiches, afternoon snacks and desserts to help drive traffic during multiple dayparts.

¹ Specialty Coffee Association of America, SCAA research, 2008.

² List of U.S. coffee franchisors, International Franchise Association, 2008.