



# Delivering the GOODS

## Should Your Roastery Distribute Allied Products?

BY SHANNA GERMAIN

IT'S NEARLY IMPOSSIBLE to be in the coffee business without using some sort of allied product—whether you're a roaster who uses coffee brewers and bags or a retailer who needs frozen drink products and syrups.

The great news is that if you're a roaster, allied products can become more than just another bill you pay each month. They can also be a source of revenue and visibility for your business. That's because all of the coffee shops, restaurants and retail stores who buy your coffee also need allied products: all those non-coffee items that are necessary to run a coffee business.

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The SCAA defines allied companies as “firms providing products, equipment, or professional services to individuals or businesses which are engaged in the specialty coffee industry. Manufacturers and vendors to the industry offering espresso machines, coffee brewing equipment, chocolates, syrups, condiments, packaging, consulting and professional services.”

Allied products are used in every aspect of the coffee industry and the list is endless—everything from paper cups, lids and stir sticks to syrups, chocolate and frozen drink mixes. Also on the list are mechanical items like blenders, brewers and whip cream dispensers.

Right now, your customers are buying those products from someone else. But they could be buying them from you. Typically, roasters buy large quantities of allied products directly from the manufacturer at a wholesale rate and then sell them to their customers at a set price. This saves the allied manufacturers from having to deliver two boxes of paper cups to 16 different coffee shops, and it allows your customer to purchase both their coffee and their allied products from a single supplier.

“The simple fact is, if you’re a roaster who’s out there delivering coffee, then you’re already at their store,” says John Hall, owner of Humboldt Bay Coffee and HBC Distribution in Eureka, Calif. “There’s no good reason why you can’t drop off 30 pounds of syrups along with 60 pounds of your coffee. And before you know it, there’s a revenue stream and you’re the one-stop shop for that retailer.”

Hall, who created HBC Distribution about a year ago as a spin-off from his coffee company, says he was looking for an additional revenue stream, especially during the summer months when coffee sales were slower. He found that revenue stream by delivering French presses, espresso cleaners and chocolates to his coffee customers.

“Some people say, ‘We’re roasters—we don’t sell dish soap.’ But the way I look at it, is, somebody’s going to sell it to them. Why not me?” he says. With so many roasters popping up all over the country, Hall believes that delivering allied products gives him a leg up on the competition. “To get a competitive advantage, you have to be more than just a roaster,” he says. “You have to figure out something that’s going to make you stand out.”

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*Why not me?”*

Although Hall won’t dish on the numbers, he will admit that the distribution business is going well. “I think we’re going to add more items,” he says. “We’re always looking for things we can distribute.”

Jeff Vojta, president and co-founder of Stockton and Graham in Raleigh, N.C., also started distributing allied products to customers about six years ago in an attempt to even out sales. “The biggest reason was that in our part of the country, coffee sales tend to fall off in May and not pick up again until fall,” he says. By distributing frozen drink mixes, syrups and paper products, the company found that it could help both its customers and its own bottom line.

Vojta estimates that currently the company’s business is split almost directly in half, with 50 percent being roasting and 50 percent being allied. “It’s significant,” he says. “But typically the margins are quarter to half of the coffee stock. That’s just the nature of foodservice.”

Because of the inherently tight margins, a successful

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distribution business depends largely on buying and selling high quantities of product. This means that for a roasting company like Port City Java, which distributes products not only to its roasting customers, but also to its own line of 74 franchised cafés, distribution is a win-win scenario. “We are fortunate to have a built-in business with our cafés,” says Don Reynolds, chief operating officer with Port City Java. “This has allowed us to obtain the volume we need to compete. And as our cafés grow, our increasing volume allows us to purchase at a better price, and thus, offer stronger margins to both our wholesale customers and our own cafés.”

*“I think that if you distribute a variety of products, it gives you a competitive advantage, because the deeper you are in with a customer, the less likely that customer is to go away.”*

**Deliberating Delivery**

Despite its potential for success, the distribution business isn't right for every roaster. For one thing, it's a whole new business that brings a whole new set of concerns. “It was much simpler when it was just coffee,” Vojta admits. “We didn't really recognize the amount of space the stuff takes up, so we had to greatly increase storage and personnel,

and we had to put new software in to keep track of this stuff in our inventory. And by the time we recognized it, we already had too much business to not do it.”

