

On Solid Grounds

Houston Business Journal
August 11th-17th
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It didn't take long for Dari Ansari to wake up and smell the coffee.

Ansari, CEO of Fresh Brew Group USA, began his company planning to distribute Crane National Vendors' Coffee-on-demand equipment, but Ansari quickly caught whiff of something he could brew in something more.

Fresh Brew has contracts to provide coffee services to such corporate luminaries as Compaq Computer Corp., Reliant Energy Corp., Duke Energy and Bank United. But the company's success was not instant.

Ansari founded the original operations as Fresh Brew Coffee LLC with two business partners in 1995. Ansari called on friend Robert Sakowitz, president and CEO of Hazak Corp., to join the company as chairman and an equity member to consult on business

strategies, management and concept marketing. Although aiming initially at profitability in three years, that changed when the company acquired Cafe de Todd.

The 1995 purchase, which netted the 80-year-old "Morning Treat" packaged coffee, marked the first expansion of the company's original focus as a coffee services provider toward being an integrated full-service coffee supplier. "It eliminates the middle man and changes the supply chain," says Ansari.

Beyond Beans

Cafe de Todd, the original creator of the "coffee singles" in a box, came complete with a 20,000-pound-per-day capacity coffee-roasting plant and packaging and distribution facilities. The acquisition also sparked the company's move, in 1997, from the Galleria-area to the 30,000-square-foot roasting facilities in North Houston.

Further, the deal gave the company cost-savings and competitive advantage options. Instead

of pursuing the expensive promotion of branded Cafe de Todd singles in the highly competitive grocery and mass-market retail stores, the company opted to cut back on this distribution channel to focus on in house roasting for Fresh Brew and direct-bulk sales.

Two years would pass before Ansari made another move. In 1997, he purchased the interests of his original partners. That same year, at the request of the company's larger accounts, another entity was created, Fresh Brew Vending., to offer vending machine services. New equipment from several vendors was purchased which flooded the vending operations with soft drinks and juices, snacks, other foods, ice cream and combination snack-drink sets.

To add a different twist to its vending services, the company offers a complete choice of mix in beverage products - an option not available with national brand machines furnishing either Coca-Cola or Pepsi products. The company

also got into the water products installation act as well.

Fresh Brew Coffee and Fresh Brew Vending were consolidated into one entity called Fresh Brew Group in January 1999. Ansari and Sakowitz also operate an affiliated company, PerkUp Coffees LLC.

This makes the company an integrated supplier of coffee, vending water and direct bulk private label coffee services in Houston - a far cry from the company's original plans, but a niche standard-setter move for Fresh Brew. Not only does it mean growth from within, but it also gives Fresh Brew a stake to drive into multiple markets.

According to *Vending Times* "Census of the Industry Issue," the annual domestic vended product sales volume in 1998 was \$34.8 billion dollars. And from Fresh Brew's position, since total U.S. coffee consumption in 1998 was \$18 billion - according to National Coffee Association

1999 survey the potential market for consumption through these new easy-delivery quasi-vend single-brew systems in office coffee services is substantial.

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"It's a fragmented industry,"

says Sakowitz. "The concept of vending and coffee brewing has to change."

Hot Commodity

Although Houston plays host to many coffee distributors, Fresh Brew has set its own niche to offer vertical coffee integration and the full-service range of products with cost advantages such as those offered by the company. The company has already completed and absorbed three purchases of smaller competitors in 1998 and 1999, helping the company grow its office coffee services and vending revenues.

"We're a one-stop chop, but we're not a one-size-fits-all outfit," says Ansari. "We have to consider the amount of people, space and the amount of usage to dictate what kind of equipment to recommend to a company."

St. Louis, Mo. - based Crane-National Vendors has granted the company the launch and regional exclusivity on its recently single-brew regular

and decaf machine, which competes with the traditional Bunn pour-over unit. Fresh Brew is also Crane-National's largest customer in the nation of the the "System Seven". The System Seven machine, named for it's ability to cleanly, easily and consistently deliver seven different products - regular coffee, decaf coffee, half and half, espresso hot chocolate, moc-cachino and hot water - is an around-the-clock delivery system needing no product refills until 700 eight-ounce cups have been produced on demand.

"This means cost savings for companies," says Ansari. "Employees don't have to waste time trying to make coffee."

Cost savings aside, coffee serves as the beverage lifeblood for many companies across the United States.

"Companies that often have employees working late hours are companies that tend to keep

coffee on the premises," says Ansari.

Instead of just driving a coffee unit to a company, setting it up and then heading for the hills, Fresh Brew prides itself in servicing, maintaining and delivering products to more than 1,000 coffee units and vending machines. Such a service, and Ansari says the company is about service, also includes emergency maintenance response within two hours.

"It takes a lot of caring," says Ansari.

In addition to fattening its company with bites of roasting facilities and vending services, Fresh Brew is also using state-of-the art computer hardware and software as prime ingredients in the company's recipe for growth and competitive advantage. The technology focus has been targeted at employing handheld PCs to validate route drivers' locations and initiate inventory replace-

ment requirements. This gives management the opportunity to track inventory by line and by price against revenues to be accounted for in each respective change with replenishment forecasting and picking lists generated by the software.

The company is also able to facilitate bulk purchasing from its customers through electronic data interchange, and has Web sites in place for both PerkUp's products and Fresh Brew's systems and services. The company intends to invest even further in technology to develop controls for expansion and cost containment.

"This is key to our operation, and it's the direction our business is going," says Ansari.

Written by: Walker C. Wooding Jr. Houston Business Journal small business reporter. This article was featured in the August 2000 issue of The Houston Business Journal.