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As consumers crave wider varieties of upscale drink options, restaurants can use them to drive sales.

BY DAVINA VAN BUREN

THE SEARCH FOR **SPECIALTY BEVERAGES**

Specialty Beverage Revolution

High-end drink offerings can increase customer satisfaction and loyalty—in addition to boosting your bottom line.

The specialty beverage industry has evolved tremendously over the past decade, particularly in the quick-serve restaurant industry. Years ago, most guest's needs could be satisfied with a core set of soft drinks, and perhaps a flavored tea if they were lucky. The specialty beverage industry simply didn't exist as we know it today—but times have changed.

Driven largely by consumer tastes and their neverending demand for greater choice, the beverage industry has seen a huge upsurge in demand for premium coffees, unique teas, and other specialty beverages. More often, consumers seek crafted, small-batch, locally-made, or high-quality drinks to accompany their meals, or to enjoy on their own as a special treat. "What used to be reserved for small, local, niche restaurants is now commonplace in many quick-serve restaurants," says Brian M. Harvanec, director of commercial product management at **Vitamix Corporation**.

Another contributing factor to the rise in specialty beverages: technology, both in and out of the restaurant. With access to an array of cable networks and television shows devoted entirely to food and drink, Americans are exposed to culinary possibilities in a way that hasn't been seen before. "Consumer tastes have evolved more rapidly in this decade than over the past 10 decades combined," says Adam Stewart, research and development for **Sweet Brew**. "This can be attributed to the digital age in which we live—consumers now have access to beverage and food trends the world over."

Because of this, modern restaurants are no longer catering to the casual coffee drinker; now it's the coffee connoisseur.



"Consumer tastes have evolved more rapidly in this decade than over the past 10 decades combined."

Customers are not simply buying smoothies or milkshakes—they're buying experiences. And whatever they are drinking, be certain they will post about it on social media. The specialty beverage industry is cleverly addressing these changes by evolving in multiple ways, such as flavors offered, complexity, and presentation, like with the Starbucks Unicorn Frappuccino. "With more options than ever out there, differentiation through intriguing tex-

tures, mix-ins, and flavors is key," says Jamie Wilson, director of business development for **Parker Products**.

Several trends are driving the specialty beverage industry's fast-paced growth. Leading the way are cold-brew coffee and specialty iced teas. Iced coffee, cold-brewed, and nitro-brewed coffees have grown exponentially over the past few years, making them one of the biggest specialty beverage trends in foodser-

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S&D Coffee & Tea

vice. While cold brew is still on only about 3 percent of restaurant menus, its growth rate has been in the triple digits over the past four years.

Iced tea, on the other hand, continues to be a staple on menus. "What's new is that guests are looking for more choices and variety when they order iced tea," says Amy Kleppinger, brand manager at **Heartland Foods**. "Datassential Menu Trends reports that while raspberry, peach, and green tea are the most common specialty iced teas, top growing flavors include jasmine, kiwi, and orange. It's also important to provide guests with their favorite sweetener, so that they can control the flavor of their drink."

The hot tea category also remains dominant through innovative offerings—such as chai and teas served with flowers that



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bloom when hot water is poured over them—and is especially popular among millennials and Generation Z consumers, who are helping drive growth in this sector.

Consumers are also looking for more all-natural offerings when it comes to beverages, as evidenced by the uptick in plant-based flavorings and sweeteners, like lavender, turmeric, sea salt, and honey. “The biggest change in beverages that we have seen over the years is a greater diversity in what restaurant guests are seeking when they select drinks,” Kleppinger says.

While cola is still a top menu item, its four-year growth rate is declining. "What we do see growing on beverage menus are more niche flavors, like ginger, hibiscus, and blood orange, and salted caramel has remained the most popular specialty bev-

verage flavoring for the past four years running, according to Datassential," she says.

Exposure to more cultural foods, drinks, spices, and flavorings—in addition to growing concern for the environment—has also made consumers more health and sustainability conscious. “Simple, honest ingredients that come from nature, not from a lab, are definitely trending,” Stewart says. “Consumers want less high-fructose corn syrup and fewer ingredients in general—if they can’t pronounce it, they don’t want it.”

Though not new, sparkling water is another offering that's experiencing tremendous growth in the specialty beverage category. Now on 2 percent of restaurant menus and showing marked growth of 47.2 percent in the past four years, the popularity of "infusion" or "slightly-flavored" sparkling waters are fueling this market, according to Datassential.

