

FRESH ROASTED



PREMIUM COFFEE

Branding

Quality

Partnership

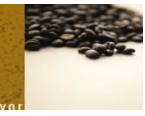
Exclusivity

Profits



*Now distributed exclusively in your area  
by Capitol Distributing*

2011 Copa Fina  
Presentation



# Award Winning Taste - Our Quality is #1

- Only Coffee to win *Best Coffee in Seattle* two Years in a Row
- 4500+ independent convenience stores serving our coffee nationally
- Chosen by the Some of the Largest Chains: *Mapco Express, Albertsons, Giant, Tops, FarmFresh, Fred Meyer*
- *Leader in developing new brewing & roasting technology*



# The Roasting Plant in Seattle

- Second largest Roaster in Seattle (Starbucks is the largest)
- Small batch gourmet coffee roast (150 lbs per roast)
- Only roaster in Seattle roasting on roasters designed, engineered and patented by the same company.
- Roast proprietary brands for large national chains
- Heavily invested in maintaining quality and freshness.



# Hot Beverage Trends in Store



- Growth in the category is being **driven by gourmet coffee drinker** - *Thanks to companies such as Starbucks, today's consumer has a higher coffee education.*
- Hot beverage **grew at 7% in 2007**. Continue growth at current rates are expected through 2008.
- **New age beverages** are driving new customers to the hot beverage category.
- Consumers are demanding more access to **personalization** in food service.



# The Competition Knows Good Coffee Drives Sales



McDonald's Corp. will add specialty coffee and other premium beverages to the menus at its more than 14,000 U.S. locations in 2008. *Crain's Chicago Business* reported that the addition of lattes, cappuccinos, and other specialty drinks is expected to bring the chain more than \$1 billion a year in sales, but the question is what will it take away from Starbucks and other coffee retailers.



	2005	2006
<b>QSR</b>	9.50%	10.90%
<b>C-Store</b>	15.40%	14.70%

*up 1.4%*  
*down .7%*

"To better compete against QSR's, experts say c-store operators need to make enhancements to their food and beverage programs. Specialty coffees need to be part of this mix – perceived freshness is critical!" C-Store News – May 28, 2007

# HOW TO CAPITALIZE ON THE TRENDS:



- **The Finest Quality Coffee**

- Consumers will know and taste the difference and remain loyal to good quality.



- **Upscale Presentation & Branding**

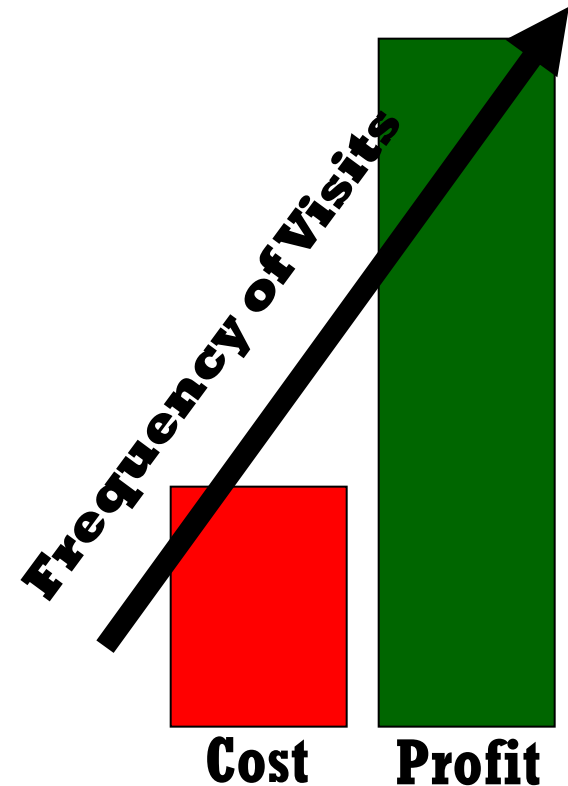
- Establishes credibility and gives the consumer confidence to buy it and to repeat.

- **Frequency & Loyalty**

- Aggressive promotion at program launch will help build the base; and the quality will bring them back again and again and again.

# Costs per Cup vs. Profit

The most effective way to increase profit is not by buying cheaper coffee, but by selling quality gourmet coffee & cappuccino at a value price, which increases frequency of purchases and overall profitability.



