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Keys to creating a profitable brand in a bad economy--building blocks to long term success: Part II: while there was a question in early 2008 as to how the u.s. economy would weather the economic firestorm in 2009, we now know the answer. It has come down on big and small retail business like a life-threatening avalanche.

by LaFlamme, Lon L. Morris, David J.
[Tea & Coffee Trade Journal](#) • Dec, 2008 • The BRAND coaches[R]

To a marginal degree, the retail special-coffee industry is insulated from a total meltdown. This is due to America's daily requirement of coffee as an energy fuel, desperately needed to withstand working long hours. Speaking of margins, the goal of a gross profit of 30% is what is really under siege. Starbucks, commonly referred to as "four bucks" based on the average purchase price, was instrumental in building our specialty coffee industry's margin on sale on mochas and lattes.

Until early 2008 independent coffee house and drive-thru drip coffee sales in the Northwest averaged well below 10%, with sales east of the Mississippi averaging around 30%. Today, even Starbucks is seeing skyrocketing drip sales as the consumer's answer to continuing its love affair with coffee and caffeine.

As The Brand Coaches boldly stated in Part I of this series on how to survive a weak economy, the retail specialty coffee business has run out of room for business amateurs. Dunn and Bradstreet did a study in 2007, and determined that "90% of small businesses that fail do so because of a lack of skills and knowledge on the part of the owner."

In consulting for large chains, independent coffee houses and drive-thrus across America, we have found that sound business planning is as rare today as state and federal budget surpluses. Bottom line: Fail to plan, and plan to fail.

We know, just the mention of business planning starts your eyes glazing over. Who has the time or ability? If you are like most of the time-short, retail specialty coffee business owners we come in contact with, crafting your own business plan seems like trying to scale Mt. Everest in a blizzard.

Now for the good news: planning for success is much easier than business gurus would lead you to believe. To help ease specialty coffee retailers into planning for success, we highly recommend that you make a copy of this list below.

Step 1: Plan

Whether you are in the planning stages of opening your first, or your 20th location, set the stage for success by going to www.thebrandcoaches.com. Then, download at no cost an easy-to-follow, fill-in-the-blanks business plan. While the plan is laid out in a standard business plan format, we have included simple to follow format guidelines, and examples in each section to insure no confusion.

Many of the ingredients in our plan are addressed in previous Tea and Coffee Trade Journal Brand Coach columns posted on our website. They include writing a short and actionable mission statement, outlining your strengths and weaknesses, profiling your target customer and other timely topics.

In crafting your business plan, relax and enjoy the process. To make it easy to write and something you will refer to on a regular basis, we strongly recommend you only insert key facts from your research in an outlined bullet format. Don't worry if it isn't perfect. Set aside a couple of weeks to set the stage for the direction your business will be taking for years to come.

When you are done, your action-oriented business plan will be a living blueprint for all initial and future decisions. With a formal business plan in hand, you will more easily be able to assure lending institutions of your plans for success, as well as provide a clear vision for current senior staff and potential investors.

We have seen too many retail coffee businesses struggle and fail because they do not execute many of these critical areas that are directly connected to your business' health and survival. Begin today to aggressively address these building blocks to long-term retail success.

[ILLUSTRATION OMITTED]

Step 2: Family

You already know product quality and consistency comes second to hiring, constantly training and nurturing the right people. This is a heart driven business first, product second.

As the owner and lightning rod for a customer loving culture, don't let your worries over the economy weigh down the spirits of your staff. Always keep and encourage a sense of humor and celebration of the caring magic you and your staff share together with every precious customer.

Too often we have heard that east of the Mississippi there isn't the qualified pool of baristas like in the Pacific Northwest. Scruffy baristas with deadpan stares and monotone order taking has nothing to do with experience. It has all to do with a contagious smile and customer-engaging personality. Model and foster a fun, relaxing and nurturing culture, and then hire baristas based on a cultural fit. You can always teach them how to make consistently perfect drinks.

Step 3: Menu

Next to your people, your menu ranks highest in driving repeat business. Today more than ever, menu development requires comparative and original planning.

In this weak economy you need to surprise your customers with new and original menu ideas.

While keeping your menu short, easy to read and coffee focused, we are seeing creative additions in healthy lunch wraps, gelato, ice cream shakes, loose leaf teas and a myriad of other business-distinguishing additions that customers can only enjoy at your place.

Also keep in mind that your coffee is no longer always hiding in steamed flavored milk, so it better taste perfect black.

Step 4: Money

Smart money management starts and ends with a solid POS system. With the right POS system you will control employee theft, better track daily sales and what's hot and not on your menu. It will also help you take advantage of a gift card program.

We consult for too many business owners who take so much pride in their expansive bakery and lunch menu offerings, that they are willing to accept a 40% cost of goods.

For financial planning purposes, use the following general industry guidelines to realize a maximum profit potential:

Staff: 30%

Cost of Goods: 30%

Rent / Occupancy: 10%

Gross Profit: 30%

You need to balance crafting an original menu with a strict control on cost of goods. One of the more profitable coffee house and drive-thru chains we have consulted with closely monitors how much food they sell each day, then discounts all perishables by 50% after 2 p.m. to ensure no waste. While gaining deal-seeking seniors during the soft hours of customer traffic, they also benefit from increased mocha and latte sales.

Step 5: Brand

As we have so often addressed in past articles, everything is branding and branding is everything. From your floor, walls and ceiling to your customer bathroom, your furniture, menu boards and your staff, provide branding touch points that make your business unforgettable.

By The Brand Coaches

Tea & Coffee columnists Lon and David provide brand and profit building consultation to a number of coffee, retail and b2b businesses across North America. For more information on the Brand Coaches go to: www.thebrandcoaches.com

BUILDING BLOCKS TO LONG-TERM RETAIL SUCCESS

Business Development 1. Business Planning 2. New Store Location 3. Store Layout and Design 4. Purchasing Equipment 5. Capital Acquisition 6. Strategic Partnerships

The Product 1. Beverage Menu 2. Bakery Menu 3. Barista Training 4. Product Quality 5. Store Design / Environment Branding and Promotions 1. Branding 2. Core Values 3. Mission Statement 4. Vision 5. Brand Identity 6. Logo 7. Displaying the Brand

The Money 1. COGs 2. Payroll 3. Fixed Expenses 4. Product Pricing Operations The People 1. Finding People 2. Interviewing People 3. Hiring People 4. Managing People 5. Motivating People 6. Cultivating People 7. Store Manager vs. Store Leader 8. Firing People 9. Creating Energy / Fun 10. Delivering an Experience

Promotions 1. Point of Sale 2. Advertising 3. Marketing 4. Community Partnering

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