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Pushing Boundaries

BrewSmart
BEVERAGE

SUCCESS IN ILLINOIS

Second generation OCS operator profits by
looking for opportunities outside the norm page 42

Scott Unter,
Owner and operator
of BrewSmart

Kurt Unter,
Founder

VENDING

**How To Know
When To Grow**

page 18

MICRO MARKETS

**Protect Your Micro
Market Profits**

page 32

Pushing Boundaries

Scott Unter, second generation office coffee service operator in Illinois, profits by looking for opportunities outside the norm.

By Emily Reformat, Editor



Delivery vehicles show the new logo.

Rebranding can be problematic for a long-time operator with an established brand.

However, Scott Unter, an office coffee service operator in Elk Grove Village, IL, knew it was time. The multi-million dollar business he is running is different than the one his father started 48 years before. It needed to push beyond the perception people got from its name, Antique Coffee, in order to showcase all the services now offered in a new, modern package that appealed to today's decision makers. Unter wanted to feature the company's focus on premium beverages, sophisticated single-cup brewers and partnerships with other service businesses to drive demand. The diversification of business types helped the company weather the Great Recession and has been a leading source of growth. Unter knew it was time to put them front and center

by relaunching as BrewSmart Beverage in 2017.

Spirit inspired beginning

Unter's father, Kurt, started the family coffee business in 1970. Kurt had worked for his brother-in-law at K&K Coffee, but a falling out had left him without a means of support. He contemplated the future with a bottle of Antique Bourbon, and eventually inspiration hit. He would open his own coffee service business with the name Antique Coffee.

The company grew steadily with Kurt's careful attention, from the family's garage to 20,000-square-foot of warehouse space in Elk Grove Village, IL. Unter was born into the family business, working in nearly every position of the company from 2000 when he was just 16 years old until being named President in 2016, as Kurt decided to semi-retire. Kurt

is still active in the business, supporting Unter with his experience and business acumen.

BrewSmart crafts coffee-based cocktails for restaurants.

Unter appreciates having his father's feedback on new service ideas and brands. The two don't always agree, but Unter wouldn't have the business any other way. In fact, he tracked down a bottle of Antique Bourbon, despite the brewery being closed since the 80s, as a keepsake of Antique Coffee's inspiration. "I found the only unopened bottle that existed," said Unter, proudly. "I keep it locked up in my wine cellar."

While Antique Coffee would always have a special place in Unter's heart, the necessity to rebrand





Scott Unter took the family business over from his father in 2016 when he became president.

became clear as the company's services changed to better serve customers. "People were overlooking us," said Unter. "I asked a few I knew, and they told me it was because they thought all we did was coffee."

Rebranding becomes necessary

In reality, the business had grown into many different services, including catering, vending and micro markets, OCS and a growing share in on-premise beverages. Unter felt that part of the issue was the age of today's decision makers. "We studied the average age of the gatekeepers in OCS," said Unter. "It was 32 years old." The target customers for the service are 25 to 40. "Antique Coffee just wasn't hip," he said.

Unter launched on a mission to rebrand the company to better appeal to the Millennials. He hired market-



Kurt Unter started Antique Coffee in 1970. He brought his son, Scott, into the business early on. Scott grew up in the industry and enjoys it to this day.

ing consultants and graphic designers. "Actually, it was my father who came up with the new name," said Unter. "It's based on the idea that

Due to the former name, clients assumed all the company handled was coffee.

we are a smarter way to brew — BrewSmart. "We like to say that we handle anything brewed — coffee, tea, espresso, etc.

It took five months and a substantial investment to update the logo, website, marketing materials, vehicles and more, but now Unter feels the company is projecting the image it needs to succeed. "It completely changed the business and its outlook," added Unter.

