BOXED UP; OFFERING AN ALTERNATIVE TO BOTTLES AND CANS, AN ENTREPRENEURIAL BAG-IN-BOX JUICE MANUFACTURER FOCUSES SQUARELY ON THE FOODSERVICE SEGMENT.

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Joe Sibilia is attempting to secure a long-term place among the beverage market's most forward-thinking entrepreneurs. In advancing this goal, however, he's presently taking a step back in time, if not technology.

Sibilia is president of Springfield, MA-based Marty's, The Beverage Company, manufacturer of a wide line of breakfast-quality fruit juice concentrates. But unlike other juice makers fighting for their beverage lives in the retail and vending arenas, Marty's has set its sights squarely on the foodservice post-mix segment. If you think that's funny, you must have been hysterical when you heard that Coca-Cola, Pepsi-Cola and Dr Pepper all had fountain beginnings.

"Foodservice operators are looking for convenient, cost-effective and efficient alternatives to juice bottles and cans," Sibilia asserts. "They waste a lot of product because of spoilage, and with the advent of all the light and dry beers, cooler space is at more of a premium today than ever before. When's the last time you saw a bartender or waiter pour a soft drink from a bottle or a can? And they are paying $6 a gallon for cranberry juice that they pour out of a can. Our concentrate, through a dispensing system that they operate with the push of a button, costs about half that."

Not coincidentally, there are other similarities between soft drink parent companies and Marty's besides their approach to the foodservice market. Since he bought Marty's in 1985 and converted it from a local marketer of packaged juices and soft drinks into a juice concentrate manufacturer, Sibilia has been working to set up a national network of independent distributors. The idea is to maintain the brand's integrity and quality by pipelining not only the product but a concerted, targeted marketing and sales program as well.

"They are trying to follow the lead of the soft drink parent companies in the way they approach their business," says Rich Davis, president of Heartland Beverages, a St. Louis-based Marty's distributor. "They provide a lot of support to their distributors to get them out there permeating the marketplace, yet they do not relinquish control of the product. Some manufacturers are manufacturers; they make and sell juice. Marty's is a manufacturer and a parent company. They support their brand and protect its integrity in the marketplace."

Adds E.B. Thomsen Company president Ed Thomsen, a Marty's distributor based in Providence, RI, "They don't think in periods of six months, they think in periods of five years. They put together a total program designed to make the entire system stronger."

The strength of that system is now and always will be the product, and Marty's management is critically clear on this. The company employs flavor chemist Aubrey Ryals, formerly of Universal Flavors, on a consulting basis no less than 50 days a year to help formulate its concentrate blends. There is also a full-time chemist working in Marty's in-house lab, which has benefitted from the input of Canada Dry, Sunkist and Lipton, three of Marty's manufacturing clients.

"We have spent five solid years developing this product," says Mike McCarthy, Marty's vice president of marketing. "We brought the level of juice content up to over 50 percent, and we have extended the shelf life to over 90 days by improving the manufacturing process to eliminate the introduction of bacteria." The company also puts all production equipment through a rigorous five-step sanitizing process after each flavor run. Sugar is sampled before it is accepted off a delivery truck and then again daily. "And because our production and purchasing operations are computerized, our raw materials are as fresh as humanly possible," says McCarthy. "We manufacture and ship to our dealers within 72 hours of receipt of raw materials."

The quality carries over to Marty's unique disposable three-gallon bag-in-a-box container, which features a super-reinforced corrugated box that is virtually crush-proof and die-cut-designed specifically for the Marty's line. The bag uses a special "dip-tube" designed to extract every ounce of concentrate regardless of the position of the box.

The program, the product and the packaging work, and nobody knows that better than Marty's, its own distributor in the New England area. In fact, when Sibilia bought the company in 1985 from brothers Joseph and Walter Martowski, there were approximately 200 local Marty's accounts for soft drinks and juice combined. Today there are almost 1,200, all buying the bag-in-a-box program. "We are a distributor, so we know the problems and needs of our customers," Sibilia says. "We have to satisfy our accounts, so we don't put anything in the marketplace that doesn't work." To hedge its bets, Marty's uses 25 of its best accounts as an advisory board who get first shot at new products and programs for evaluation and feedback purposes.

