

Coffee Sales Beyond Retail: A Blueprint for Success

At a turbulent economic time when independent and large chains are struggling to squeeze out even a marginal profit, we have been digging deep into potential new revenue sources to compliment the sweat and tears you are putting into retail specialty coffee sales. The answer: Coffee sales beyond retail.

We know, you have already toyed with the idea of selling your community's best tasting coffee to the office complexes, hospitals and restaurants in your community. The challenge is that you have more questions than answers when it comes to taking that first step into coffee services. But, now getting started is easier than ever.

The Brand Coaches searched coast to coast for a classic case study of a small retail coffee business that has achieved phenomenal success in creating a booming and highly profitable coffee services business. We found it!

It is called City Dock Coffee, based in Annapolis, Maryland. With just four near perfectly-managed coffee houses clustered around the waterfront of this classic historic Americana town, the owners created and implemented a flawless "how to" plan to profitably roll out coffee sales beyond retail.

Current business owners Grover Gedney and his dynamic wife and business partner Karen (KJ) Johnson, give full credit for their successful entry and growth into coffee services to now 78-years-young dynamo, Web Chamberlin.

Let's give you a little history on Web, who, by the way, still runs in marathons. It will comfort you knowing that with the right plan, successful retail business model and a



ton of friends and seasoned business savvy, you too can succeed in sales beyond retail.

Web bought his original coffee house in 1993, naming it Café Northwest. Inspired by its location, he later named it City Dock. It was located directly across the street from the picturesque Annapolis Harbor docks with a second floor business office. He sold it to a young entrepreneur in 1999. During City Dock's retail growth years, the young owner had the wisdom to befriend and hire Web as a consultant to launch a coffee services business.

Now, for what you have been waiting for: THE perfect plan to launch a highly

successful coffee services business with only a modest initial investment.

While we will summarize a "How To" checklist before you are done reading this column. The best learning tools are crafted from success stories. With only a bit of editing from an extensive interview, the following tracks summarize Web's explanation of his plan and how he rocketed the business to sell coffee to over 50 restaurants, offices, the State Legislature and U.S. Naval Academy customers.

"City Dock's retail side of business was 11 years old," Web said. "We had a loyal customer base and a well established rep-

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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:

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utation, the two most critical ingredients required to launch a coffee services business.”

More than once during the interview, Web underscored the need for a long established retail brand. Your retail business must be respected and well known in the community before even considering launching coffee sales beyond retail. He added that there is a fiercely competitive atmosphere with seasoned companies that spend all of their time in office coffee sales.

“Our customers came here every day as enthusiastic friends and ambassadors of City Dock when they went back to their offices, restaurants and neighborhood. They were always praising our great coffee, and engaging and fun baristas. If you don’t create memorable retail experiences, don’t even consider trying to build your business beyond retail,” Web continued.

Step One:

In 2004, Web and the previous owner crafted a written short- and long-range plan and forecasted first year investment and expected sales. Their roaster was able to provide the City Dock branded fraction packets (frac packs) at a price allowing a decent resale profit margin.

To ensure freshness, City Dock was able to order coffee from their Seattle area-based roaster on Friday and receive it the following Thursday in fraction packs and five-pound ground and whole bean bags. The coffee services brand positioning was clean and


clear. Coffee house quality is now yours at an affordable price.

In analyzing the coffee services business, it was obvious to effectively compete, City Dock had to supply customers the necessary equipment (pour over and plumbed brewers). The initial investment in equipment was small and affordable. Much of it he bought both new and rebuilt on eBay. They bought the equipment in twos at first, financing the investment from City Dock’s retail business. Within three to five days of securing a customer, Web would find and test equipment for installation.

The first major investment was the necessity to hire a full-time employee to deliver coffee, and service or replace equipment. It was clear he also needed a competitive advantage over traditional and local established coffee services. They decided to provide all equipment service and repair with no monthly service fee. The only charge was for the net cost of replacement parts on customer owned equipment. Initially an extremely modest supply of backup machines were stored for quick replacement, often less expensive than the service person’s time.

“There is nothing more important than your service and coffee delivery employee,” Web underscored. “They must have a friendly and highly engaging personality. Nobody sees them more than this employee.”

He noted that the supplies for most restaurants and office coffee customers are delivered once a week. Some offices are every other week. He strongly emphasized the importance of



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recording and tracking customer par levels to ensure accurate supplies at all times. This is the responsibility of the coffee services manager, not the service/repair person.

Unlike the competition, Web built City Dock's business one customer at a time. Word soon went around, that there was nothing City Dock wouldn't do for its coffee service customers. To ensure customer satisfaction, Web didn't leave customer satisfaction solely up to his coffee delivery and service repair person. "I regularly stopped by our customers for a friendly visit and performance satisfaction check up. This is critical," said Web. "If there is a breakdown and we can't fix it immediately, we will replace it or provide brewed coffee in four- to five-gallon Cambros. Just recently our customer, O'Callaghan's Hotel had a problem with their equipment. They had an important meeting in an hour and needed our help. Within 30 minutes we brought over brewed coffee. Would a traditional coffee services business do that?" Web asked with a smile in his voice.

