~~5~~ 3 Tactics for Doubling Sales

Guide for Wholesale Coffee Sales

Introduction

When do you price your coffees? Is it during that first batch? When you buy the green? Or even earlier?

In my conversations with hundreds of roasters while running RoasterTools, and my nearly decade of experience running my own roastery prior to that, I’ve found that pricing is a pretty common question.

I understand. I used to have issues with pricing as well.

I’ve priced coffees too high, and a great coffee has sat for months in my roastery—unroasted.

I’ve priced coffees too low and captured a lot of volume—that I couldn’t sustain.

It wasn’t until I had the right foundation to sell the right products that everything clicked. I knew that I was going to sell our coffees at the right price to the right customer and make a profit (gasp!) on a coffee that we could consistently produce week in, week out.

If you’ve tried to price a coffee as it cools in the tray after that first batch (and who hasn’t?!), keep reading. You need a system, cause if you are pricing that late in the process, you’ve already made a mistake.

If you've got a sophisticated spreadsheet that calculates costs down to the penny while factoring in six months of storage, keep reading. Costing out a coffee is only part of the process (and you'll continue to use your amazing spreadsheet).

Below is our guide to selling more wholesale coffee with five headline tactics that we hope that it'll be useful to everyone, from industry vets to startups.

Jon Ewalt

Tactic 1 - Positioning

In order to grow your wholesale sales, you need to have clear answers to the following questions:

- What is our brand?
- How are we positioning our brand?
- Who are our target customers?

What products should we offer, given the answers to everything above? Don't worry—we break them down and help you answer them if you don't have answers already.

What is our brand?

Your brand is your story that you tell to your customers. It's told by your logo, the pictures you share on Instagram, by the feel of your café (if you have one), the stories you share on Facebook—it's the things that make you unique.

Are you a commodity roaster that's been around for thirty years? Or a start-up roaster after years being a barista at great cafés?

Whatever your story is, you need to tell it and celebrate it.

Hark back to the days of writing stories in school and then look at your brand—does your story have a beginning (your history), a middle (what's happening now), and a future (where you're headed)?

Is this single brand identity played out in everything you do?

If not, perhaps it's time to take a look at that. You may not have a cohesive brand. Or you may be telling multiple stories—promoting multiple brands in effect—to your customers at the same time, and that gets really confusing.

I have three kids, and too often they try to tell me their stories all at once—so I often end up hearing none of them. I just can't follow more than one story at a time.

Are you telling simultaneous stories to your customers? Or no story at all?

At Big Water Coffee Roasters, the roastery I ran before starting RoasterTools, our business really accelerated when we took the time to figure out our brand and the single story we wanted to celebrate.

In our case, it came back to a sense of place. That was our story.

We were a small-town roaster (Bayfield's year-round population was fewer than five hundred people) in a remote location on Lake Superior that did pretty significant volume during the Summer months. We knew that massive lake out our front door was the reason our small community's population swelled with tourists year after year. It was the reason we could exist. It was our story.

You may draw from your founder's story (that could be your personal story), or it may be about a sense of place, like we did with Big Water, or your brand may come from a moment in time—whatever the story, that's your brand, your identity. Celebrate it.

How are we positioning our brand?

You've now got a solid, well-defined brand that celebrates what's unique about you, so next it's time to see how that positions you in your market.

You do have a market, don't you? ;)

Your market may start out as your friends or a small circle of people in your city, town, or neighborhood who know to stop by your garage.

Or you could be a national roaster with slots at Target and Whole Foods.

At Big Water, we identified our market as the states that touched Wisconsin in the Upper Midwest, where we sold a mix of unique blends (that closely tied back to our place-based brand) and a small selection of single-origin coffees.

I had looked at the market and at our competition, and there were already a lot of roasters that were doing a great job sourcing and selling single-origin coffees.

It seemed like if we jumped on that 3rd-wave bandwagon, we were going to get lost in the sea of similar roasters who were trying to do the same thing.

Instead, we celebrated ourselves as not being another big-city roaster with similar offerings. We positioned ourselves as something unique—a small-town neighbor with a unique view—and that story sold well with consumers, retailers, and cafés.

Do you have something in your brand that's unique and compelling, that will play well in your market—whatever size it is? Tell your story!

Who are our target customers?

As you define your brand identity and the market you're going to serve, something amazing will happen: you will begin to know who you want to sell to and who your target customers are, and given that insight, you will know where to find them and what coffees they want to buy from you.

