



The
BUSINESS
of
ROASTING
REPORT

*Survey Insights Into
Roastery Business Operations*

By Danielle Ewalt

Photos by Juan José Sánchez Macías

IN AN INDUSTRY AS DYNAMIC AS specialty coffee, roasters must constantly seek ways to stay competitive while balancing growth and profitability. It's no easy task. To shed light on the best business practices, RoasterTools, a company whose software organizes and automates sales, operations and inventory for roasteries, conducted an in-depth survey of coffee roasters in February 2024. The results, supplemented with anonymized data from RoasterTools' software platform, offer a comprehensive look at the practices, challenges and opportunities facing coffee roasting businesses today.

METHODOLOGY

More than 200 roasters across the globe participated in this anonymous survey distributed via social media, email marketing, pop-ups within RoasterTools' software, and other marketing channels. The majority of responses were concentrated within the United States, with other responses coming from Canada, New Zealand and South Africa.

An in-depth survey conducted by RoasterTools reveals trends and insights on the business of coffee roasting.



Survey and app data results were analyzed using the following segments to identify trends and correlations:

Annual Revenue:

- Less than \$100,000
- \$100,000 to \$500,000
- \$500,000 to \$1 million
- \$1 million to \$5 million
- \$5 million to \$10 million
- \$10 million to \$20 million

Pounds of Coffee Roasted Annually:

- Less than 120,000 pounds
- 120,000 to 300,000 pounds
- 300,000 to 600,000 pounds
- 600,000 to 1 million pounds
- More than 1 million pounds

Profitable (in 2023):

- Yes
- No

Survey questions covered a wide range of topics including product pricing, cost of goods sold, overall business profitability, tools and software used at a roastery, marketing practices and more.

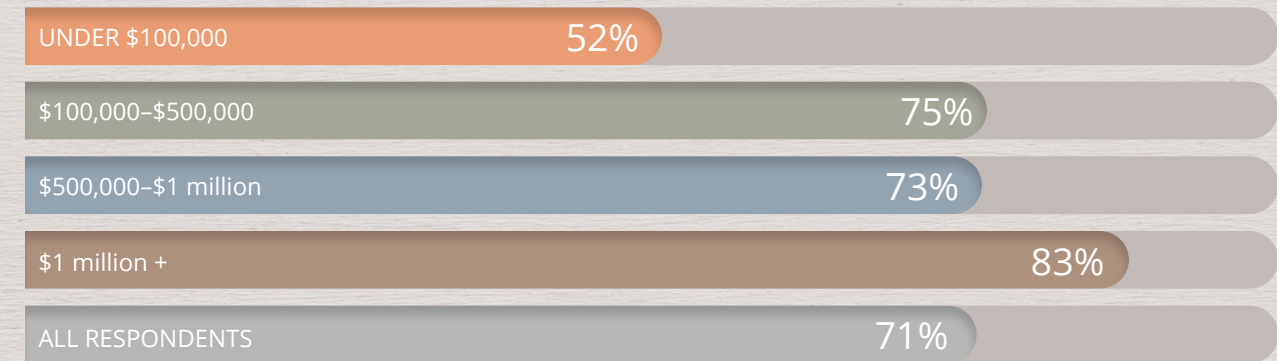
This article will explore some of the most insightful findings from the survey. For the full report, visit roastertools.com/business-of-roasting-survey.

PROFITABILITY & PRICING

A significant majority of coffee roasters surveyed (71 percent) reported being profitable in 2023. But the story is not the same for all roasters, as those generating less than \$100,000 in revenue had the lowest rate of profitability at 52 percent. For roasters generating over \$1 million in revenue, 83 percent reported being profitable. (See Figure 1, page 35.)

Why are some coffee roasters more profitable than others? It's clear from the data, and as business owners will probably attest, profitability doesn't suddenly happen. It's the result of many strategic

FIGURE 1. PROFITABILITY (PERCENT IN EACH REVENUE BRACKET REPORTING BEING PROFITABLE IN 2023)



decisions, starting with the ability to understand your cost of goods sold.

Cost of Goods Sold

It's impossible to discuss profitability without exploring how coffee roasters are spending their money. Inventory, overhead, labor, production supplies and numerous other expenses all add up and chip away at a roaster's desired margins. Ignoring the cost of everything that goes into producing a bag of coffee can lead to reduced or nonexistent profitability at the year's end.