# A New Standard in Brewed Coffee Programs Increase Sales and Destination Business

**\*\* NEW Coffee House Look \*\***



**A complete Gourmet Coffee offering designed for independent stores.**

- High-performance graphics
- Branded Image
- Customizable packages
- Promotional support programs
- Allied products
- Training, service, delivery
- Improved shopability
- Destination driven sales
- Increased impulse sales

## Quality Products

- Award Winning Coffees
- Sweeter Cappuccino formulas
- Gourmet Teas
- Trend driven items

## Supported Coffee Club

- 120 redeemed cards = 1 free case of coffee
- 1 free case = \$150.00+ retail dollars
- Builds customer loyalty
- Rewards frequent shoppers

# Coffee Club



## Destination Customers

**96 percent of all hot beverage purchases at convenience stores were planned before the consumer even walked**

"Retailers can use hot beverages to build store traffic by doing a better job of satisfying consumer preferences and also to stimulate incremental sales via more effective cross merchandising," Willard Bishop's David Bishop told NACS Magazine.

**NACS News Article from January 8, 2004**



# Before and After



BEFORE

AFTER



# Cappuccino

- Upscale Equipment Offering; *including side panel graphics and big user friendly buttons.*
- 14 assorted flavors including: *White Chocolate Caramel, English Toffee and Gourmet Hot chocolate.*
- 3 Energy Products: *EXTREME Caffeine Latte, EXTREME French Vanilla IQ, EXTREME Mocha Energy.*
- Seasonal Offerings: *Pumpkin Spice Hot Apple Cider, Mint Cocoa & others*
- Sweeter formulas designed to meet consumer demand.
- Long lasting foam increases drinkability.



# The Best Program

## 7 reasons why Capitol Distributing has the best convenience store hot beverage program in the country

1. We roast & provide the best tasting, award winning Coffees and Cappuccinos.
2. Upgrade image to meet current consumer and C-store trends.
3. Improve the flow and overall shopping experience.
4. Increase sales of morning impulse items.
5. Improve customer loyalty, frequency and destination sales.
6. Capitalize on national c-store trend information to deliver best product offering.
7. Deliver increased profits



# FRESH ROASTED



# PREMIUM COFFEE

## Copa Fina Beverage Program Cost per Cup Analysis-Equipped

### Award Winning Coffees

Assumptions: 20 oz cup holding 18 oz of product---1 brew is 64 fluid ounces

Product	Case Cost	Units per Case	Cost per Brew	Cost per Cup	Cost per Ounce
Regular coffees 1.3oz	\$79.30	84	\$0.944	\$0.266	\$0.015
Flavored/Decaf 1.3oz	\$84.03	84	\$1.000	\$0.281	\$0.016
Dark Roast 1.3oz	\$93.09	84	\$1.108	\$0.312	\$0.017

### Sweet & Creamy Cappuccino

Assumptions: 20 oz cup holding 18 oz of product---2 lbs of product yields 272 fluid ounces

Product	Case Cost	Units per Case	Cost per Bag	Cost per Cup	Cost per Ounce
Cappuccino 2lb	\$43.87	6	\$7.31	\$0.484	\$0.027

### Trophy Cups & Lids with bar codes

Product	Case Cost	Units per Case	Cost per Cup
16 oz Trophy Cups	\$68.63	750	\$0.092
20 oz Trophy Cups	\$74.91	750	\$0.100
24 oz Trophy Cups	\$87.01	600	\$0.145
16-24 oz Black Lids	\$32.99	1500	\$0.022

### Profit Analysis

#### Coffee (20 oz)

Cost for product	\$0.266
Cost for cup	\$0.100
Cost for lid	\$0.022
<b>Total</b>	<b>\$0.387</b>

#### Cappuccino (20 oz)

Cost for product	\$0.484
Cost for cup	\$0.100
Cost for lid	\$0.022
<b>Total</b>	<b>\$0.606</b>

Sell Price	\$1.09
Profit per Cup	\$0.703
Profit per Case	\$163.51
<b>Margin</b>	<b>64%</b>

Sell Price	\$1.09
Profit per Cup	\$0.484
Profit per Case	\$66.04
<b>Margin</b>	<b>44%</b>

Note: Cream & Sugar and other condiments reduces margin by an estimated 15% on average. Pricing as of December 19, 2011.

# Equipment Options

- **Purchase Option.** No lease payments, discount product pricing, no minimums.
- **Free-Use Option.** No lease payments, standard product pricing, subject to purchase minimums.
  - *Standard pricing is 3.3-cents higher per cup than discount pricing*
- **Lease-to-Own.** 3-year monthly lease payments, discount product pricing, no minimums.
  - *\$105-\$195 per month, depending on equipment placed*