How? It often begins by knowing which customers are not your target customers. Perhaps they are outside your market, in another part of the country, for example. Or they sell flavored coffees alongside your latest microlot. Or something just feels off.

Does that mean you won't sell to them, even if you recognize that they are not your ideal customer? No, sell away! You're in business to sell coffee after all.

It just means that you wouldn't pay to acquire these less-than-ideal businesses as customers. You wouldn't seek them out, because they are not a good fit on some level.

As you continue along this process, your target customer(s)—you may have more than one customer persona!—come into focus.

Your ideal customers pay on time, celebrate your coffee and your brand, and purchase consistently. You like doing business with them.

Who fits that definition for your brand?

What kind of coffees (and possibly allied products) do they want from you? Which of those products fit with your positioning? What price and selection do they expect from you? Start whiteboarding!

Final Check—Capacity?

It's time for some reality. Up until this point, it's been a big thought exercise in planning your products.

Do you really have the capacity to source, roast, and package those coffees that your target customer wants and that complement your brand?

Can your company honestly pull it off?

I bought our first roaster on eBay. It was an old, beat-up Probat L12 that was built in California in the early 1990s.

I bought some amazing coffees in those early years but just couldn't do them justice. I didn't know how to roast, but even if I did, I had stacked the deck against myself by buying a machine that needed a complete rebuild—a rebuild that I couldn't afford.

I kept this cycle going for too long. I bought expensive coffees, roasted them poorly, and packaged them in inferior bags with ugly branding. I didn't have a product plan, so I kept wasting time and money on trying to sell the wrong coffees.

If I was honest with myself, I would have realized that I didn't have the capacity for selling and marketing microlots. I also didn't have the right customer base to demand them. It was a bad fit on so many levels.

Blends, however, fit our target market, connected well with our brand, and didn't require the perfect roaster to execute well each week. In fact, we already had developed a blend that represented more than half of our weekly production.

It was a sobering assessment of our capacity and the reality we faced, one that I fought for years. Don't repeat my mistake!

Tactic 2 - A Product Pyramid

You now know who you want to sell to, you have a clearer idea of the products that these ideal customers want to buy, and hopefully you've seasoned your vision with a bit of reality.

You are finally ready to plan the right products to make your business thrive over the next year, starting with your core coffees—those few coffees that represent the biggest percentage of your overall sales.

Your core coffees may be a few top relationship coffees that you bring in each year. Or they could be a couple blends that are synonymous with your brand. I've spoken with some roasters who have a single core coffee, often a flagship blend, that drives 30–50 percent (or more) of weekly production.

Identify those core coffees and take a second to evaluate them against the needs of your ideal customer. Do they fit? Can you sell them at the right price?

It's very possible that you don't have those foundational coffees in your current product lineup, and that's OK.

At Big Water, the branding and target customer work we did—everything I outlined earlier—led us to release five new blends at once, taking our blend count from one to six.

These house blends took months of work, but the results were clear: we doubled sales of whole-bean coffee the first week we released them.

It didn't stop there, either. By the time we sold Big Water, we were selling hundreds of bags of coffee out of our café per week. We also aimed for, and regularly hit, our goal of making whole-bean sales at least 20 percent of café sales.

In addition to positioning these core products well, we developed our product lineup so that it also worked together with daily production.

In production, I reused key roast profiles across multiple post-roast blends. These roasts featured stable, core coffees that I knew I'd have access to year-round. It meant that I could maximize my batch sizes for key components and minimize daily carryover.

If I didn't have a particular coffee/flavor year-round that one of our core blends required (and this was often the case), I used a rotating selection of single-origin coffees to fill that need.

I viewed these single-origin coffees as lighter roast ingredients, a way to add brightness or sweetness or whatever was called for in the blend profile. I allowed myself to fill the need with any origin—as long as it added the necessary flavor profile required by the blend.

I had the added advantage of also being able to sell these seasonal coffees—using the same roast profile—as straight single-origin coffees. It meant our product lineup could appear to be pretty big, even though it was drawn from an ingredient list of fewer than a dozen roast profiles.

In addition to our core year-round blends, we also released four seasonal blends that combined core year-round coffees with limited-release offerings to create a unique experience.

This second group of blends represented the next level up from our foundational offerings in our product pyramid. Seasonal blends were priced slightly higher than our core blends, and often sold less than the top selling core blends, but still represented a decent portion of our weekly sales.