When asked about the breakdown of their total cost

of goods sold (COGS), respondents shared the data seen in Figure 2 (this page.)

Interestingly, coffee roasters who reported being profitable spent on average slightly less on green coffee and 2 percent less on packaging.

TAKEAWAY: Not surprisingly, green coffee makes up the bulk of a coffee roaster's expenses. Finding opportunities to shave even 1 to 2 percent off of any expense category can have a big impact on a roaster's bottom line.

Pricing Methods

When beginning the arduous task of setting (or changing) prices, roasters can get overwhelmed by all the options. Often, even after prices have been set, roasters aren't confident they're aligned with industry norms.

When asked how confident they were about their process of setting prices, 47 percent of respondents were *Not Confident* to *Unsure*, while only 53 percent were *Confident* to *Very Confident*. There is a lot of room for roasters to improve their confidence in their pricing approach.

It's not surprising, then, that one of the most common questions roasters have is, "What are others charging for wholesale coffee?"

"We asked our users what information they would like to gain from a Business of Roasting Survey, and the

FIGURE 2. PERCENTAGE OF TOTAL COST OF GOODS SOLD

| | |
|---|--------|
| Green Coffee | 54.31% |
| Labor (roasting and packaging) | 18.80% |
| Overhead (rent, utilities, admin costs, etc.) | 16.02% |
| Packaging (bags, labels, etc.) | 10.23% |



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FIGURE 3. PRICING STRATEGIES

| Pricing Model | Respondents Using |
|--------------------------|-------------------|
| Cost-Plus Pricing | 68% |
| Competitor-Based Pricing | 17% |
| Value-Based Pricing | 11% |
| Intuition Pricing | 3% |
| Other | 2% |

number one thing they mentioned was information on pricing, both how to price and what a good benchmark is,” says Jon Ewalt, founder and CEO of RoasterTools. “We’re excited to share this sought-after, behind-the-curtain information with the roasting community.”

Survey participants were asked about their preferred pricing strategy. (See Figure 3, above.) As you can see, the cost-plus pricing method was the most common response, with 68 percent of respondents selecting that option. Cost-plus pricing adds a set markup to the total cost to produce a product to achieve a price, or Price = Cost + Desired Profit Margin.

For example, if a 12-ounce bag of coffee costs a roaster \$6 to produce, and they have a desired profit margin of 40 percent, they would price the coffee at \$10.

The cost-plus method is both the most common overall and shows the highest percent of profitable companies using it. Of the roasters using the cost-plus pricing model, 72 percent reported being profitable. (See Figure 4, above.)

FIGURE 4. PRICING PROFITABILITY

| Pricing Model | Respondents Reporting Profitability |
|----------------------------------|-------------------------------------|
| Cost-Plus Pricing | 72% |
| Competitor-Based Pricing | 65% |
| Intuition, Value-Based and Other | 63% |

Given that cost-plus pricing is so prevalent (and it appears to be a more profitable approach to pricing than other models), it’s interesting to see how coffee roasters responded when asked about their target margin—the amount of profit they aim for when pricing their wholesale products. (See Figure 5, below.) We analyzed the wholesale product target margin in relation to annual revenue, pounds roasted and reported profitability, and the results were widespread, with no clear indication of a trend between target margin and other categories.

Wholesale Coffee Prices

How much are roasters charging for their coffee products? Understanding the factors that influence wholesale coffee prices is crucial for any roasting business. Having a clear idea of the industry average helps roasters gauge where their prices stand. Analysis that combines data from the survey and the RoasterTools app revealed the averages for top-selling coffees for 2024. (See Figure 6, below.)

FIGURE 5. TARGET PROFIT MARGINS

| Target Profit Margin | Respondents |
|----------------------|-------------|
| No specific target | 9% |
| 20-25 percent | 25% |
| 25-30 percent | 23% |
| 30-40 percent | 19% |
| 40 percent or higher | 23% |

FIGURE 6. AVERAGE WHOLESALE PRICE FOR TOP-SELLING COFFEES

| Bag Size | Average Price per Pound | Average Price per Bag |
|----------|-------------------------|-----------------------|
| 5-pound | \$11.46 | \$57.30 |
| 12-ounce | \$14.10 | \$10.57 |



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These figures provide a valuable snapshot of current average wholesale prices. However, roasters should continually adjust their prices in response to fluctuating costs of goods and labor, and overall market inflation.

