CRAFT CHOCOLATE, SPECIALITY COFFEE AND CHOCOLATE DJS
BERLIN APRIL 2018
COCOA RUNNERS
SPECIALITY COFFEE

Coffee Industry – Large and Growing Market

- $22 billion market in the U.S.
- 85% of coffee is consumed at home
- Coffeehouses Account for 69% of Specialty Coffee Sales

Specialty Coffee Experiencing Double-Digit Growth

Source: Specialty Coffee Association of America, National Coffee Association
SIMILARITIES, DIFFERENCES AND OPPORTUNITIES … SPECIALITY COFFEE AND CRAFT CHOCOLATE

SOME SIMILARITIES

- Beans ... fermentation, drying, roasting, harvests, micro-lots, etc.
- Direct trade, fair trade, environment, transparency, etc.
- Price premiums ...
- ... price erosion, commodification and Amazon
- Need for advise and curation
- Importance of “immersive” experience (but relatively few chocolate makers can do this .. few cafes, etc.)

SOME DIFFERENCES

- Penetration (~1% versus 15%+?)
- Ingredient versus standalone product
- Planned purchase (and need) versus “unconscious”
- Out of home / in home (office) experience
- Barista/Roaster versus finished product
- Habits and upgrading
UPGRADING VERSUS CREATING HABITS

With speciality coffee you upgrade your familiar “habit” (and need)
- Morning joe
- Visit to coffee store

Chocolate isn’t really a substitute for e.g., the sugar rush of mid-afternoon confectionery
ECOMMERCE IS TRANSACTIONAL AND SEARCH DRIVEN

- **RAISE AWARENESS & ENTHUSE**
- **PIQUE INTEREST**
- **BROWSE & ENGAGE**
- **DESIRE TO BUY**
- **FIND**
- **TRANSACT**

**COCOA RUNNERS**
AND INCREASINGLY A ONE HORSE RACE

WHERE DO CUSTOMERS START THEIR ONLINE PURCHASE FOR PRODUCTS?