Finally, at the top of our product pyramid, we had a rotating selection of straight single-origin coffees. These may or may not also have been used as components in blends.

Single-origin coffees represented the smallest percentage of our sales and the biggest amount of our team's time in terms of sourcing, profile development, and production. They were, truly, a labor of love that kept my team and me engaged with the coffee.

How can you apply this to your roastery?

1. Identify up to four foundational coffees that you can source to fulfill a significant portion of your annual production.
2. Plan out a couple seasonal slots each quarter. You'll want to invest in marketing these coffees a bit more broadly, so you'll need enough green to span a couple months at least.
3. Target a few limited-release coffees each year to build out as customer demand increases. You'll use these coffees to keep your most active customers (and staff) engaged. You may bring in just a bag or two of these coffees.

Tactic 3 - A Pricing Pyramid

You could charge one hundred dollars a pound. Or one dollar a pound for the same coffee. Pricing is not a spreadsheet calculation—it's a projection of the value for that coffee.

Pricing is an art that factors in brand positioning, your customers, production costs (including green costs), and your product pyramid.

Yes, you must make sure that you are profitable in order to remain in business. You also need to have the volume to sustain your monthly expenses. Pricing is a balance of sales versus profit. If you sell only a few pounds per month at one hundred dollars each, you're not going to be able to cover rent—even with those enviable profit margins.

It's nearly impossible to reach that perfect balance between sales and profit in a single coffee. Instead, look to maximize profit across your product pyramid as a whole.

In order to do that, it's useful to group your products into three distinct price tiers—lowest-price coffees, medium-price, and highest-price offerings. I would expect to see higher prices as you go up the pyramid, with higher profits and much fewer sales.

You'll likely see this matching up to your product pyramid that you created above, though there may be individual exceptions, and that's OK.

Your goal is to have your products appear to be affordable or expensive relative to the rest of your offerings. Price anchoring is a common pricing technique used to create a conversation in the customer's mind about the perceived value of your lower-tier products, relative to your uber-expensive offerings that act as an anchor.

Here’s an example of a hypothetical US-based roaster’s pricing pyramid:

- Foundational Coffees or Blends: $12/lb
- Seasonal Coffees or Blends: $15/lb
- Exclusive Single-Origin Coffees: $18/lb or higher

Twelve dollars per pound is a pretty expensive wholesale price for a “foundational coffee,” but compared to eighteen dollars, it’s relatively inexpensive. You’ve anchored the pricing discussion for the lower two tiers against your premium offerings.

Additionally, you will have some customers who will only purchase your most expensive coffees because of the perceived value. Expensive is better. You will have others who will do the same for your lowest-price offerings.

You are going to maximize your revenue, and your profit, by creating opportunities for your customers to happily pay you at different price tiers. To find the tier that’s right for them.

If you create a product/price pyramid correctly, you can source some great coffees for all three tiers while still making a profit. You can also anticipate providing discounts for your best wholesale customers.

As an aside on pricing, discounts are a part of life for most wholesale operations. If you aren’t currently giving discounts, you probably should. I can think of two exceptions, and only two: you are an ultra-premium brand with national or international notoriety and your “take it or leave it” high price is part of your brand experience. Or you are a commodity roaster with rock-bottom pricing.

If you aren't in these two extremes, you probably should consider giving discounts to your best customers.

Back to pricing tiers: it can sometimes help to assign a job to these pricing tiers.

Your lowest-tier coffees, likely your foundational coffees, are your workhorse coffees that pay your typical monthly expenses and are an entry point for new customers to try out your brand. These are cash-flow coffees.

Your medium tier coffees increase customer engagement with seasonal offerings and keep your marketing lively. Your highest-priced coffees keep your team engaged, build your industry presence, and drive real dollars to the bottom line with their higher profit margins.

In the end, each of the pricing tiers should be profitable on their own, but your higher-priced tiers will likely be more profitable than your lower tiers.

Your goal is to maximize weekly production (aka revenue!) while ensuring the blend of these three profit tiers hits your company's overall profit target—that percentage of revenue that you'd actually like to take home.

In this holistic approach to pricing, you will still continue to price individual products too high or too low as they fit into these tiers. You will do so intentionally, in order to target the right customer with the right product at the right price.

In the end, your product planning will maximize revenue and profit for a sustainable, growing business.

Tactics #4 and #5

Coming Soon!