Price Changes

An important part of achieving and maintaining profitability is regularly reviewing your costs and prices—and adjusting accordingly. So, how often are coffee roasters actually raising or adjusting their prices? Sixty-eight percent of survey respondents reported increasing their prices in 2023, and 60 percent said they plan to increase prices in 2024.

Not surprisingly, results indicate that an increase in prices also correlated to an increase in revenue; 69 percent of roasters who had an increase in revenue in 2023 raised prices that year.

Another key element of the relationship between pricing and profitability is discounts. Many coffee roasters offer discounts to wholesale customers to incentivize larger order volumes and foster long-term account relationships.

TAKEAWAY: Coffee roasting remains a profitable business venture. To achieve profitability, roasters must continually monitor product pricing across retail and wholesale programs and adjust accordingly.

Additional Revenue Streams

Another significant driver of profitability and revenue growth is the ability to diversify revenue streams beyond selling just your branded coffee via wholesale and retail channels. The survey highlighted several key opportunities for roasters to expand their offerings and customer base.

Private Label and Toll Roasting

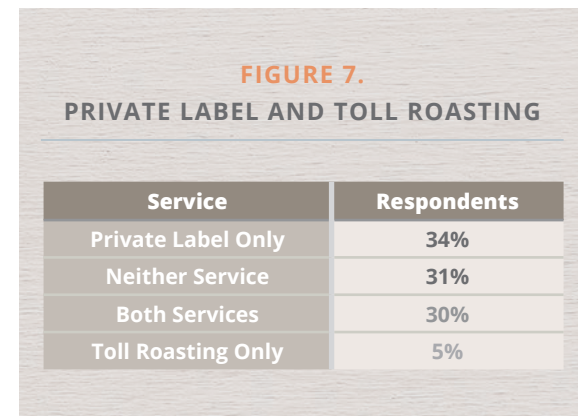
The survey looked to identify additional services that roasters offer, such as private label and toll roasting, and determine their connection to profitability and revenue.

Private label coffee involves roasting and packaging coffees and potentially fulfilling orders on behalf of another brand. It's a service that allows brands outside

of coffee—think of Trader Joe's or Costco or a niche e-commerce brand—to build a coffee brand without investing in roasting facilities or expertise.

Toll roasting, on the other hand, is a service where a coffee company roasts green coffee provided by the client to their desired roast profile. The roasted coffee is typically delivered in bulk packaging for further processing and packaging by the client.

When asked if they offer additional roasting services, coffee roasters responded as seen in Figure 7 (below).



There was some correlation between offering these additional services and a higher rate of profitability, with 74 percent of profitable roasting companies offering one or both services, while only 54 percent of nonprofitable companies offer one or both of these services.

These additional roasting services provide more opportunities for roasters to generate revenue beyond branded sales channels and leverage their expertise, existing processes and excess capacity at their roastery. Among roasters generating less than \$100,000 in annual revenue, 54.5 percent don't offer either of these services, whereas 73 percent of roasters with more than \$1 million in revenue offer one or both of them.

Cafes

Operating both a cafe and a roastery is common among coffee businesses, though each presents unique challenges for management and growth. A cafe acts



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profitable while only 66 percent of those that don't have a cafe are profitable.

TAKEAWAY: Don't underestimate the impact of building additional revenue streams by offering additional services or having a cafe. While the added costs of operating a cafe can be challenging, the benefits of increased visibility, brand loyalty and customer engagement can be substantial, particularly for roasters who have reached a certain scale.

as a built-in wholesale customer for the roastery, helping build roast volume and demand. It also serves to enhance brand awareness and loyalty among both wholesale and retail customers.

Survey results show that 54 percent of coffee roasters have at least one cafe in addition to their roastery. Giving customers the opportunity to try a roaster's coffee in various forms such as lattes, batch brews, cold brews, pour-overs and other beverages not only generates repeat business but also fosters a loyal group of customers and turns them into the roasting company's biggest fans. As revenue increases, so does the percent of roasters that have a cafe. (See Figure 8, below.)