Sibilia and McCarthy are pursuing five basic distributor profiles, including foodservice distributors, entrepreneurs, bottlers, beverage equipment suppliers and beer wholesalers. And according to McCarthy, "The ones that are the most successful with our juice are the ones that are committed to the program. It doesn't matter where they fall within these profiles." The business was skewed originally toward the entrepreneurs, "free-thinkers who were not afraid to take a chance on something new," says McCarthy. But in recent years distributorships have evolved toward soft drink bottlers, particularly as their bottle-and-can businesses have leveled off and the need for new profit centers has taken them into other channels and other products. "Four of the last five distributors we've signed have been Coke or Pepsi bottlers," says McCarthy. "We're seeing a particularly strong interest on the part of Pepsi's COBO plants because of the gallonage they lost last year with Burger King."

Demographics and consumption patterns also are forcing bottlers to take a long, hard look at Marty's. Where before on-premise juice products may have cut into soda sales, today they are being recognized for their incremental potential, thanks in large part to the precedent set by the vending segment. Says Sibilia, "Parents with young kids who go into an amusement park, for example, where there are only soft drinks, will not buy the kids anything to drink. Where you give them the choice of a juice, the parents will buy two or three. So the distributor is picking up sales. And the older kids that are into the carbonated beverages are still there spending the money on the soda. When Coke or Pepsi go in and offer a combination of soda and juice, it strengthens their position against the competition. With a national soft drink system and a national fruit beverage system, these bottlers can 'own' that account."

Ann Theil, district sales representative for Pepsi Indianapolis, one of Marty's newest distributors, agrees there is an advantage in carrying both the juice line and the soft drinks. But just as importantly, she suggests, not carrying both could be debilitating. "Bars traditionally have not been a target for us because margins weren't there and volumes are low," Theil says. "Bag-in-box joice represented an opportunity to increase our business in the bars. Also, we felt that if we didn't get the business with fountain joice, someone else would, and we risked losing the account altogether." Marty's also provided Pepsi Indianapolis with "an entry" into the local school systems, which is now considered "a major target" for the bottler. "Of course, we can't get into the school lunch programs with our soft drinks, but the joices meet all their fruit requirements. We're also staging a push in hospitals. In those accounts that we have exclusively it will only strengthen our position, and in those accounts that are split pour, hopefully it will give us an edge. If they don't buy from us they are going to buy from somebody else."

To underscore the growth potential of on-premise joices, Marty's has put together an extensive dossier on the current and future fruit beverage marketplace, broken down by channel of distribution, geography and even type of account, ranging from bars to health care facilities. In short, the company's research shows that the total national market, including retail, vending and foodservice, is worth about $11 billion. The majority of manufacturers are chasing the retail segment, which commands a 76-percent share of sales. The second most hotly contested area is vending, which holds a 3.8 percent share of total sales but is considered by many to have the greatest potential for its residual sales and, more importantly, "as a vehicle to encourage additional retail sales through brand identification," says Sibilia. As for foodservice, while it maintains a 21 percent share of the fruit beverage business with sales of $2.2 billion between schools and restaurants/bars, Sibilia says there is no clear-cut leader because the majors are busy battling on the retail and vending fronts. Make no mistake, though, he intends to fill the bill with Marty's.

The payoff, Sibilia continues, will be well worth the effort. In fast food locations alone, he says that of all outlets surveyed, only 50 percent served 100 percent orange joice and 23 percent served a fruit joice. "Just by making product available through a fountain system that's as easy and accessible as a soft drink system would give the products 100 percent availability. That would automatically double the size of the market to $5 billion," he reasons. "Take it a step further and by virtue of availability combined with consumption trends, the market should again double to $10 billion."

In schools alone, McCarthy adds, per capita consumption is expected to rise from the 9.9 gallons in 1986 to 15.5 gallons by 1999. What should help ensure these projections is the fact that 1992 will mark the last year of government subsidized milk in school lunch programs. "Schools will start pushing joice more because they will still have the subsidies. So kids will start drinking joice at a younger age and will develop the consumption pattern for their later years."

