

## **How to Start a Successful Coffee Shop ?**

Coffee Shops and Drive-Thru Coffee Stands are popping all over!

Whether you are planning to:

- **Start a new Coffee Shop**
- **Improve Sales of espresso in your present shop**
- **Buy an Existing Coffee Shop**
- **Add a Coffee Concept to your Present Business**

then this hard hitting information is for you!

We will show you how to make real money with a retail coffee business, with the least of pain and the most of gain!

**Note: The pictures on this site represent some of our consulting clients.**

If this is your first attempt to open a coffee business, you probably have many questions and concerns on your mind:

Will it be worth it?

Will I have enough money to pull this off?

I don't know anything about this business, where do I start?

What equipment or coffee should I use?

Where do I learn how to make the drinks?

I found a great location, but Starbucks is across the street, can I compete with them?

Should I get a franchise or be independent?

If you are seeking the answers, you are in the right place!

**If you want to succeed, and before you can sell your first cup of mocha or caffe latte, you will need to do the following:**

**Gain an overall understanding of the COFFEE BY THE CUP RETAIL BUSINESS.** The coffee business is not "about making drinks". I can teach you how to make the best espresso drinks in your town in two to three hours, but you still won't understand the nature of the business. I have people calling me every day with questions about "what espresso machine or coffee should I use?" Machines or coffee do not matter if you don't have the money, a location, a design, a sensible menu, an effective marketing strategy and understanding on how to put it all together and make it work. You can waste months in "research" and end up getting faulty information from people that never operated their own shops, or you can seek out people that "been there and done that" and have a track record to prove it. They will save you countless headaches, thousands of dollars and months of wasted time!

**Write a Business Plan.** What is a Business Plan? It is simply a projection that tells you and your investors what you intend to do, how you intend to do it, how much will it cost, what is involved, what your sales will be, and how you intend to pay them back. In other words, the people putting up the money or leasing you the location want to know whether you yourself understand what you are doing and have the necessary expertise to do it.

**Get adequate financing.** How much? For a drive-thru from \$40,000-\$150,000, for a coffee shop from \$60,000 to \$350,000. However, spending more money opening your coffee business won't guarantee it's success.

**Find a Proper Location:** What is a good location? Similar to Starbucks, or any place that is "highly visible and easily accessible by a large number of demographically correct potential customers." I talk much more on locations in my FREE thirty page "How to Make Real Money with Espresso" e-mail report and in my book "Espresso Business Success Program".

**Design your shop** not only for looks, but also for speed and efficiency of operation. An architect that never worked behind the counter of a busy coffee shop would not have a clue on how to do it right!

It is not how much money you are investing, it is knowing how to use it so as to generate the "biggest bang for the buck"! Over-spending in some areas and neglecting some others may make a huge difference in your bottom line! This is where an experienced consultant, that has many years of helping people like you, may save you thousands of dollars in channeling the money where it really counts!

You should implement an effective, "espresso focused" marketing strategy in order to sell mostly espresso based drinks. Why? Because that's where the real money is!!! What counts in any business is not how much you sell, but how much you have left over after you pay all your bills and operating expenses. You will make more money by selling \$500 in espresso based drinks than \$900 in coffee beans or food.

You must understand correct espresso preparation techniques for improved drink taste and speed of service. Most of the so called "baristas" across the country are not properly trained.

You and all your employees should be trained in all phases of the operation, especially in espresso marketing strategy and correct drink preparation techniques.

You and most of your staff working the counter should like coffee in general and consume espresso based drinks on a daily basis. It is difficult to sell with enthusiasm and passion a product that you yourself don't consume or like!

How you manage to plan and execute all of the above will make a HUGE difference in the performance of your coffee business, regardless of the concept. It will take you the same amount of money to do it right, or to create a mess! Except you won't know that you created a disaster, at least not at the start. But your customers will.

Does all of this seem complicated? It depends who you talk to. Our training program cuts out most of the stuff that won't make a difference to your bottom line, and concentrates on things that really matter, like proper location, the name of your shop, an efficient layout for speed of service, a common sense menu- which is one of the most effective marketing tools- and proper drink preparation for better taste so your customers come back for more!

No matter what coffee related concept you are planning, by the time you finish and ready to serve your customers, you will have invested at a minimum from a week to a year of your time, and from \$5000 just for the espresso equipment and some supplies, and from \$80,000 to Stingers Coffee, Corpus Christi, TX \$350,000 for a "Starbucks like" full fledged coffee shop in a good location.

