

Intelligent Blend and the premium single-serve

From the [November 2014](#) issue.

Intelligent Blend's Michael Ishayik tells GCR Magazine why 2015 is the year that roasters across the quality spectrum will jump on board the single-serve wagon.

Michael Ishayik is used to hearing that the product he's making might just be a passing trend.



Ishayik started up Intelligent Blends two and a half years ago, specialising in single-serve coffee capsule manufacturing. In that time, he's fielded roaster concerns about the prevalence of single-serve, which system will prevail, and the dangers of backing the wrong system.

Although he's only been in the coffee business a short while, these are questions Ishayik has heard for nearly two decades. In his primary business of DVD and CD manufacturing, Ishayik has been front and centre in the transition from tape to discs. He helped the entertainment industry finally embrace discs, and now he's watching those discs steadily lose ground in the face of hardware-free digital technology.

"As you can image, CDs and DVD manufacturing is not the most robust business nowadays," he tells GCR Magazine.

The irony of switching from one once-criticised medium to another hasn't escaped Ishayik. "It's pretty funny. We used to hear the comparison [of DVDs to coffee capsules] all the time. We helped a lot of companies manage the transition from VHS to DVDs. They went from ordering just a few discs, to half their stock, to everything on DVD. We saw the delivery

mediums flip over. With single-serve, I can now make the same arguments."

That consumers are embracing single-serve coffee as quickly as they did disc players is becoming an easier argument for Ishayik to make every year. Pulling from various official and estimated sources, Ishayik says that around 18 per cent of households in the United States currently have single-serve systems. He estimates that single serve now makes up around 40 per cent of all ground coffee sales, up from 30 per cent last year alone.

"Single serve is just another format that all coffee and tea purveyors should offer their clientele," he says. "If they don't they are just missing out on sales."

Although single serve has traditionally been well accepted among more mainstream coffee brands, Ishayik says it's been a more challenging sell for top-end, specialty roasters.

"I've spoken with high-end roasters who don't want to enter single serve," says Ishayik. "They're worried about the perception of their brand."

His pitch to these roasters is that the technology has come a long way since Keurig Green Mountain introduced the first capsule in the US.

"The product has grown up a lot," he says. "Coffee has followed a similar path. Whole bean coffee is not the same as it was a few years ago, with the advent of micro-roasters and the like. In the US, people are now really into coffee – it's hip, it's chic. People are out there talking about cafés that they visit, that just wasn't happening five years ago."

Ishayik says single serve has similarly become more sophisticated. "When Keurig Green Mountain first launched their capsules, they were figuring out how to deliver a consistent cup, and keep the machines running. Now that focus has shifted to quality."

Ishayik points to the latest National Coffee Association report to show that customers have made a similar shift. In a survey, a number of customers were asked what were their top reasons for using single serve. The first reason was taste, the second was convenience, and the third was value.

With quality now the top reason that customers use single-serve, this falls in line with the goals of the high-end coffee industry. Ishayik says now is the time that roasters of every part of the spectrum should be embracing single serve.

Intelligent Blends' newly introduced, patented 15-gram basket should help attract a new clientele. With this technology, Ishayik says Intelligent blends can offer a "gold cup" standard.



"We've done blind tests, and you can't tell the difference between a hand-brewed coffee and our single serve," he says. "We can get a target particle size to hit the ideal TDS [total dissolved solids] in the cup. Working with different filter paper and grams, we can really control that customer experience to exactly what the roaster wants."

With filter coffee by far the preferred consumption method in the US, Ishayik says there is certainly room for players like Nespresso to profit from a growing espresso culture, even if it takes a while. "Most Americans like their cups of coffee, they're not really into espresso. Although that's changing a little, it will take some time," he says. "Europe has been drinking a much more sophisticated cup of coffee over a longer period of time. Europeans are used to drinking espresso, it's a big cultural difference than here [in the US]. We're learning to drink better coffee, our palates are becoming more sophisticated, but it takes time.

Ishayik estimates Nespresso has around a 2 – 3 per cent market share. The Swiss company made a move to increase its presence in North America in February

this year, with its VertuoLine machine that brews both large cup coffee and espressos. "Nespresso is doing a great job [of attracting customers]. It's getting the benefit in the US of Keurig's success. People go to shops like Bloomingdales and try Nespresso. They're already into single-serve systems, so buying a Nespresso is just an upgrade."

Ishayik is placing his bets that Nespresso will succeed and gain more ground. Intelligent Blends is looking to launch Nespresso compatible capsule manufacturing in January 2015.

As with every market, Nespresso has a closed distribution system, where it only sells its capsules direct to consumers either via its boutiques or web sites. This means no Nespresso capsules are available on retail shelves. As of early 2015, Ishayik will be looking to change that with the offering of Nespresso compatible capsules manufacturing.

As for Keurig systems, with the US market becoming increasingly saturated and possibly losing ground to Nespresso, Ishayik says roasters should be looking in Central and South America for growth. With these markets so new, he says roasters can look at bringing in their own branded systems to encourage loyalty and build up a clientele.

Whether the Keurig will one day go the way of the DVD no one can tell. But Ishayik is ready to ride the single serve train as he sees another one of his products slowly become redundant. With a staff of 50, that between them average 11 years at the company, single-serve has meant Ishayik has been able to keep his staff employed and thriving.

Although it may seem like a big jump, he says the sophisticated nature of modern coffee capsule manufacturing lends itself to complementing high technology.

"There are a lot of similarities. Customer graphics, labelling, cartons. And the quality control is all about process, process, process," he says.

As a single-serve specialist, Ishayik says he's made a huge capital investment to position the company as a leader. Intelligent Blends can pack a regular K-Cup that can hold up to 11 grams, however they have also developed a new K-Cup that can hold 17 grams of coffee.

Although he may be a relative newcomer to the coffee industry, Ishayik says he has already discovered the importance of quality grinding equipment.

"We found out the hard way when we first started the

requirements and tolerances (of single serve) are pretty tight,” he says. The company invested in a **MPE IMD699**, a three-stage grinder with water chilling technology so that the coffee isn’t reheated while grinding.

“This grinder allows us to get just the right particle size to hit each pan in the rotap, so that we can ensure the perfect grind every time, which ultimately makes a great cup of coffee,” he says.

Other than producing a great cup of coffee, Ishayik’s story shows that single-serve is serving another fantastic service to a struggling American economy – keeping at least part of the country’s manufacturing industry alive. GCR