Birth of on-premise

When Unter started to take an active role in growing the company in 2002, he focused on the convenience store business. The company had an exclusive distribution deal with Eight O'Clock Coffee and Massimo Zanetti Beverage, which meant that

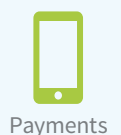
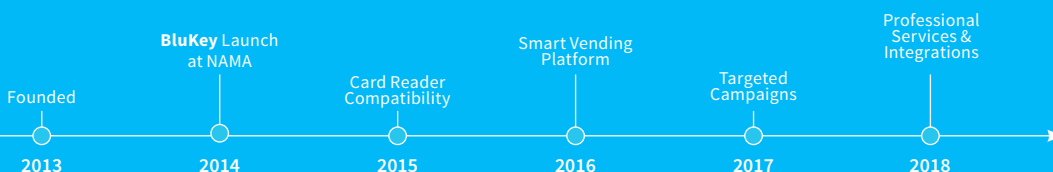


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Growth

Unter was the only person the gas stations could go to for that specific brand of coffee in the Midwest.

It saved us in 2007 to 2008, remembered Unter, “because people still had to get gas and wanted coffee but didn’t have the money for expensive artisan coffee.

During that time, the company’s vending business was suffering as facilities closed and layoffs were prevalent. Unter took a hard look at the margins of the vending segment and saw that they were significantly lower than the margins the company was getting on coffee. This led to his decision to scale down the vending side. The company went from 10 vending routes to only 2 in 2017.

Around the same time that Unter was assessing vending, he took on-premise under his wing. He added other coffee brands and offered

signage and branded options. The segment grew from providing service and coffee to gas stations and convenience stores in two states to serving 14 out of 4 centrally located warehouses. The brands Unter brings to the other states offer a chance for a distinctive coffee that may not be popular in that area. “We carry brands to new markets such as Chock full o Nuts, Eight O clock, Seattle’s Best, Arthur Ave, Torke, etc.,” said Unter. Plus, the company also offers signage for convenience stores to advertise the coffee brand to customers.

Unlikely partnerships

Revenues from on-premise have grown to represent 60 percent of the company’s overall revenue. Part of that growth has been a new partnership with Legacy Spirits, a large liquor supplier to the area with 2,000 accounts

in the Chicago market. While coffee and booze might seem an unlikely pairing for an operator, Unter saw the potential. In his own life, he enjoys a nice Breckenridge Bourbon after dinner, and his wife, who opts out of dessert still wants a post-dinner coffee cocktail. “Restaurants want \$20 to \$30 at the end of a meal,” said Unter.

They are losing that from customers no longer ordering dessert. That has given us the opportunity to work with Legacy Spirits on offering craft coffee cocktails.

Restaurants were already a customer for Unter, because many wanted the artisan roasts and specialty coffee he offered. “A customer won’t spend \$60 for a steak and be happy with a luke warm cup of coffee,” said Unter. However, pairing with the spirits company made the restaurant business much more fun

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and lucrative. Unter shows locations how to use capsule espresso machines that don't need a dedicated water line in the bar area. Then he works on developing unique coffee cocktails for each customer. He is currently up to 180 coffee-based cocktails, including a variety of espresso martinis, "The Bob" which is a white Russian with espresso and a "Wake The Dead" shot with espresso and tequila. "It is our mission to show people that there are easier, less expensive and yet reliable ways to make espresso, coffee and specialty drinks," said Unter.

Weekly Warehouse Turnover

Scott Unter, president of BrewSmart Beverage, owns a 20,000-square-foot warehouse in Elk Grove Village, IL. While he is looking to expand into a larger facility, he likes that at the current size, all perishable products turn over in a week. "It helps us guarantee freshness," said Unter. "We never code out."



Technology woes

The unusual business path of BrewSmart Beverage does come with challenges. Unter currently runs three different routing systems: Compuvend, Parlevel and Quickbooks.

While Unter would love to be using one system, they each have features he values. "75 percent of our customers are cash on delivery (COD) which is not something most systems come with," said Unter. The COD

business runs on his server-based version of CompuVend, but he's looking at Parlevel Systems for a cloud-based solution. "It is important to be able to remotely access equipment as we grow out of state," he said. "I foresee



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that in 6 to 12 months everything will be on Parlevel.

He also uses GPS tracking software Fleetmatics on the company's delivery vehicles. "We deal with Chicago traffic which is tough so it's great to get a report on accidents and reroute drivers before they leave," said Unter. The GPS is in real-time, so it shows how fast the driver is going and sends alerts for sporadic driving, stopping too quickly, riding the break, when the vehicle is outside the territory longer than 15 minutes, or even when the vehicle needs an oil change.