**Don't you think, that before you start spending your money and time, you should learn as much as possible about this business, so you won't waste your money and your time?**

**And if you decide to proceed, don't you think that you should do everything possible, within the limits of your budget, to make sure that every step that you take will lead to the success of your business?**

That is what this website is all about: First, it will help you to decide whether what you are planning makes any business sense in the first place, and if it does, it will show you how to do it in the best possible way within the limitations of your budget.

The "retail specialty coffee by the cup business" is more rewarding, pleasing, and requires less start-up capital than most

## ***WHAT' S NEW BY Neil Appleby OF NEBUR-KING COFFEE GROUP (CANADA) INC.***

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fast food concepts. And it can be a lot of fun! Though it may seem simple to an inexperienced person - after all, what's so complicated when you are dealing mainly with one product, coffee - it is a complex business.

As an individual with limited resources and clueless about this business, but ready and willing to join the coffee race, could you open a coffee shop or a drive-thru and become successful? After all, you have never seen the back of an espresso machine or worked in any kind of a food operation. How would you know what to do or where to start? Could you make sure that whatever money you invested wouldn't be wasted? And could you compete against the likes of Big buck\$?

Of course you could!

You, as the owner-operator of your own business could do much better serving your customers than a chain or a franchise!

You could design your shop for a more efficient operation, provide better and faster service, prepare better tasting drinks, and take better care of your customers!

And you could probably open for half the cost of a franchise, without paying any franchise fees or royalties!

There are hundreds of independent successful coffee concept operators all over the country, some of them right next to \$\$bucks, doing very well!

If you do it right, the coffee/espresso by the cup business offers generous financial rewards and personal satisfaction. However, should you jump into it without an understanding of what makes it "perk", you could miss a golden opportunity, risk your investment, waste precious time and destroy your dream!

My definition of "doing it right" is to do everything possible - within the limits of your budget - so as to maximize the potential of your concept and location.

Your degree of success - or failure - will depend on how much you understand this business before you open your doors, not on how much money you spend. Though it is important to have enough capital to complete the project, it is more important to know what areas of the concept deserve the most attention. And let me tell you, equipment, decor or the brand of coffee that you will be using are not on the top of the list!

By the way, when I say "espresso" I mean all the drinks prepared with espresso as a base, and not necessarily straight espresso, which at this time represents less than 5% of espresso drinks served in this country. I may also refer to "espresso" as "coffee" without making a distinction.

My definition of a "coffee shop" would be an establishment similar to Starbucks, serving mainly coffee/espresso drinks and some pastries, no sandwiches, soups or salads.

Whatever you plan to do, by the time you finish your project, you will have invested some serious money and time in it.

And finally, once you stop dreaming and start acting, secure your financing, find the right location, and open for business, considering how much time, money and emotional investment you have put into it, wouldn't it be a terrible waste of money, time and a great loss of opportunity if you did not know how to maximize the potential of your business?

Though no one can guaranty that you will be successful in any business, you can take steps that will minimize your risks and maximize your chances of success. The information contained on this web site will help you to save thousands of dollars in preventing mistakes, months of research time and set you on the right track right from the start!

Isn't that what you are looking for? You will find all you need to know here:

**"Espresso Business Success Program" Book & Video or DVD**

Why some Coffee Concepts don't do well:

Though the location of a retail coffee business is the single most important element for it's success - or lack of it - there are other reasons why coffee shops, drive-thrus or additions of espresso to some existing business may not be doing well:

**1. Lack of an effective marketing strategy:** If you do not know how to attract customers when you first open and how to sell them espresso based drinks instead of brewed coffee, your revenues may be greatly reduced; it may take you longer to return your investment and it will be harder to build a great number of loyal daily customers, which is the base of any successful coffee by the cup business.

**2. Improper shop design and equipment layout:** If your work area is not designed for speed and efficiency of service, it may take you much longer to prepare the drinks, the customers will be inconvenienced by waiting longer than needed, you will sell less in a given time period, tire your employees sooner and irritate your customers. Unfortunately, many espresso work areas around the country are designed more as monuments to the architects' ego than to the customers convenience and speed of service!

