

Brewing up coffee cash

Firms like Biggby, Paramount still see growth trend

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Paramount Coffee Co. roasted 20,000 pounds of beans for Biggby Coffee in 1999.

Ten years later, Paramount turned out 800,000 pounds for the coffeehouse chain.

The jump is indicative of the growth in the local coffee business.

Paramount is celebrating its 75th year in the coffee blending, roasting, packing and distribution business, while coffee house franchise Biggby — formerly known as Beaner's — is turning 15 this year.

"We continue to grow. Thank God things are going well for us," said Angelo Oricchio, Paramount Coffee's CEO.

Paramount and Biggby are finding ways to expand in their niches, despite the state's sluggish economy.

"I think that both of them have a relentless commitment to quality. I think they know their customer

and they serve them very well," said Rob Gifford, president and CEO of the Michigan Restaurant Association. "They've been able to carve out a consistent market share in a very tough industry."

The Radway family started Paramount Coffee Co. in 1935. It became an employee-owned business in 2000 through an employee stock ownership plan.

Last year, Paramount purchased Arbor Mitchell Corp., an Ann Arbor-based company that sells coffee

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TRICIA BOBEDA/Lansing State Journal

On the job: Rich Roberts, an employee at Paramount Coffee Co., packs boxes of coffee products. Lansing-based Paramount Coffee celebrates 75 years in business this year.

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Coffee: Businesses grow in face of hard times

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and break room supplies to businesses.

Paramount will maintain Arbor Mitchell's location and sales accounts. It absorbed four of the employees, while another four retired or left the company, Oricchio said.

Helping others

Paramount now has 74 employees. Most work out of the 85,000-square-foot headquarters on North Larch Street in Lansing.

The company is privately owned and doesn't divulge sales or profit figures.

It has expanded its reach nationally through selling coffee at cafes and large retailers, offering private label coffee and selling directly to customers on its Web site.

"Our structure before was very heavy on route distribution" to businesses such as restaurants and convenience stores, Oricchio said. "But as we all know, the economic climate has changed quite a bit so a lot of people are either buying less or they're closing their doors."

In response, Paramount has increased its private label offerings, gone to more retail customers and sought more out-of-state business, he said.

Among the line of brews available at grocery stores is "Joe," a gourmet coffee line.

"It's designed to the times we live in," Oricchio said. "We carefully select the blends so we don't have the most expensive coffees going into that blend."

Paramount also roasts fair trade and organic coffees. For every pound of fair trade Rwanda coffee Paramount sells, it gives a dollar back to Rwandan farmers.

Michigan State University partners with Paramount to improve farmers' conditions. From 2004-08, the



ROD SANFORD/Lansing State Journal file photo

Founders: Biggby Coffee co-founders (from left) Mary Roszel, Mike McFall and Bob Fish pose at the company's headquarters in 2008.

company raised more than \$30,000 for the farmers.

Paramount also sells a blend that benefits Ele's Place, a healing center for grieving children that serves the Lansing and Ann Arbor areas.

Biggby sales up

On the other end of the coffee industry, Biggby Coffee has grown to 112 stores in five states.

The home office in East Lansing has 19 employees. Systemwide, there are about 1,400.

And individual stores are boosting their sales, founder and CEO Bob Fish said.

Same store sales — sales at stores open at least a year — were up 11 percent in December 2009 from a year earlier. January 2010 sales were up 5.5 percent, Fish said.

"We are in positive same store sales for the last 12 months, which is really remarkable," he said.

Same store sales are considered a key indicator of a retailer's health.

Fish, who is a past chairman of the Michigan Restaurant Association, noted that quick-service restaurants — which includes coffee houses — have seen revenue decline as a sector in Michigan.

Sales tax revenue from quick-service restaurants

Key players

Some of the area's big coffee players:

► **Starbucks:** 13,000 locations in 35 countries; stand-alone stores in East Lansing, Okemos; also inside other retailers' stores, including Barnes & Noble Inc., some Meijer Inc., Kroger and D&W Fresh Markets locations

► **Tim Hortons:** About 3,000 in United States and Canada, including eight in the Lansing area

► **Biggby Coffee:** 112 stores in five states; 24 locations in the tri-county area

► **McDonald's:** The fast-food chain has launched a "premium" coffee line. It has 31,000 locations in about 120 countries; more than 30 locations in the Lansing area

Sources: The companies, Hoover's Inc., LSJ research

was down 3.2 percent in the third quarter of 2009, the most recent data available, according to the association.

"I think that the Biggby story in particular is a wonderful success story in a state that's willfully short on them," Gifford said. "It's great to see an East Lansing-based company now has over 100 units and is taking its product to other states."

Adding outlets

Biggby hasn't been immune to the recession though.



Lansing State Journal file photo

Years ago: Workers package and pack coffee at Paramount Coffee in this historical photo. Paramount is celebrating its 75th year in the coffee blending, roasting, packing and distribution business.

The company had nearly doubled its number of stores every two years since 1999. But that came to a halt in 2008.

"The largest barrier to people opening up new stores was financing," Fish said. "There was the will, but not the way."

A year ago, he said, new franchisees easily could get loans to cover the roughly \$300,000 cost to open a Biggby store — even with a company stipulation that franchisees have enough cash to cover about one-third of the cost.

Biggby added 12 stores in 2009, has at least a half-dozen on the books now and is on the cusp of signing more deals.

"It's loosening up through smaller banks, regional banks, but not the big banks yet," Fish said. "Where I began to see it unfold first was current operators. They're growing first, now we're also starting to get new

Area roasters

Here are some of the coffee roasters in the Lansing area:

► **Paramount Coffee Co.:** 130 N. Larch St. in Lansing; roasts and sells retail and wholesale gourmet coffee to businesses, coffee shops, retail stores and online customers. Web: www.paramountcoffee.com

► **Coffee Barrel:** 2237 Aurelius Road in Holt; roasts and sells retail and wholesale gourmet coffee to businesses, coffee shops, retail stores and online customers. Also offers on-site retail shop and cafe. Web: www.thecoffeebarrel.com

► **Rudy Baggs Coffee Roasting Co.:** 1820 Sunset Ave. in Lansing; roasts and home delivers coffee on a weekly basis to coffee club

members. Web: www.rudybaggs.com

► **Sozo Coffee Roasting and Espresso Bar:** 576 N. State St. in Ionia; roasts and sells wholesale coffee to coffee shops and sells retail coffee online and at its cafe. Also offers bakery and catering services. Web: www.sozocoffee.com

► **Jackson Coffee Co.:** 201 S. Mechanic St. in Jackson; roasts and sells wholesale coffee to restaurants, coffee houses, businesses, retailers and other groups. Sells retail coffee online and at its two cafe locations. Web: www.jacksoncoffeeco.com

people into the system."

Growth expectations for 2010 are "modest," said Fish, whose operation also is privately owned and does not release detailed financial data.

Locally, a store is opening in Okemos at Mt. Hope and Hagadorn roads in March,

and the store at Okemos and Jolly roads was recently remodeled.

The store on Cedar Street between Oakland Avenue and Saginaw Street in Lansing has new owners and reopened Wednesday after closing in October 2009.

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