Other specialty beverages to watch include “global-inspired drinks, like Vietnamese coffee, agua frescas, and horchata [a rice or nut-based concoction popular in Mexico and Central America], which are trending to coincide with the increased demand for authentic international fare,” says Helen Griffith, vice president of marketing for **S&D Coffee & Tea**.

And smoothies are more popular than ever, with smoothie bowls—another Instagram darling—blurring the lines between healthy meal and fun, unique beverage. “There has been such a proliferation of specialty smoothie chains that quick-serve restaurants are taking advantage of that increase in popularity,” says Terry Copenhaver, senior product manager at **Hamilton Beach**. “We are seeing increased sales of our high-performance blenders in quick serves for smoothies as customers search out beverages that offer more health benefits and natural flavors,” she says. Look for elevated “super-food” ingredients like pomegranate, maca, and charcoal to become staples in beverage applications.

With the wide variety of specialty beverages available, they can be a valuable and memorable way for quick-service operators to increase branding. In fact, many consumers choose restaurants

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based on the drinks they serve. To some degree, large soda companies have long driven consumers to frequent the quick-serve restaurants that serve their products, but the idea isn't limited to soft drinks. "Often, customers choose a location based on the newest interesting offer or their steadfast dedication to a certain beverage," says Robert Burruss, marketing for Sweet Brew. "Chick-Fil-A is a prime example of this. Ask anyone why they love eating there, and the first answer will always be their great-tasting chicken—second, their sweet tea or lemonade."

Responding to big shifts in consumer tastes and behavior, even convenience stores are aggressively expanding their beverage offerings to make theirs a go-to destination. Contrary to the offerings of a decade ago, today it's not unusual to see coffeehouse-style javas, flavored slushies, and dozens of flavored teas and waters in

any corner store.

For consumers who are especially health-conscious or specifically look for nonalcoholic options, a well-marketed specialty beverage lineup could be the deciding factor between two restaurants with similar menu offerings. "You could bring in first-time customers seeking out a refreshing smoothie or an upgraded iced tea, especially if your restaurant also provides added convenience like a drive-thru window," Wilson says.

Millennials in particular are looking for fresh options made to their liking. They are willing to try unique flavors or different combinations, and diligently search out restaurants that allow them to do so. Page says operators can expect this customization trend to continue as millennial consumers age and acquire more expendable income. "Allowing these customers to customize their drinks will

add to a restaurant's appeal," Harvanec says. "Try offering an extra flavor shot or unique combination."

Offering tempting specialty beverages can also help restaurants avoid the dreaded veto vote. Today's savvy epicureans start young, and in addition to fresh, customized food made quickly, they want beverage options that go far beyond the standard soft drinks and dairy-based lattes. "A whole generation of coffee drinkers has grown up thinking of coffee as being creamy and flavored, and operators need to meet their expectations," says Patty Poole, category marketing manager for **Nestlé Professional Coffee-mate**.

Featuring house specialty beverages can also set a brand apart in the crowded fast-casual and quick-service categories. "The more operators can differentiate themselves through menu items such as specialty drinks, the better chance they'll

"Often, customers choose a location based on the newest interesting offer or their steadfast dedication to a certain beverage."



Nestlé Professional Coffee-mate

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have of luring folks away from the competition," says Marc Heffner, senior vice president of marketing for **Wilbur Curtis**.

Operators should be looking at the specialty beverage industry as a way to not only bring in new customers, but also to increase check averages on items they may already offer. With more guests moving away from soft drinks, overall sales

beverage purchases are incremental rather than substitutions, driving register ring for operators."

To further boost profits, Harvanac suggests shooting for add-ins that have high perceived value but lower costs—fresh herbs or foam topping, for instance. Even when the beverage contains only a few simple ingredients, the fresh, made-to-order

Counterspace is usually at a premium, so adding equipment can be a big decision and a delicate balance—it must deliver the flavors and varieties consumers want with the simplicity, precision, and space-saving designs operators need.

"Technology helps make beverage preparation easy," Heffner says. "Along with giving operators precise control over brewing functions and product freshness, many systems let even entry-level staff create and dispense custom, proprietary branded drink recipes quite easily," he says.

Blenders are one of the most versatile equipment choices for quick-service restaurants, offering the ability to make tra-



Wilbur Curtis

can suffer, but "offering guests something interesting to try—and hopefully come back and order again—can help reclaim some of those lost sales," Kleppinger says.

