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Pizza Today

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BUYER'S GUIDE 2006

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International Pizza Expo™
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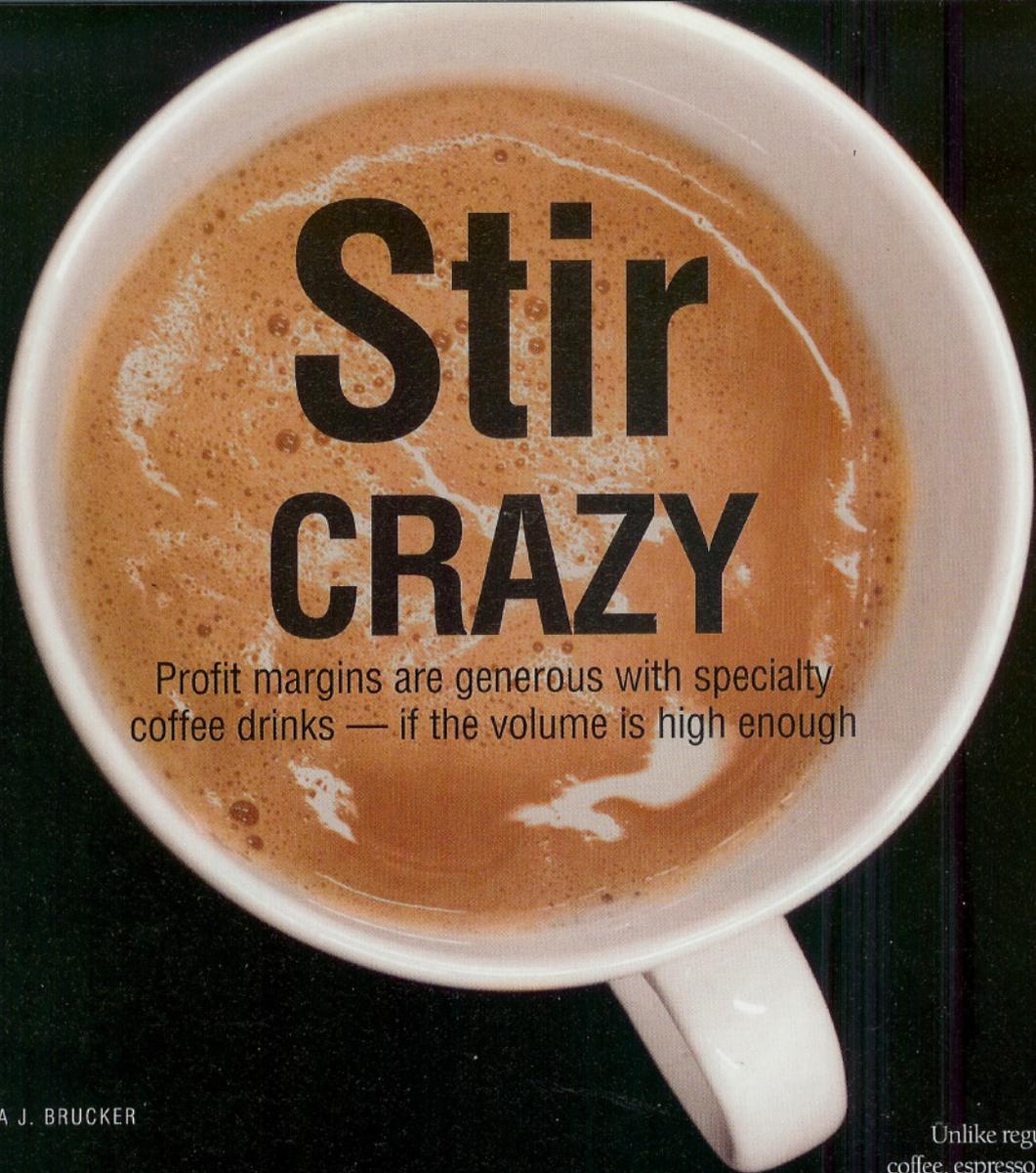
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Stir CRAZY

Profit margins are generous with specialty coffee drinks — if the volume is high enough

BY HILDA J. BRUCKER

The only thing more Italian than pizza just may be cappuccino. Specialty coffee drinks are hot sellers these days — as a case in point, even fast food leader McDonalds is experimenting with them in test markets. According to the National Coffee Association Annual Drinking Trends Study, 56 percent of adults consume these beverages occasionally and 16 percent drink them everyday. And profit margins tend to be wide — according to the Specialty Coffee Association of America, a cappuccino selling for \$3.50 costs roughly 33 cents to make. Upscale Italian restaurants have long included specialty coffee drinks on the menu; now it may make sense for smaller places to do so as well.