**3. Poor taste of the product:** If your customers do not like the taste of your espresso based drinks because of faulty preparation techniques (not equipment or coffee), they either won't order it again or won't come back. Unfortunately, most of the espresso served in this country has no relation to the real thing, and the only way it can be consumed is by drowning its thin, overheated, bitter, flavorless, overpriced taste with some fancy flavored syrup. By the way, the taste of an espresso based drink has more to do with the way it is prepared than with the coffee or equipment being used. I had some terrible cappuccinos prepared with \$11.00 a pound coffee on a \$10,000 machine, and some excellent ones made with a \$5.00 a pound coffee and \$3000 machine.

**4. Wrong kind of coffee blend or roast** used for the US market: The best of beans used for excellent espresso in Italy may not be proper to prepare the (mostly) milk based espresso drinks consumed in the Canada.

**5. Lack of understanding of espresso extraction** process: If you do not understand this process, and how it influences the taste of the espresso based drinks, it will be very difficult for you to prepare the best tasting product, regardless of the coffee you are using. Unfortunately, many coffee bar operators and so-called "baristas" have no clue! This reduces customers satisfaction, frequency of return and the amount of money in your pocket!

**6. Not having a true standard** of product taste comparison: Most of the owners, managers and employees of coffee bars/houses/carts in this country have never tasted a properly prepared "cappuccino"! You would be amazed to know what a slight variation in grind, extraction time and proper combination of steamed milk could do to the taste of a cappuccino or caffe latte! And to your bottom line!

**7. Lack of focus** on what your main product should be: If you try to please everyone with an extensive menu, you may end up pleasing no one! You will be much better off if you specialize on fewer menu items and preparing them correctly.

**8. Not being a daily espresso based drink consumer yourself:** How can you sell with enthusiasm and understand what you serve to your customers if you do not like the product yourself? Many times, when I ask the owners or operators if they drink what they serve to their customers, they tell me they only enjoy "that blended frozen sweet stuff".

If you have no clue about this business, don't know where to start, or you don't think that you need any special education, you may want to read this:

### **"Coffee Shop Business for Dummies"**

#### **Is there room for independent coffee shops?**

The specialty coffee/espresso by the cup business is growing at a tremendous rate, but only about 18% of Americans drink some kind of specialty coffee at the present time, and that includes "gourmet" coffee purchased at the supermarket.

At the present, there are around 11,250 coffee shops, kiosks, drive-thrus in the country. If you compare that to 54,000 pizza

outlets, I think that there is plenty of room to grow! Besides, more than half of them have no idea on how to operate their shops efficiently and maximize the potential of their locations, and they are in danger of better and smarter competition opening nearby and putting them out of business.

Though many good locations in larger cities may be already taken by the big chains, and some areas of the West Coast seem to be saturated with coffee shops and drive-thrus, the rest of the country is wide open and is waiting for you! There are virtually thousands of locations available all over the country. Just recently, I opened shops in small towns like Ottawa, IL., Davison, MI. Dubuque, IA, Bloomington, IL. Scranton, PA and many more.

There are hundreds of independent and corporate coffee concepts, in excellent locations that could greatly improve their performance, customer appeal and bottom lines, if they only made some small, common sense modifications to their menu, layout of their equipment and drink preparation techniques. Just recently, on one of my consulting assignments in one of the south eastern states I visited a corporate coffee shop in an excellent location that was an absolute disaster! Neither the layout, the menu, or the drink preparation techniques used by the employees was conducive to an efficient operation and better tasting drinks! What a waste of opportunity! And then they whine when a smarter competitor puts them out of business!

### **OPPORTUNITIES IN THE COFFEE BUSINESS**

For a shop to generate enough revenues from one product (coffee), selling at an average price of \$2.44, the business has to meet certain requirements in location, work area design, appearance, marketing and product taste so as to attract enough customers and bring them back day after day.

Most of the independents do between \$200,000 and \$500,000 a year in sales. There are coffee houses in some college towns that do over one million a year, leaving for the owner around \$250,000 in profits!

However, your sales and profits will vary greatly depending on your location and on what you mostly sell: Food, beans, brewed coffee, or espresso based drinks.

Generally speaking, if you know what you are doing, and assuming that you pay around \$2500 in rent and your gross sales are \$25,000 a month, you could put in your pocket about \$7000 a month, working yourself only a few hours a day. And you probably could return the investment in your shop in a year or so, provided that you have a decent location.

There are thousands of communities across the country ready to offer people like you the opportunity to make an excellent income with the right kind of a coffee concept, without having to invest \$300,000 in a franchise!

As an example, Starbucks invests \$320,000 on the average to open one of their shops. My clients have invested from \$63,000 - \$220,000 to open their shops. You would be surprised how many customers ask: "Is this a franchise?". I helped to open over two hundred shops in most of the states.