Source: New York Times, WSJ, Forrester and Comscore

COCOA RUNNERS
<table>
<thead>
<tr>
<th>Price</th>
<th>Condition</th>
<th>Seller Information</th>
<th>Delivery</th>
<th>Buying Options</th>
</tr>
</thead>
</table>
| £2.29 | New       | Break Free Shop    | *In stock.*  
*99% positive over the past 12 months.*  
*5,023 total ratings.*  
*International & domestic delivery rates and return policy.* | Add to Basket  
or  
Sign in to turn on 1-Click. |
| £7.10 | New       | Mighty Pakistan    | *In stock, is usually dispatched within 3 - 4 working days.*  
*98% positive over the past 12 months.*  
*504 total ratings.* | Add to Basket  
or  
Sign in to turn on 1-Click. |
| £7.20 | New       | Zorba Online Store | *In stock, is usually dispatched within 2 - 3 working days.*  
*97% positive over the past 12 months.*  
*51 total ratings.* | Add to Basket  
or  
Sign in to turn on 1-Click. |
| £3.81 | New       | British            | *In stock, is usually dispatched within 3 - 4 working days.*  
*91% positive over the past 12 months.*  
*573 total ratings.* | Add to Basket  
or  
Sign in to turn on 1-Click. |
| £3.99 | New       | ProPharm           | *In stock.*  
*93% positive over the past 12 months.*  
*18,402 total ratings.* | Add to Basket  
or  
Sign in to turn on 1-Click. |
<table>
<thead>
<tr>
<th>Seller Information</th>
<th>Delivery</th>
</tr>
</thead>
<tbody>
<tr>
<td>SHOP 4 LESS</td>
<td>In stock.</td>
</tr>
<tr>
<td></td>
<td>=0.00 Premium Ship.</td>
</tr>
<tr>
<td></td>
<td>Nominated Day Delivery.</td>
</tr>
<tr>
<td></td>
<td>Delivery rates and returns</td>
</tr>
<tr>
<td>Isca Trading</td>
<td>In stock.</td>
</tr>
<tr>
<td></td>
<td>Dispatched from Unite.</td>
</tr>
<tr>
<td></td>
<td>Delivery rates and returns</td>
</tr>
<tr>
<td>The Sweet Pot</td>
<td>In stock.</td>
</tr>
<tr>
<td></td>
<td>Dispatched from Unite.</td>
</tr>
<tr>
<td></td>
<td>Delivery rates and returns</td>
</tr>
<tr>
<td>CRAIGIE ON LINE</td>
<td>In stock.</td>
</tr>
<tr>
<td></td>
<td>Dispatched from Unite.</td>
</tr>
<tr>
<td></td>
<td>Delivery rates and returns</td>
</tr>
<tr>
<td>British Essentials</td>
<td>In stock.</td>
</tr>
<tr>
<td></td>
<td>Dispatched from Unite.</td>
</tr>
<tr>
<td></td>
<td>Delivery rates and returns</td>
</tr>
<tr>
<td>Wildflower Trading Ltd</td>
<td>In stock.</td>
</tr>
<tr>
<td></td>
<td>Dispatched from Unite.</td>
</tr>
<tr>
<td></td>
<td>Delivery rates and returns</td>
</tr>
<tr>
<td>E.U. Xtores</td>
<td>In stock.</td>
</tr>
<tr>
<td></td>
<td>Dispatched from Unite.</td>
</tr>
<tr>
<td></td>
<td>Delivery rates and returns</td>
</tr>
<tr>
<td>Click&amp;deliver</td>
<td>In stock.</td>
</tr>
<tr>
<td></td>
<td>Dispatched from Unite.</td>
</tr>
<tr>
<td></td>
<td>Delivery rates and returns</td>
</tr>
<tr>
<td>Best With quality</td>
<td>In stock.</td>
</tr>
<tr>
<td></td>
<td>Dispatched from Unite.</td>
</tr>
<tr>
<td></td>
<td>Delivery rates and returns</td>
</tr>
<tr>
<td>TKGIFTS</td>
<td>In stock.</td>
</tr>
<tr>
<td></td>
<td>Dispatched from Unite.</td>
</tr>
<tr>
<td></td>
<td>Delivery rates and returns</td>
</tr>
</tbody>
</table>
CURATED, BESPOKE PRODUCTS
CHOCOLATE RETAIL
WINE RETAILING

- 42 seconds (supermarket)
- 11 seconds (convenience store)

Factors:
- End cap offer
- What price
- What colour
- Have I heard of it?
MUSIC, RADIO AND DJS

The President's Summer Playlist: Day

Created by: The White House - 20 songs, 1 hr 32 min

<table>
<thead>
<tr>
<th>SONG</th>
<th>ARTIST</th>
<th>ALBUM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ain't Too Proud To Beg</td>
<td>The Temptations</td>
<td>Gettin' Ready</td>
</tr>
<tr>
<td>Live It Up, Pt. 1 &amp; 2</td>
<td>The Isley Brothers</td>
<td>Live It Up</td>
</tr>
<tr>
<td>Memories Live</td>
<td>Reflection Eternal</td>
<td>Reflection Eternal [Train Of Thought]</td>
</tr>
<tr>
<td>Tombstone Blues</td>
<td>Bob Dylan</td>
<td>Highway 61 Revisited</td>
</tr>
<tr>
<td>So Much Trouble In The World</td>
<td>Bob Marley &amp; The Wailers</td>
<td>Survival</td>
</tr>
<tr>
<td>Paradise</td>
<td>Coldplay</td>
<td>Myx Xylo</td>
</tr>
<tr>
<td>Tengo Un Trato - Remix</td>
<td>Malo Rodriguez</td>
<td>La Nina (USA)</td>
</tr>
<tr>
<td>Wang Dong Doodle</td>
<td>Howlin' Wolf</td>
<td>20th Century Masters: The Millenniums</td>
</tr>
<tr>
<td>Another Star</td>
<td>Stevie Wonder</td>
<td>Songs In The Key Of Life</td>
</tr>
<tr>
<td>Hot Fun In The Summertime</td>
<td>Sly &amp; The Family Stone</td>
<td>Higher!</td>
</tr>
<tr>
<td>Romancin</td>
<td>Love Cut Connie</td>
<td>Call Me Sante</td>
</tr>
</tbody>
</table>