Some definitions

Specialty coffee drinks like cappuccino, caffè latte and caffè mocha all start with the robust coffee known as espresso. Because of its strong flavor, espresso is usually served in small amounts called shots, or used as an ingredient in another drink that may include steamed milk, cocoa powder or flavored syrups.

Unlike regular coffee, espresso beans are ground finely and packed tightly inside the brew head. Rather than dripping through, water is forced through the grounds with extreme pressure. The result is a thick, rich liquid topped with crema — the golden foam composed of flavorful oils that float on the surface. Alter the technique too much and the resulting espresso may be weak or bitter. John Imbergamo, a Denver-based restaurant consultant, says, “A barista — a person who draws espresso shots for a living — will tell you it’s an art.”

Breaking even

Though profit margins on drinks are high, so is the initial investment for equipment. According to Umberto Terreni of General Espresso Equipment Corporation, a restaurant-quality espresso maker can range from \$4,000 to \$8,000. “With a small pizzeria of up to 100 seating, they can budget an investment of maybe \$4,000,” he says. “And when they are able to sell 20 drinks a day the machine pays for itself in maybe one year.”

Pizza Today photo by Melissa Mann

According to Terreni, space can also be a pitfall. An espresso machine can easily require two to three feet of counter space, and there simply may not be that kind of room in a tight kitchen.

Gino Reale, proprietor of Reale's Pizza and Café in Austin, Texas, shopped for a smaller machine and made it a focal point in-

stead of hiding it in the kitchen. "It's maybe 14 or 16 inches and we have it at the bar, where it looks nice," he says.

Another potential pitfall is staff training. "Preparing a cappuccino or mocha requires some skill," Terreni points out. And where turnover is high, drinks may end up being prepared by an unpracticed wait

Getting the word out

One of the wonderful things about the coffee industry is the support it lends restaurateurs in the form of marketing materials. Your coffee vendor most likely has a variety of posters and point-of-purchase items to share with you. Colorful table tents can put a tempting photo right in front of patrons. Both Gino Reale and Lawrence Buchtal have trained wait staff to suggest patrons end their meal with a steaming cappuccino. Buchtal always adds this same suggestion to the end of his nightly specials board and has found some customers will come in just for cappuccino and dessert. Reale is in favor of getting the word out in every way possible — both his menu and his Web site tout the availability of specialty coffee drinks, as does a sign over his bar. Finally, restaurant consultant Ron Gorodesky suggests providing some sort of incentive for servers who sell a certain amount of coffee drinks in a set period of time.

staff. "If it's badly presented, the customer will skip ordering the espresso the next time," says Terreni. At Reale's, coffee drinks are made by the bartender, a position with low turnover. Reale estimates it took three years to break even on the cost of the machine, due to an initial low sales volume. "It's costing me about 35 cents to 40 cents a cup and I'm charging 3 dollars," he says. Still, he feels the profits don't contribute significantly to his bottom line.

Automatic espresso machines can eliminate training issues, but start at about \$8,000. Says Imbergamo: "They guarantee consistency and take the guesswork out of making espresso. If you can afford the cost of an automatic machine, it leaves a lot less to chance." Terreni also offers the following caveat: "The automatic machine normally is more demanding in terms of maintenance and cleaning at the end of the day. If not clean it has the tendency to