Though some areas of the Northwest seem to be saturated with coffee shops and drive-thrus, the rest of the country is wide open and waiting for you!

**The single most important factor for the success of a retail coffee business is it's location. There are still** thousands of prospective good locations available all over the country. However, good locations are not going to wait forever! Will your shop be one of them?

Though no one can guarantee your success, not even a \$300,000 franchise, you can take steps that will minimize your risks and maximize your chances to succeed.

If you are in a hurry, and want to know right now HOW to take those steps, please go directly to my

"Espresso Business Success Program" - Book & Video:

Here are some of the contents of this Program:

A Business Plan to present to your lender or landlord

An efficient design and equipment layout of your shop or drive-thru

A complete equipment list, with my suggestions of where to get what

A very detailed initial supply list for your opening

An "espresso focused and friendly menu" - so you sell more!

An initial "espresso marketing" program

A video tape that shows correct drink preparation techniques, and much more!

Included in the price of this program is my personal, over the phone consulting with you, that may cover a prospective location, design, equipment, suppliers, or any other coffee business related matter. Just this consultation alone may save you thousands of dollars in preventing mistakes!

### **Are you Planning to Buy an Existing Coffee Shop?**

If you are in the process or thinking about buying an existing coffee shop with the hope of improving it's bottom line and operation, you must look very carefully at the following:

How long is the existing lease? Can it be renewed for a longer period? If you get a short lease without written guaranty of a renewal, you would be throwing your money away.

What is the MAIN product of the shop? That is, where does most of the money come from? If it is from food, this is not a "Starbucks type" coffee shop, it is a deli that happens to sell some espresso; your profit will be much lower than coffee, especially espresso based drinks. You can put more money in your pocket buy selling \$500 of espresso than \$1000 of food. If you start doing drastic changes, you probably will lose the existing customer base, and depending on the location, it may be hard to build a new one.

Small changes won't work if you want to change the character of the shop, like upgrading it from mostly food to mostly espresso. You have to do it totally, just cleaning it up and changing a few people won't sell more espresso.

Get the following information and call me after you read my main web site:

How long is the lease? Is it renewable?

What were the gross sales last year? Last month?

What is sold mostly, coffee or food?

How much is the rent?

How big is the shop?

How many pounds of espresso is used per week?

Get a copy of the menu.

An equipment list

The above information will determine if it is a good deal or not.

The main consideration in buying an existing business is the present - or potential - income that it may generate. Here are some other factors that you must consider:

The location of the business: Does the location has great visibility and easy access by a large number of potential customers? If not, forget it, because no matter what you do, you won't be able to increase the sales to any appreciable degree.

Lease terms: You don't want to buy a business with only a couple of years left on the lease. Renegotiate an extension with the property owner.

Sales price: Good income coffee shops sell for approximately half their yearly gross revenues. If the shop generates \$250,000 in sales, a fair price would be \$125,000, (with a rent factor of 10% of gross) provided that it is making a profit of around \$65,000. If it does not make a profit of 20%-25%, there is something wrong. Some of the wrong can be corrected, like

payroll costs, cost of goods, menu, speed of operation etc. The only thing that cannot be changed is the location.

In general, it is much better to open your own in a good location than to purchase somebody's headache. The exception to the rule are shops in good locations that made a mess of their operation because they did not know what they were doing. You are not buying a shop for the equipment or the leasehold improvements. Some owners may have put \$300,000 to open a shop, but if it is in a bad location, it is worth nothing.

I will be happy to talk to you without any cost or obligation about your potential purchase, but before you call me, finish reading the rest of my website and get all the details on the shop.

### **HOW TO INCREASE ESPRESSO SALES IN AN EXISTING COFFEE SHOP**

Though the choice of a location is the single most important element for the success of a retail coffee business, there are many other reasons why a coffee shop may be serving over 1000 espresso based drinks a day, while another, just a few doors down the street, merely manages to serve 50 drinks.

To put it simply, a coffee shop that does not generate at least 50% of it's coffee revenues from espresso based drinks did not position the espresso part of the operation as a genuine espresso concept.

If a prospective new customer finds an extensive, confusing menu, slow service, poor tasting drinks and high prices, he or she won't return, and the vast majority of drinks sold will be brewed coffee. This may have very little to do with the equipment or coffee beans used, and everything with effective marketing and proper preparation techniques.