COCOA RUNNERS
CHOCOLATE PLAYLISTS – CREATED BY, AND SOLD BY, BARISTAS

100% Berry
Citrus

Smokey
Earthy

Indulgent

Dark

Classic

Alternative

Classic

Toasted

Alternative

Nibs

Textured

Flavoured
# Decision Trees and Support

## Cocoa Runners

<table>
<thead>
<tr>
<th>Type</th>
<th>Flavour</th>
<th>Suggested Bars</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Dark</strong></td>
<td>100% Intense</td>
<td>Menakao - 100%</td>
<td>Crafted from cacao and nothing else, these wonderfully intense bars are the purest interpretation of cacao.</td>
</tr>
<tr>
<td></td>
<td>Berry</td>
<td>Akesson's - Madagascar 75% or</td>
<td>Jammy pudding-like bars with distinctive fruity berry notes and much more from the first bite.</td>
</tr>
<tr>
<td></td>
<td>Smokey</td>
<td>Chocolate Tree - Madagascar 70%</td>
<td>crafted from cocoa that has been dried around open fires, these bars have a distinctive sweet smokiness.</td>
</tr>
<tr>
<td></td>
<td>Citrus</td>
<td>Solomon's Gold - 70%</td>
<td>Bright, pristine and delicate dark chocolate bars with a sharp sherbert and citrus finish.</td>
</tr>
<tr>
<td></td>
<td>Earthy</td>
<td>Please visit CocoaRunners.com</td>
<td>Earthy bars retain the grassy green notes of the land in which they're grown. Sometimes almost vegetal and truffle-like.</td>
</tr>
<tr>
<td></td>
<td>Indulgent</td>
<td>Blanxart - Dominican Republic 72% or</td>
<td>Rich, molten and indulgent dark chocolate bars.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Original Beans - Beni Wild Harvest</td>
<td></td>
</tr>
<tr>
<td><strong>Milk</strong></td>
<td>Dark</td>
<td>Bonnat - Surahaya</td>
<td>With over 50% cocoa, these bars have the intensity of a dark chocolate and the sweet creaminess of a milk chocolate bar.</td>
</tr>
<tr>
<td></td>
<td>Classic</td>
<td>Original Beans - Esmeraldas Milk or</td>
<td>Rich, creamy caramel notes from the start in these classic milk chocolate bars.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Akesson's - Ball with Fleur de Sal</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Alternative</td>
<td>Please visit CocoaRunners.com</td>
<td>Crafted from cocoa, sugar and non-dairy milk, these bars are great for those looking to reduce their lactose intake.</td>
</tr>
<tr>
<td><strong>White</strong></td>
<td>Classic</td>
<td>Original Beans - Edel Weiss</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Toasted</td>
<td>Please visit CocoaRunners.com</td>
<td>Made from cocoa butter, sugar, and milk, these silky white chocolate bars require more cocoa than most mainstream dark chocolate.</td>
</tr>
<tr>
<td></td>
<td>Alternative</td>
<td>Please visit CocoaRunners.com</td>
<td>Using caramelised sugar gives these bars their natural blonde look, and a distinctive roasted flavour.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Crafted from cocoa butter and alternative milks such as coconut milk, soya milk or goats milk, these bars are a white treat for those seeking.</td>
</tr>
<tr>
<td><strong>Inclusions</strong></td>
<td>Nibs</td>
<td>Montecristi - 70% Canuto with Nibs</td>
<td>Adding cocoa nibs to a bar gives each bite a pleasing crunch and releases bursts of fruit with every bite.</td>
</tr>
<tr>
<td></td>
<td>Textured</td>
<td>Taza - Mexican Cinnamon</td>
<td>Coarse and stone ground - until the Swiss worked out how to concoct chocolate 150 years ago, all bars had a coarse texture.</td>
</tr>
<tr>
<td></td>
<td>Flavoured</td>
<td>Akesson's - Madagascar with Pink Pepper</td>
<td>With inclusions and flavourings that highlight the unique profile of each cacao.</td>
</tr>
</tbody>
</table>
SOME FINAL THOUGHTS