For example, featuring a variety of premium syrups or flavored creamers can easily add multiple high-quality—and high-margin—beverage options to a menu. Because specialty drinks are seen as premium options, they tend to be more resilient with premium pricing, especially in times of economic prosperity. "Consumers are willing to pay a little more for them, which really helps margins," Wilson says, "and research shows that some specialty

quality commands higher check prices.

For example, a Moscow Mule is an example of a great, easy-to-make hand-crafted beverage that is only three simple ingredients: fresh lime, ginger beer, and vodka. "Mocktail versions that substitute fresh fruit juice for vodka can be a great offering for a quick-service restaurant," Kleppinger says.

Once you have a great specialty beverage menu in place, it is essential to ensure consistency from one visit to the next and across locations. This can be difficult for some operators, since quick serves present their own set of unique challenges.

"The more operators can differentiate themselves through menu items such as specialty drinks, the better chance they'll have of luring folks away from the competition."

ditional smoothies, frappes, and milkshakes. They can also be used to prepare simple syrups for flavor add-ins, flavored lemonades, slushy-style drinks, and more. To reduce noise inside the restaurant, choose a high-performance commercial model that can tolerate high-volume usage. "To handle larger batches, a beverage urn, bubbler, or other drink dispenser can be a great low-tech solution for high-volume beverages, and they keep drinks chilled for long periods," Kleppinger says.

Once a restaurant takes the leap into specialty beverages, striving for consistent flavor and texture—as well as pricing—is paramount. Janie Page, marketing director for **Farmer Brothers**, says that operators looking to expand their specialty beverage options start simple, perhaps with a specialty coffee. "Bean selection and freshness are key to delivering a great coffee taste experience," she says. Emphasize the quality, taste, or origin story of the coffee.

"Giving patrons more of what they want may be the best reason to expand your beverage menu."

Parker Products



Then, don't overcomplicate your offerings.

"Provide training tools for your team and focus on the most common drink types—lattes, mochas, and cappuccinos," Page says. Operators should make clear to employees how much to charge for extra shots, syrups, and other additions, and exactly what ingredients and garnishes each beverage contains. Customers can grow frustrated when they order something that tastes great at one location, but lacking at the next, or are charged different prices for the same item depending on who's working.

Choosing a specialty beverage offering that meets consumer demand while maintaining operational effectiveness is also key. For instance, concentrates, like those available for cold-brew coffee, speed up the brewing process while delivering a smooth, great-tasting product. Having pre-made, pre-diced baked inclusions, such as cookie, brownie, or cake pieces, which can be easily mixed into a milkshake cuts down on preparation time. And pre-portioned fruits and veggies—ingredients you may already have on hand—can make blending smoothies

a snap.

"Select equipment that can be multi-purposed," Harvanec says, "and keep the number of ingredients to an absolute minimum—it's amazing what types of combinations you can make from three or four ingredients." If things get too complicated, staff may become frustrated and won't push these specialty beverages, so incorporating easy-to-use, quiet equipment and having ingredients pre-portioned for flavor consistency is essential to building a successful beverage program.

Other specialty beverage options require no employee preparation at all. This could mean a ready-to-drink bottle that can be pulled from a beverage well or cooler, or a beverage that can be easily dispensed by the customer in a self-serve bubbler or urn. Just make sure the beverage selection is easy to see before customers place their orders.

So what does the next decade have in store for the specialty beverage industry? According to experts, restaurateurs have a lot to look forward to. "You only have to look at the craft brewing and craft spirits movements to see that this type of

thinking sparks imagination and creativity," Harvanec says. Expect beverage producers to continue to create new, unique flavor combinations as demand for this type of beverage becomes commonplace, especially as they replace the high-sugar options of the past.

"I believe there will be a continued emphasis on healthier options as more and more states crack down on the amount of sugar that's included in drinks—if you don't offer something beyond your typical beverage menu, consumers will find locations that do," Harvanec says.

Nut milk also continues to grow in popularity as an alternative to dairy milk, so look for ingredients like cashew or almond milk to be incorporated more with specialty beverage offerings, such as milkshakes. "Clean labeling and increased transparency will continue playing into purchase decisions," Wilson says. "If you're not adding sourcing information or manufacturing claims like all-natural, organic, or GMO-free to your packaging or menus now, you will be soon."