The other reasons why a coffee shop does not sell enough espresso based drinks, besides a poor location, are:

1. The owner or the manager does not drink or believe in the espresso potential himself or herself. It is very hard to convince your customers to try your espresso based drinks if you do not like them yourself, and I don't mean a "latte" drowned in some flavored syrup.
2. Because of non-existent or ineffective marketing strategy, the business does not know how to attract new, non "espresso educated" customers, or how to capture existing "espresso users" from the nearby competition.
3. The work area was designed improperly, making it awkward and time consuming to prepare drinks efficiently and promptly.
4. A menu that does not make any sense to a new customer.
5. Prices that have no relation to the perceived value of the product.
6. Poorly trained employees, with no clue on how to prepare a drink properly and efficiently.
7. Slow service.
8. Bad tasting drinks due to improper preparation techniques, wrong coffee grind, poor equipment maintenance, lack of proper employee training, or wrong kind of coffee used for the intended purpose.
9. Poor, non-existent or confusing "Espresso Image" and marketing of the product.

In order to increase sales, speed up the service, start attracting more customers and have a better weapon against your competition, you must enhance your "Espresso Image". All of the above, except a poor location, can be corrected.

### **HERE IS WHAT WE WILL DO TO INCREASE YOUR SALES AND CUSTOMERS SATISFACTION:**

1. Arrive at your location and observe your operation. We will check: equipment lay-out, menu and pricing, customer order and pick up area, drink preparation techniques for taste and speed, signs and any other promotional material.
2. We will suggest how to reposition your equipment (if needed) for speed and efficiency of operation, (some times all it takes is to move it a few inches) suggest menu and pricing adjustments so as to focus on espresso based drinks and implement some effective very little cost marketing techniques to attract more espresso customers.

3. Present a mini-espresso business seminar to the owner and selected employees, which will include in depth drink preparation techniques for best taste and speed.

4. Work with your "baristas" on line, serving drinks to actual customers and improving their new skills.

All of the above may be accomplished in about a day and a half, and if implemented, you will notice an increase in sales and customer satisfaction within a short time.

As a few years ago a coffee bar could get away with slow service and improperly prepared drinks due to lack of competition and a standard of comparison, this is not the case today.

In some parts of the country you will find two or three coffee bars within the same block, and the customer does not have to put up with poor service and lousy drinks any longer. Regular brewed coffee, no matter how good it may be, is not going to attract customers or retain their loyalty if they can get the same thing in a more convenient place to them. To survive and prosper, you must develop a strategic difference from your competition, and the most effective way to do that is by implementing a viable espresso concept, which may require a different approach, marketing and drink preparation techniques.

My book, "Espresso Business Success Program" shows how to increase your espresso sales by applying some proven and effective principles developed and refined for the last thirty years by me and my clients.

**Are you planning to add espresso to your existing business?**

There are thousands of shops with excellent potential for espresso sales all over the country. They could be anything from fast food/deli/sandwich shops that don't even open in the morning hours, to drive-thru cleaners and book stores. Many of them could increase their daily sales from \$200 to \$1000, depending on the location, marketing, the espresso setup and the taste of the product.

However, you won't have an "espresso business" by just purchasing an espresso machine and installing it in your present operation.

Here are the steps that you will need to follow if you want to make any money by serving espresso:

Determine if your location is suitable. I will be happy to advise at no cost or obligation.

Check with your local health department, the restaurant inspection division, if you can do that in your present business and what will be required. If you are already a food establishment, you may waive this step.

If you are prepared to meet all the requirements of the health dept., the next step would be to determine what would be the best concept for you, placing a self contained "turn key" espresso cart or to build an espresso work station.

You will need a marketing strategy to introduce your espresso: outside sign, menu, pricing structure.

You will need the right equipment and products: coffee, syrups, chocolate, cups.

If you are already in an "espresso educated" market, and want to attract customers from the competition like Starbucks, then you must demonstrate that you are serious about the business by having a menu that makes sense, speedy service by properly trained employees, and better tasting drinks than your competition.

If you are in a new area, where customers are not familiar with espresso, your espresso station should be attractive enough, your menu and pricing should make sense to a new customer, and your product should be liked so they come back for more the next day.

How much all of this will going to cost you? A fully equipped espresso cart from \$10,000-\$25,000, to build an espresso kiosk or work station within your store, taking up from 100-150 S.F., with all the equipment, around \$20,000-30,000. Of course, if you are a food establishment , you will have most of the equipment already and all you will need is an espresso machine, grinder, menu, and counter space.