For the time being anyway, Marty's has focused its distribution plan on the states east of the Mississippi, which account for about 70 percent of the total U.S. population and nearly three quarters of fruit beverage sales. By researching data from public, private and government sources, the company has developed a list of all potential on-premise accounts--by type of outlet--for each market in excess of 100,000 people. The list includes hotels/motels, eating places, airport services, drinking places, nursing centers, hospitals and other health facilities, schools and universities.

Once a dealer is selected, Marty's identifies the market and target accounts, then develops a specific marketing plan for each of the specific market segments, such as schools, bars, restaurants, etcetera. "We pursue the market logically, based on the distributor's expertise and priorities," says McCarthy. "for example, a beer wholesaler might want to start with restaurants and convenience stores because those types of accounts represent his strongest base of sales."

The program kicks off with a direct mail-campaign introducing the Marty's program and offering prospective accounts a variety of incentives for taking on the products. the mailing is followed by a telemarketing drive, conducted by Marty's employees, designed to set up appointments for the field sales teams. Then comes the sales blitz. "We send our six salesmen into the local market to work the market day and night for four straight days," says Sibilia. "The plan is to hit as many opportunities as possible while in one area. In four days we opened up 27 accounts in Myrtle Beach. Indianapolis is in the fourth month of our program and they have opened over 100 accounts. St. Louis opened about 85 accounts in three months."

A training period also coincides with the sales blitz. "We will install at least the first two or three accounts so that our distributors' service personnel get the hang of it," McCarthy explains. "While our sales people are selling the business, our service people are providing on-site training."

"They handled all the initial marketing to get things going, both in terms of sales and service, but their support is ingoing," says Heartland's Davis. "They have become a parent company of a juice program. My market has really embraced the concept. As with anything new there is always a barrier of entry. But what really got us over the hump is the quality of the product. They truly have formulated a breakfast-quality juice. They have recruited some impressive names from the flavor business to help with their formulations. And in any food or beverage product, quality is the litmus. A 50-percent juice product has a real impact when it enters the market where ther is a competitor. In the smaller markets where there is no competitor, I walk in and own the market."

E.B Thomsen has opened up over 600 accounts since picking up the Marty's line in 1988. "In the beginning I was putting in two systems a day, seven days a week," says Thomsen. "There was a phenomenal response to the concept right off the bat. About the only reason the ides has not worked in an account was that the account did not have the volume to justify the system. But it was just a matter of me getting the information to the market for the market to jump on the bandwagon. I've been in the beverage business for 20 years selling bottled and canned juices to foodservice operators. The first time I saw the Marty's product I knew it made sense. I had to jump on the bandwagon or somebody would jump on it before me. And they would have taken my packaged juice busines away."

Indeed, the Marty's bandwagon is traveling at a sizzling speed, now carrying, 10,000 accounts in 23 state as far west as Arizona. Over 1.5 million times a week, somebody, somewhere, sips a Marty's Juice Creation. But the ride is far from over. "We are going to be the only national supplier of post-mix juice concentrate for the foodservice industry," Sibilia says firmly. "We have several different kinds of opportunities to achieve that goal. We can do it on our own with a strong network of independent distributors, or we can venture into arrangements with other manufacturers. Right now, how we do it is not as important as just doing it."

To help Marty's management team attain all of its objectives, the company has assembled a board of directors consisting of area businessmen. "They offer us a range of expertise outside the day-to-day operations without the constrainst of a salaried person for those positions," Sibilia explains. "It's an intellectual exercise for them and a pragmatic exercise for us. We are fortunate to be in the Boston/Harvard think-tank loop."

McCarthy says the board brings another quality to the table. "We are moving so fast, we're away two weeks straight so fast, we're away two weeks straight and working 20 hours a day, that sometimes the excitement and momentum of this success doesn't allow us step back and check our direction. The board makes us stop and look and evaluate. We need that discipline."

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