



**Fresh Cup Magazine**  
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## **The Birth of New Profit Centers**

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As I ferret through every piece of North American specialty coffee industry research and analysts opinions, I have come to one crystal clear reality: retail specialty coffee will never return to the customer purchase behavior and golden profits of yesteryear.

Like the stock market in the 1990s, no matter what decision you made, you profited from a healthy and seemingly endless market upside. I don't need to tell you that today we need to add "down" right after the word "upside".

The bell curve has sounded. Analysts say the North American retail specialty coffee market is overbuilt by at least 20 percent. Nearly 3,000 businesses have "gone bust" in the past 18 months with many more to come during the market adjustment.

While the recovery promises to be a crawl for a long time to come, the key to move from

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a crawl to a full stride run is to embrace the changing market with fresh offerings and over-the-top confidence and passion to expand quality menu offerings and customer value well beyond the traditional coffee house.

Since the late 1980s a “four bucks” business that was built on 16 to 20 ounce milk steaming over with flavors, calories and a hint of coffee. Here’s today hint: that dressed up coffee is going naked like never before since the birth of the specialty coffee industry.

Our economy fearing and budget restricted customer base is rapidly maturing in differentiating the enormous taste difference between great and adequate black drip coffee. Ironically, coffee taste sophistication is rising at the same time total purchase tickets are plummeting.

At the same time, coffee is hottest with nontraditional competitors, like McDonalds and a number of Panera Bread (profits up 33% by the end of the third quarter of 2009) styled deli chains getting serious about great tasting drip coffee. Specialty drip coffee is the new sweet spot for fast food and deli businesses formerly relying on breakfast and lunch meal customers.

The three words I urge you to take away from this diatribe are: New Profit Centers.

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With few exceptions, you need to increase your cost of goods by adding or expanding reasons to make your business a daily stop beyond coffee and pastries.

## **Celebrate Change**

We are an industry in denial. If it worked yesterday, it will work tomorrow. Wrong.

Look around at other foodservice segments, long setting course to change what the brand has represented to build new profit centers to protect and enhance the bottom line.

Domino's Pizza is after Olive Garden's business with the addition of low price family-sized pasta offerings.

Papa Murphy's to going after Subway's customer with sub sandwiches. McDonald's and Dunkin Donuts have gone after Starbucks' customers with a successful vengeance.

Deli Chains like New York based Gandolfos and a skyrocketing list of other traditional breakfast and lunch venues are creating specialty coffee as separate profit centers.

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My mission is to get you to wake up and smell the specialty coffee businesses springing up all around you. Secondly, it is time for you to move from reactive to proactive, always having great coffee define your business.

The following are direct take away ideas that will help you do far better than survive today and tomorrow's economic and industry challenges.

### **Move From Order Takers to Profit Makers**

Provide job descriptions for store managers and baristas (download barista evaluations at [www.thebrandcoaches.com](http://www.thebrandcoaches.com)) that quickly move staff from order takers to profit makers. Make it a clear and monitored requirement that with every order “inspire, not require” your barista to suggest a perfect pairing with the order.

Have every staff members taste everything food product and beverage you serve. Makes sense right? I have only consulted with a handful of retail coffee businesses who include their staff in selection and tasting what is offered on the daily and specials menus.

Be open to candid staff input to ensure every staff member believes your menu is the best of the best. Your baristas will find their favorites and instantly put a lot of passion behind the power of suggestion.

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## World's Best Coffees

While I could appropriately dedicate this entire column to your need as a specialty coffee retailer to join the “third wave” movement towards première sustainable cause coffee, I will always leave that in the hands of that handful of coffee gurus who are leading the masses to the best coffees in the world. You have a small and growing customer base that will require you and your staff to share their passion and maturing taste for the world's best coffees.

No you don't have a single serve Clover like Starbucks, but you could incorporate a table service French press coffee presentation that would really add the coffee WOW factor to your business. You also bonus by forcing baristas to steep themselves and their customers in luscious story behind the coffees your serve and sell by the bag.

## “Take Us Home With You”

In 2009 and again in 2010 “the trend for brewing coffee at home is picking up steam”. The National Coffee Association's 2009 Coffee Drinking Trends market-research survey indicates at-home preparation is up five percentage points with 83 percent of past-day coffee drinkers reporting that made coffee at home the day before . Sales at grocery bear this out, with specialty brands reaching \$1.4 billion of \$6.3 billion in sales with growth of 12 percent compared with three percent for traditional coffee.

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Taking advantage of this trend, sample your drip at least twice a week with self serve pump pots and generic sampling cups on high pedestals located directly in front of your 12 ounce or one pound whole bean coffee rack. Place an announcement on a table tent and the whole bean bag shelf that reads “Take Us Home With You!” We have to move from trying to subtly sell whole bean at retail to a direct customer interruption of their normal buying patterns and association with your brand as a real savings by the cup when they prepare their favorite coffee at home.

## **New Profit Centers**

### **Breakfast**

Talk to your food service grocery purveyor (Sysco, Food Service of America, etc.) about what they offer in terms of frozen, bake-off, egg, cheese and meat pastries. If you are a single location, it is critical you start thinking outside the square at value added “square meal breakfasts”. Many items can be microwaved to order, or if you prefer, cooked ahead of time in a convection oven in small batches. There are even fresh made choices that require limited preparation area and refrigeration space.

Be sure to offer two or three great tasting, healthy, light breakfast choices that pair perfectly with a 12 ounce mocha, latte or even drip coffee at a competitive cost. From Vancouver, Canada with Waves Coffee’s 17 coffee houses to six City Dock Coffee houses in for no more than \$4.99.

Your current and potential new customers are requiring quality at the right price. In the United States fast food restaurants typically fill this niche. Right now is the time for you to evolve from a North American “typical coffee house” to an Italian inspired “bar” offering breakfast, lunch, and wine and micro beers in select coffee house locations.

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The book I am recommending to the many individual to small chains from coast-to-coast is Ed Arvidson's just released comb bound treatise titled Coffee Business Success in a Turbulent Economy. To order your copy, brimming with breakfast and lunch recipes with average cost and profit breakouts, go to [www.coffeebizhelp.com](http://www.coffeebizhelp.com).

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