- Acquire the habit “out of house”
- Show the art and craft (barista …)
- Use the label to tell the story and show the difference
- Help the customer with advise and curation (chocolate DJs)
- Takeover an existing habit … hard to create new ones (but can be done … salted caramel)
BACKUP SLIDES
THE COFFEE SHOP EXPERIENCE

COCOA RUNNERS
SOME FINAL THOUGHTS

- Use the label to tell the story and show the difference
- Prices and margins (to grow)
- Think hard about the internet …. And for Amazon, think about curation, special skus and unique bundles
- Experiences
  - Try before you buy … tastes are acquired outside home first
  - Show the art and craft the difference
- Help the customer with advise, curation and guidance (DJs)
- Takeover an existing habit … hard to create new ones (but can be done … salted caramel)
COFFEE GRADING

LICENSED Q GRADER CERTIFICATE

Spencer Turer

This document certifies that Mr./Ms.: Spencer Turer

The Coffee Quality Institute and the Specialty Coffee Association of America confer the honor and professional distinction of SCAA/QGr Licensed Q Grader to the holder of this certificate for having successfully passed all of the Licensed Q Grader exams. CQI and SCAA hereby for 36 months extend all the privileges as described in the Q Grader Rules and Regulations, and the holder of this certificate agrees to uphold the Q Grader Code of Ethics established by the Q Coffee System.

Presented this 8th day of June, 2012
Instructor | Craig Holt
Location | Private Lab

Ric Rhinehart
Executive Director
Specialty Coffee Association of America

Ted Lingle
Executive Director
Coffee Quality Institute
SOME COMPARISONS BETWEEN CRAFT COFFEE, BEER AND CHOCOLATE

- Price premium – pretty much the same
  - Craft beer is (generally) 2-5x more than mass beer
  - Speciality coffee is 3-10x more than instant coffee and 2-5x more than “mass beans”
  - Craft chocolate is 3-7x more than supermarket bars (and can be less than “premium” mass bars)

- Occasion – very different?
  - For craft beer and speciality coffee it’s the same “habit” that you upgrade
    - Morning joe
    - Visit to coffee store / Pub / Bar
    - ... craft chocolate isn’t really a substitute for the sugar rush of confectionery mid-afternoon

- And it’s harder for consumers to identify craft chocolate
MORE THAN SNACKING
SOME SUGGESTIONS

- **Labels**
  - Highlight craft’s uniqueness
  - Learn from SCIA, Craft Beer

- **Margins (to grow)**

- **Guidance (DJs)**

- **Think about the internet .... And for Amazon, think about curation, special skus and unique bundles**

- **Experiences**
  - Try before you buy ... and habits are acquired outside home first (coffee, wine, beer, tea, etc.)
  - See the difference (hat tips to Zotter, Dandelion, PSC, etc.)

- **Bean quality grading (makers and consumers deserve better..)**

- **Occasions ... where is our salted caramel moment?**
SOME SUGGESTIONS

SOME SIMILARITIES

- Beans ... fermentation, drying and roasting
- Direct trade, fair trade, environment, etc.
- Price premiums ...
- Price erosion, commodification and Amazon
- Need for advise and curation