



Jack's BLEND

Jack Groot provides coffee and business consulting and training through the Midwest Barista School (MBS) and OnTrack Coffee Consulting. MBS is a coffee and business training school for those in, or going into, the coffee business. OnTrack provides consulting, training and products to the coffee industry, including the recently released "Barista Basics" and "Latte Art" training programs. Groot also founded and owns JP's Coffee & Espresso Bar in Holland, Mich. He can be reached at jack@jpscffee.com or (866) 321-4MBS (4627).

Raising prices in a small business can be traumatic. Small business owners, especially small coffee businesses where we are so social and friendly, are scared that raising the price of a latte or coffee a few cents is going to run off customers and leave us dead in the water. My postulation is the opposite; if you don't raise your prices you will be dead in the water.

There is a pastry shop in my area that my wife visits regularly and has for years. A few weeks ago we were talking about raising prices at JP's and my wife made the comment, "Wow, they haven't raised prices at the pastry shop for years. I've been going there for five years and they've never raised prices."

That made me sad.

Why did it make me sad? In the last five years the CPI (Consumer Price Index) has gone up an average of more than 3 percent per year. The cost of labor has gone up (Michigan minimum wage went from \$5.15 to \$7.40 over a two-year span). The cost of ingredients, utilities and fuel has gone up. Typically all expenses related to running a business go up over time. That will require the prices we charge to go up. If they don't, eventually the margin between COGS (cost of goods sold) and gross revenues won't provide enough money to support running a business. In my mind that means at some point the pastry shop will cease to exist, which makes me sad (because they make great pastries).

So we printed our new menu boards and raised prices at JP's. It took longer than I wanted (I started the complete redesign of our boards in March). Having just recently put up the new boards, this increase makes it two years since our last price increase.

We increased the brewed coffee about 3 percent, 12- and 16-ounce lattes around 3 percent and our 20-ounce lattes around 8 or 9 percent. (I had gone through many discussions with my staff, my manager and even myself about whether to keep 20-ounce drinks. I did, but raised prices significantly to better cover our costs. Before this, I always priced 20-ounce drinks lower as a category to sell more, a mistake on my part.)

Although I have raised prices before, I was still nervous doing so especially when the economy has been hit harder here in Michigan than most other places.

When the boards went up on Monday morning a few weeks ago I asked my staff to report any customer feedback.

Here are examples of the comments we've heard:

"I was wondering when you guys were gonna raise prices."
"Wow, that's not as bad as I thought it would be."

And my favorite, "I had a free coffee coupon at (fast food joint) and used it this morning. I took one sip of the coffee and it tasted like cardboard. It was also very weak and so I dumped it in the parking lot and came here. I don't mind paying more for quality. Keep doing what you're doing." (This from a usually persnickety customer too!)

That is the extent of it. It's been a non-event. No complaints. No backlash — just more money in the register each day to cover expenses and turn a profit. Think about it. Don't your customers want you to succeed? Don't they love what you sell and won't they be bummed if you go out of business? Same as I would be bummed if my favorite donut place or burger joint or Mexican restaurant went out of business. I don't mind paying more as long as they keep the quality and service at or above current levels and can stay in business. In fact, I hope my favorite joints make money and can make a good living at what they do.

How long has it been since you raised prices?