It probably added 5 percent to our bottom line," explained Unter. Part of the savings was on hourly wages. Some drivers were turning 4 hours worth of work into 8 hours of deliveries. "Plus, now when a customer calls asking when the delivery will arrive, we can actively look and



Customized loose leaf tea displays are an idea BrewSmart is offering clients.



Branded cups advertise the premium coffee served at BrewSmart locations.

see where the driver is and give a realistic ETA," added Unter. "It's the best piece of technology we've put in over the last couple years. It's paid for itself 10 fold.

OCS trends

In traditional OCS, Unter has seen a significant change in regards to coffee. Locations want special equipment and better coffee to attract top talent. "It's not about pay, that is the same," said Unter. "It's about the amenities.

Bean-to-cup machines, in particular, have been a huge growth area for BrewSmart Beverage, and Unter believes this is all due to the younger decision maker. "Millennials have the lowest percentage of home ownership and the highest percentage of expendable income. My 16-year-old niece will pay \$7 for a latte. That is the new normal.



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This has made it easier for Unter to go in and get the price he needs for bean-to-cup coffee. “When we say the coffee they want is \$18 to \$30 per pound, they are like ‘OK.’ Five years ago they would have kicked us out for that price,” Unter added.

BrewSmart Beverage has several brands and a private label coffee, but it can basically be parceled into three levels: super premium or artisan, premium and private label coffee. Most offices in Unter’s area aim for premium brands. Part of opting for the premium brands is also using the branded cups that Unter keeps in the warehouse for local customers.

An office will spend the money on Starbucks coffee, but not the extra nickel for a Starbucks cup advertising what’s inside,” said Unter. Instead, he explains to locations that it is worth the few cents more for a branded cup

than a plain cup, because it advertises the better quality coffee they are paying to offer employees.

Space challenges markets

BrewSmart Beverage has some vending accounts and has placed three micro markets. Micro markets are getting bigger as a segment of con-

venience services and Unter sees it as a profitable opportunity. The biggest challenge is that in the Chicago area, space is at a premium and many of the coolers and racks are just too large. “Currently, the minimum is 20 feet for current coolers,” said Unter, but we often don’t have that much wall space.”

Beginning in pantry service

BrewSmart Beverage launched its pantry service business in 2017. So far, Unter has seen most of the growth from locations with 100 employees who are dealing with multiple vendors. “We ask for all the invoices and say we’ll match or beat it, guaranteed!” He said.

Normally, BrewSmart Beverage can save them on coffee, as they get that direct, and are competitive with price on everything else. Really the locations just like having one provider to work with. “It means no charges for deliveries, one shopping cart, one invoice and one vendor,” added Unter.

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Service is the biggest part

“My outlook is, we will service anyone who requires it — offices, restaurants, hotels, gas stations — anyone who requires equipment and needs a quality beverage program, who needs more than a throw away solution,” said Unter. That is why BrewSmart Beverage offers a true 24/7 service department with a dedicated service staff there every holiday and night and weekend. They stock parts and replacement equipment that can be placed at a location within 24 hours. In addition, each brewer has a label with QR code that allows BrewSmart Beverage to track the asset from where it is placed to how many times it's been in need of service. Having great equipment partners such as Bunn is a key component in providing such great service, Unter adds.



Each brewer has a unique QR code on the company label for tracking purposes.

“OCS is so much broader now than it used to be,” Unter said. He pushes past the traditional lines of service to keep his company relevant and growing. Unter is willing to invest and still enjoys the family business each and every day. ◀

Operation Profile: BrewSmart Beverage

Owner: Scott E. Unter

Headquarters: Elk Grove Village, IL

Technology provider: Parlevel Systems, Compuvend

Routes: 10 OCS, 2 vending, 3 micro market

OCS equipment: Bunn, Mazzimo Zanetti, Wilbur Curtis, Bravilor Bonamat, Cafecion

OCS Lines: Eight O'Clock, Torke, White Bear, Chock full o'Nuts, Seattle's Best, Starbucks

Annual Revenue: Undisclosed

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