For a beginning roaster, or one who's already growing quickly, it's important to take an honest look at the assets you'll need and the changes that will happen within the company if you decide to distribute. “Some of the stuff took off like gangbusters,” Vojta says. “We were unprepared for the demand and surprised by how much we moved. We didn't realize we would get donut shops and health and retail stores [interested in the products].”

Having these new customers—many of whom don't even sell coffee—can be both a blessing and a curse. “Our big thing was we wanted to sell more coffee, but in order to have the distributorship, we had to sell to companies that don't even use coffee,” Vojta says. “Along with the good points, it's exposed us to different competitors. It's hard to compete with some of the bigger food houses, but it's also helped get attention and get our name in the door.”

Distribution can bring in big money, but it doesn't always come quickly. For many, it takes years for distribution to kick-back into real profits. “For the longest time, it was a break-even proposition for us,” Vojta says. “We had to obtain critical mass and learn how to be more efficient.”

Reynolds agrees and urges roasters to “be cautious, as true distribution is difficult in today's environment. You have to be able to compete with regards to pricing and efficiency.”

**Creating a Niche**

To truly succeed, many roasters have found a niche for themselves, creating

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a way to become their customer's number-one distributor. Jim Munson, vice president of Dallis Coffee, based in Ozone Park, N.Y., has been delivering allied products to customers for about 50 years. Munson says the company distinguishes itself from other distributors in the Washington, DC and metropolitan New York areas by offering items that other companies don't carry. "We like to think of our allied products offerings as something that can further distinguish our coffee company while complimenting our craft-roasted coffees," Munson says.

One of those items is Dallis' own artisan line of gourmet chocolate and espresso bars. The bars, made with quality chocolate and, of course, coffee from Dallis, are selling like crazy, with retailers snatching up more than 4,000 bars in the first month. "Our accounts probably wouldn't have thought to request or carry the bars, but once they offer it to their customers and their customers buy the products, it's hard for them not to reorder."



Dallis has also collaborated with Bodum to create another one-of-a-kind service. "We're Bodum's coffee partner, so we distribute coffee presses and the rest of Bodum's line to our restaurants and cafés and coffee-bars. In some ways, it makes it more difficult for a competitor to come in and replace our business."

As with everything else in the coffee industry, the success of a roaster who distributes allied products comes down to two things: the quality of the service and the strength of the relationship. When you're a roaster who's delivering allied products, that extra face time—and those extra products—can go a long way in ensuring the future success of your business. "I think that if you distribute a variety of products, it gives you a competitive advantage, because the deeper you are in with a customer, the less likely that customer is to go away," Hall says. "They're not only losing their coffee if they switch companies, they're losing their allied products. It becomes a big decision for that retailer to change coffee suppliers."

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## ARE YOU READY FOR DISTRIBUTION?

*Five questions to answer before you say yes*

### 1 Do you have the resources?

Don't jump into distribution until you've taken an honest look at your resources and business. You'll probably need more storage space, a delivery vehicle, additional personnel and a new operating system. "If I were to do something differently, I probably would have studied the market a little bit more in detail," says Vojta. "I would have asked: who's buying this stuff, what are they buying, and how are we going to get the products out there?"

### 2 What's the competition like in your area?

If there are many other roasters or distributors in your area, it could be more difficult to break in. "I would be careful and identify how you can differentiate yourself, knowing that customers can get these products from numerous sources," says Reynolds. Find out if there are products that other roasters aren't carrying, and consider offering those items, whether it's custom-labeling or your own line of gourmet chocolates.

### 3 Who do you want to sell to?

The customers you choose will affect the types of items that you'll end up carrying. Only want to deliver to local coffee shops? Then find out what kinds of products they're looking for before you fill your warehouse with something else. If you're hoping to also serve restaurants and other large businesses, you'll probably need to offer a larger variety of products.

### 4 What do the allied companies expect?

It's a good idea to check with the allied companies and find out what their minimum orders are, and make sure you have storage space and/or customers for the quantity that you'll be buying. For example, Mont Blanc Gourmet, asks that distributors buy a minimum of 100 cases of mix-and-match products. "We do sell to distributors who want to buy less than 100 cases, but then they have to pay more per palette," says Irene Szyliowicz of Mont Blanc.

### 5 Which name will you use?

Some roasters sell allied products under the name of their roastery, while others start a whole new company. If your business name suggests that you only roast coffee, you might consider changing your name to something more open, or starting a separate company. But keep the name if one of your goals in selling allied products is to get your roastery's name in front of more people.

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