Technology will likely play a larger role in the overall beverage experience, with an increased focus on preparation and technique. Cold-brewed and nitro-brewed coffee are just two examples of how preparation can create an entirely new beverage experience. Beverages with benefits, also known as "functional drinks," will take off. "Expect to see more fermentation and vinegars, tonics and elixirs, hero ingredients and superfoods, beauty beverages with ingredients like collagen, ethnic drinks, and savory beverages," Griffith says. And love it or hate it, the Instagram-worthy trend will continue to drive beverage offerings. After all, a single image can catapult a new business or dramatically increase sales for an existing one.

As always, quick-serve operators must find ways to balance innovation, profits, and customer satisfaction. "Add-on sales, capturing breakfast and snack day-parts, and value-added sales are among the most persuasive reasons for operators to add specialty beverages to their menu," Poole says. "But giving patrons more of what they want may be the best reason to expand your beverage menu."

Coffee Culture

Cold brew and other specialty coffee drinks are grabbing an increasing share of the specialty beverage market.

Americans have long had a love affair with coffee. Whether it's savored first thing in the morning, shared with friends over a catch-up session, or to get us through that afternoon meeting, coffee rituals are deeply ingrained into the fabric of our everyday lives. In the past two decades, however, the specialty coffee industry exploded into something new.

"When specialty beverages entered the U.S. foodservice marketplace they were, almost by definition, espresso-based coffee drinks," says Patty Poole, category marketing manager for **Nestlé Professional Coffee-mate**. "After years of flavor and format innovations, the category of specialty coffees now encompasses hand-crafted, cold-brew, and traditional black coffee enhanced with various syrups, whiteners, sweeteners, and other flavor and texture embellishments."

One of the most exciting new trends is the rising popularity of cold-brewed and nitro-brewed coffees. Cold brews are steeped at room temperature for 12–24 hours and typically require twice the amount of coffee grounds as their hot counterparts, hence their considerably higher price point. Nitrogen brews are similar; just take a cold brew and keg it, so the coffee comes out with a thick, foamy head similar to beer. "Cold brewing creates a smoother, cleaner flavor, while nitrogen is used to create a creamy, rich texture," says Helen Griffith, vice president of marketing for **S&D Coffee & Tea**.

Coffee in general is experiencing tremendous growth, but cold brew especially is the current market darling. While cold brew is only on 3 percent of restaurant menus, its growth rate has been in the triple digits for the past four years. "Cold



"We're seeing consumers enjoy coffee throughout the day, and the rise of cold brew is certainly contributing to increased interest in the summer months when coffee sales usually dip."

brew isn't necessarily new to the scene, but it's building on the momentum we saw in the craft beer movement," says Jamie Wilson, director of business development for **Parker Products**.

With improved technology and increased demand, it has also become more widely accessible, both in restau-

rants and in stores as a ready-to-drink (RTD) offering. "Additionally, we're seeing consumers enjoy coffee throughout the day, and the rise of cold brew is certainly contributing to increased interest in the summer months when coffee sales usually dip," Wilson says.

Indeed, Starbucks—to enthusiastic

reception—began offering several specialty drinks with cold foam in April 2018. Made from nonfat milk whipped until smooth, the foam mixes with the cold coffee when consumed with a straw, making for a cool, creamy, not-quite-thick-as-a-milkshake concoction.

As consumer awareness of the benefits of cold-brew coffee—mainly reduced acidity, which makes it easier on the teeth and stomach—continues to grow, expect to see it on more restaurant menus, both as a specialty beverage and an ingredient in other dishes. In fact, cold brew was the No. 2 nonalcoholic beverage trend among chefs in a recent study by the National Restaurant Association. “The great news for quick-service operators is that there are many great options that make cold brew accessible in any opera-

tion,” says Amy Kleppinger, brand manager at **Heartland Foods**. “The industry now offers a full variety of RTD and concentrate shelf-stable options that make it easy to offer authentic cold-brew coffee on demand.”

Not only is it on-trend, but with new innovations, cold-brew coffee is an ideal addition to many quick-serve menus. Restaurants without the capacity to incorporate the lengthy preparation of cold brew coffee in their operations can now purchase a concentrate that simply needs mixing with water. “Its smoother taste appeals to consumers, and its long shelf life makes it an economical purchase for managers,” Wilson says. Add in its strong margins, and cold brew is a great choice for restaurants that are ready to take advantage of this movement.