Step Two:

A second critical plan ingredient Web mentioned was the necessity and profit potential in providing a broader line of coffee supplies. From the first day to the current day, City Dock Coffee Services offers City Dock brand cups, lids, stir sticks and condiments. City Dock also added tea as a complimenting offering.

"We get the added retail and coffee services advertising benefit with our boldly branded white delivery van and cup showing up all over town," he said. He added that he used City Dock's initial broad-base mailing to get the word out in personalized letters to business friends and associates, which was followed by phone calls to set up initial visits. "The first thing we did was make a list of all of our customers and other VIP friends and businesses in the community that could lend credibility to City Dock's entry into coffee services.

"You think of Annapolis, and what comes to mind first?" Web asked rhetorically. "The U.S. Naval Academy, our first target customer based on so many staff, officers and midshipmen being over-the-top fans of City Dock." "Start by soliciting your retail customer base," he added.

Web's second target was the highly visible and prestigious state legislature. Due to an established City Dock reputation and a well thought out program, City Dock landed these prized customers shortly after launching the coffee services program.

Next Web zeroed in on and won the Chesapeake Bay Foundation — one of the most valued and visible community non-profit organizations. The Foundation oversees the bay and tributaries to ecologically maintain the integrity of the waterways. The next target customers were the best-reviewed restaurants in town. Offices and office complexes came last, due to the limited community exposure when launching the business. Retail customer businesspeople and community business friends were aggressively sought out and sold.

"I have been in the Annapolis area for over 50 years. I started talking to community leaders and our customers about providing the coffee in office and restaurants. Once we were able to get these customers on board, we were able to use them as


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examples and testimonials to get more business,” Web pointed out.

To ensure coffee quality, all City Dock customers were sold 42-count boxes with 2.25-ounce frac packs to brew 64-ounces of great coffee, and freshly ground five-pound bags with the City Dock label for high volume restaurants. Most competing office service companies sold lower commercial grade coffee in 1.7-ounce foil frac packs to meet market low price demands.

“We were getting into a ‘who is the lowest price’ game,” Web said. “In the restaurant, we found general managers were looking for any way to cut cost, starting with coffee. They didn’t even think about providing a quality coffee experience.” Some of the competitors had 10 different kinds of coffee, many of them being commercially roasted and sold at a low cost.

“My strategy was to sell the fact that the quality of the coffee helps define the



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restaurant. With City Dock’s coffee house quality, the restaurant will end up with people buying more and coming back more often. The difference in cost was nothing compared to the bottom line benefits,” said Web. “We sell a 42-count frac pack case for \$1.18 a pack. With a frac, you can get eight to nine cups, and charge around \$1.75-\$1.95 per cup. Pay a little more for great coffee and the math is still great. You win. The customer wins.”

As a beginning strategy to combat the low cost vs. coffee house quality battle, Web emphasized cost per cup on all of his direct sales calls. He soon realized it probably wasn’t the best approach. He found the perfect closing-the-sale strategy in selling higher priced quality coffee was cost per pot. “When you tell someone in the office it only cost \$1.18 per pot, and we will take care of all your equipment use, training and repair, it sounds reasonable,” he said. Web pointed out that there is even a better price value story for iced tea. “We put iced tea brewers in for 44 cents per gallon, making 10-12 glasses selling at retail for \$1.50 each.”

As City Dock began to expand and anticipate there was going to be an expanding market, Web realized they needed to build an equipment inventory. “This investment was comfortably affordable by the second year of coffee services business, as our customer base was large enough to take profits from it instead of our retail business to fund growth,” Web added.

Ten Step Checklist To Successful Coffee Service Sales

1 LOYAL CUSTOMER BASE Have a long established and passionately large and diverse loyal retail coffee customer base.

2 RIGHT ROASTING PARTNER Align with a premier quality specialty coffee roaster with the capability to provide foil frac packs at a price that allows you a fair resale price.

3 COFFEE SERVICES MANAGER Either the owner or a senior employee needs to serve as full-time manager of your coffee service program. The person will oversee all sales, customer relations, inventory and financial management.

4 WRITTEN PLAN OF ACTION Fail to plan, and plan to fail. The uncompromising foundation of

the plan is quality and extra mile service.

5 PROVIDE ALL EQUIPMENT / SERVICE You will not be able to compete with coffee service companies if you don't provide all required equipment, and consider the competitive edge of maintaining or replacing equipment at no additional cost.

6 SERVICE / DELIVERY EMPLOYEE Hire a customer friendly and highly capable equipment installation, training, maintenance, repairperson. This person should also make all deliveries.


7 HARVEST RETAIL CUSTOMER BUSINESS FIRST The fastest new business opportunities will come from your existing customer base.

8 TARGET LOCAL VIPS Your first customers should be local

/ regional business, civic, government VIPs with high community visibility and respect. Over service them to ensure verbal and written testimonial support to build credibility.

9 BE HIGHLY SELECTIVE Don't seek out all new business opportunities. The up-front equipment expense for huge potential customers, and the unwarranted free equipment for too small of customers should help narrow the list. It must be researched before charging in to make a presentation.

10 DEVELOP A COST-VALUE SALES STRATEGY Your competition will be low quality and low cost commercial grade coffee for large distributors and office services companies. You must be able to provide a convincing price / value presentation that leads to selecting quality coffee. ☕



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