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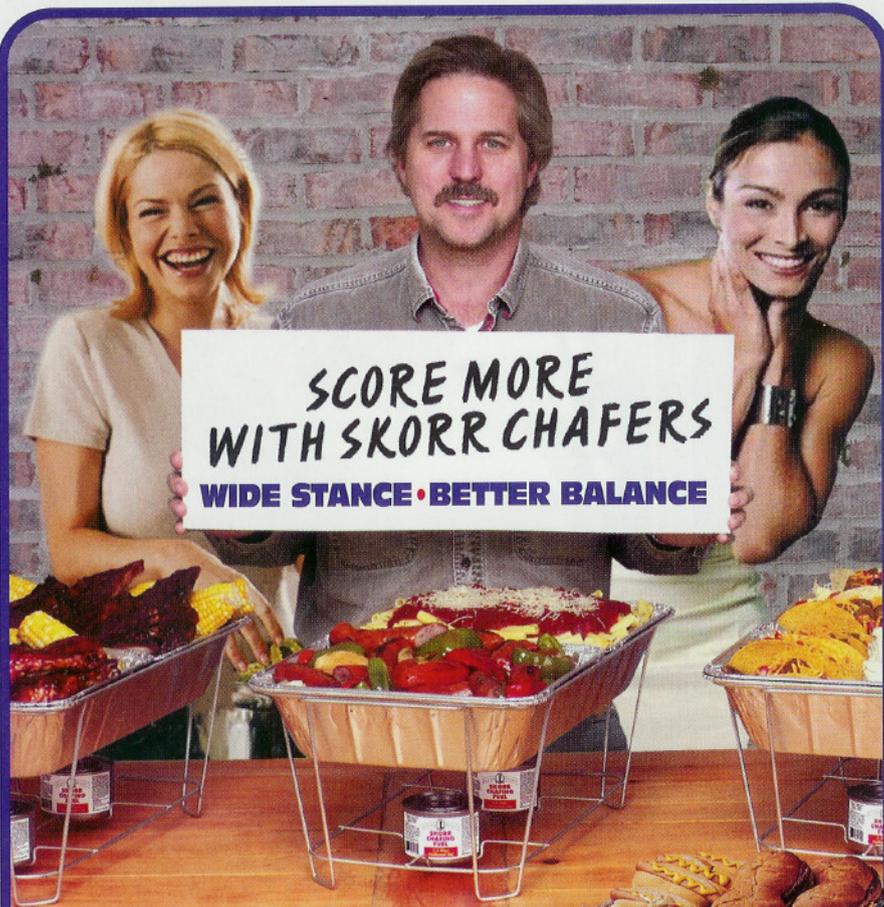
not work properly.”

At Mama Mia's Pizza and Pasta in Stone Mountain, Georgia, proprietor Lawrence Buchtal was able to break even quickly. “I found someone who provided the machine (for free) as long as I buy their coffee brand. It's an Italian machine, semi-automatic, and it works wonderfully. Because I did not buy the machine, we

make profits on it.” Buchtal estimates he spends 65 cents to make a cappuccino that he sells for \$3.

Weighing profits against customer service

Profits or not, some restaurateurs feel it's important to offer espresso drinks to their clientele. “I think it's a nice thing to have in



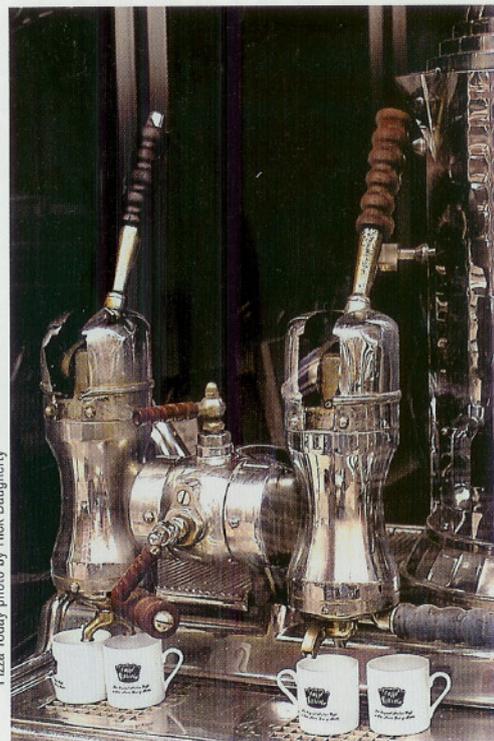
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Pizza Today photo by Rick Daugherty

Cappuccino and espresso machines not only are great tools to serve up some serious caffeine, they also make a countertop look more appealing.

the style of dining that I offer,” says Buchtal. “I try to be a traditional Italian trattoria. My regular customers would be very disappointed if I didn't have it.” He sells an average of 10 coffee drinks a day in summer; 15 to 25 in winter.

In Austin, Reale runs a café style eatery and also sees an espresso machine as necessary. “People kind of expect it in an Italian restaurant.” The demographics of his area also seem to work in his favor — he can see two Starbucks shops from his store windows. Before he offered espresso drinks, he felt people left his restaurant and went down the street for coffee and dessert.

Neighborhood demographics and the style of your restaurant are important considerations when deciding to add cappuccino to your menu — if your business is mainly take-out or fast casual catering to families with children, it may not be for you. But if your customers tend to linger over dessert, cappuccino just may be a natural. ♦

Hilda J. Brucker is an Atlanta freelancer.