“Coffee itself can be high-margin, and when you enhance it with popular flavors, you take it from a commodity to a specialty drink, which is able to command a significantly higher price.”



Cold brews are an easy choice for operators looking to dabble in this growing trend. They require minimal equipment, so no machinery is needed. (Nitro brews can be done in a small keg on the countertop). For either, a good grinder and scale are key and can significantly influence the extraction and taste of the finished product. If you are looking to expand even further into specialty coffee drinks, a variety of espresso machines can work for almost any concept or space scenario. “From super-automatic to manual espresso machines, there are many options to suit operator needs,” says Janie Page, marketing director for **Farmer Brothers**. Quick-serve operators should make sure brewers are maintained, cleaned, and calibrated on a regular basis to maintain optimal taste and quality.

Another specialty beverage trend fueling industry growth is the emergence of RTD coffee beverages. Whether it is an iced coffee, latte, or cold brew, this market is growing at a strong rate. According to Mintel, RTD coffee currently occupies about a 20 percent share of the U.S. retail coffee market, and the group predicts 67 percent growth for the segment over the next five years.

Also on the rise are specialty flavorings that can be easily mixed into any coffee, hot or cold. “Coffee itself can be high-margin, and when you enhance it with popular flavors, you take it from a commodity to a specialty drink, which is able to command a significantly higher price,” Poole says. Specialty coffee drinks are an upsell reserve just waiting for quick-serve operators to tap.

In addition to great-tasting beans, today’s conscious consumers are also looking for an *experience* when it comes to food and drink, and this line of thinking extends to coffee as well. “Unique extraction processes like Chemex pour-overs, using a French press, or even a siphon can add a more theatrical experience for the consumer,” Page says. All of this, she says, combines to create a more complex build for specialty beverages. “Baristas are taking unique flavors, combining them with main ingredients, and putting their own unique twist on the preparation process.”

Sustainable Strategies

Specialty beverages featuring earth-friendly ingredients and packaging can positively impact restaurant branding.

With the rise of the locavore movement and increasing awareness surrounding health and environmental issues, operators across all food-service segments are under stiff consumer and regulatory pressure. Whether it's using biodegradable cups, providing natural alternatives to high fructose sweeteners, or banning straws, the movement toward quality, earth-friendly products and beverage options is not only good for the environment, but it can also be good for a restaurant's bottom line.

"The topic of environmental responsibility and consumer tastes in the beverage industry is an interesting one," says Robert Burruss, marketing for **Sweet Brew**. "Customers like supporting local economies, and often this leads to increased environmental awareness."

Conscious consumers also like a good story. When Whole Foods pioneered the concept of storytelling in grocery stores by featuring the stories of the farmers who produced the food they sold, it changed the game—suddenly, consumers had a personal connection to the food they bought. The same is happening in the beverage industry. "Customer interaction with beverages provides an educational opportunity regarding the features and benefits of a company's products, including the sourcing story, whether it is organic, and so on," says Linda Lipsius, co-founder and CEO at **Teatulia Organic Teas**.

To address consumer demand for transparency and quality, more retailers are making the commitment to source coffee, tea, and other ingredients in an ethical manner. "Today's consumers are more educated about how their food and beverages are made—where ingredients are grown, and how—so we're seeing more



requests for products that are sourced and produced with sustainability in mind," says Janie Page, marketing director for **Farmer Brothers**.

The industry is also incorporating sustainability measures at every step of the production process. "As we designed our new facility in Fort Worth, some of our top priorities were efficiency and waste reduction," says Wilson. "As a result, our green initiatives include LED light systems with motion control and an ammonia water chill system."

On the retail end, packaging is a simple yet powerful way for companies to communicate their sustainability and responsibility stories. "Adding a callout to a paper cup about where your coffee beans were harvested, the importance of recycling, or why you ditched the straw makes customers feel good about their choices

and encourages repeat visits," says Jamie Wilson, director of business development for **Parker Products**. Operators who use and highlight products that are organic, Rainforest Alliance, Fair Trade, and Direct Trade provide their customers with environmentally-friendly options and help educate customers who may not focus on those benefits.

Many of the same people who search for specialty or craft beverages are the same people who care deeply about the environment, so a high-level commitment to environmental responsibility can drive restaurant choice for the growing number of consumers concerned with sustainability. Says Marc Heffner, senior vice president of marketing for **Wilbur Curtis**: "Consumers increasingly want to patronize companies with a firm corporate social responsibility policy in place."