Having a cafe did correlate to a higher rate of profitability. Of those that have a cafe, 76 percent are

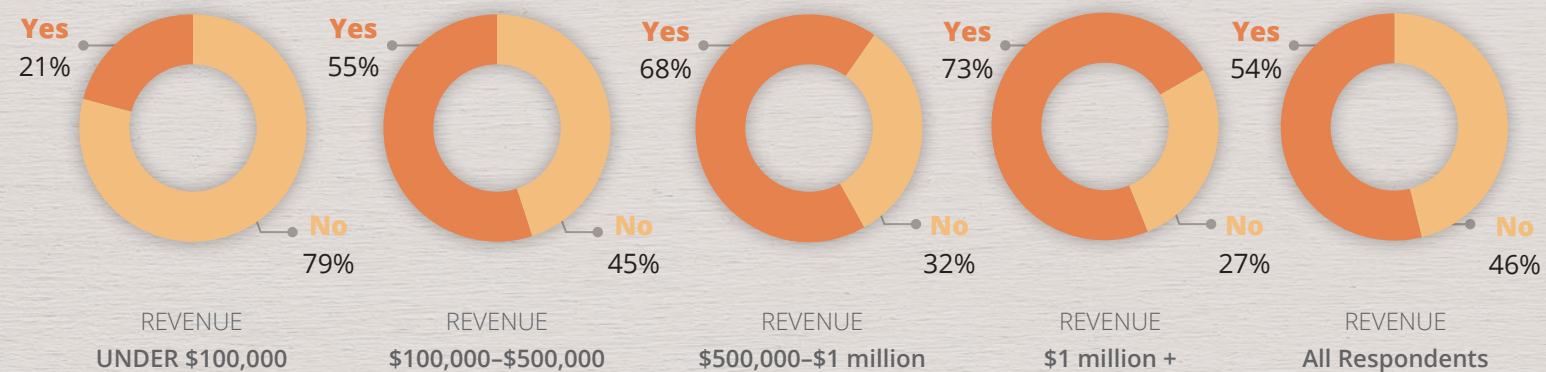
MARKETING & PRODUCT MIX

The survey aimed to identify how roasters are reaching their target audiences through both paid and unpaid marketing channels. Successfully positioning a roastery and connecting with the right customers involves a variety of strategies and approaches.

Blends as a Marketing Tool

One crucial aspect of a roaster's product mix that often intersects with marketing efforts is the creation and promotion of blends. While not always recognized as a traditional marketing tactic, blends play a significant role in defining a roasting company's identity and appeal.

FIGURE 8. PERCENTAGE OF ROASTERS THAT HAVE A CAFE, BY REVENUE



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FIGURE 9. HOW MANY OF YOUR THREE BEST-SELLING COFFEES ARE BLENDS?

| Annual Revenue | None | 1 of 3 are blends | 2 of 3 are blends | 3 of 3 are blends |
|-------------------------|------|-------------------|-------------------|-------------------|
| Less than \$100,000 | 40% | 32% | 20% | 8% |
| \$100,000 – \$500,000 | 3% | 17% | 66% | 14% |
| \$500,000 – \$1 million | 7% | 18% | 54% | 21% |
| \$1 million or more | 0% | 34% | 31% | 34% |
| All Respondents | 10% | 24% | 48% | 19% |

Blends offer the distinct advantage of being exclusive products that can act as mini-brands within a growing roastery. This exclusivity helps build customer loyalty and encourages repeat purchases as customers return for their favorite blends.

Due to their strategic importance, blends often form the foundation of a coffee roaster’s product line, providing a stable source of revenue year-round. Our survey data and data from the RoasterTools app highlight this trend, revealing that 91 percent of roasters have at least one blend in their top three best-selling products, and 48 percent report that two out of their top three products are blends.

Small roasters with revenue under \$100,000 are four times more likely not to have a blend among their three top-selling coffee products, highlighting

an opportunity to work on their blending to build more loyalty and sales. In contrast, all respondents with more than \$1 million in revenue reported at least one blend among their top three best sellers, with 34 percent reporting all three top sellers being blends. (See Figure 9, above.)

Financial and Operational Benefits of Blends

Beyond their marketing and sales potential, blends offer roasters several operational advantages. They enable cost control through long-term green coffee contracts, often secured at favorable prices. Additionally, blends allow for bulk purchasing of packaging and labels, further reducing costs.

Given these benefits, it is imperative for roasters to develop blends that not only resonate with their market but are also profitable. Crafting the right blends can drive reliable, profitable sales and establish a strong, loyal customer base.

Marketing and Advertising

How should roasters spend their marketing budgets? The answer varies widely, and the survey aimed to uncover how today’s roasters are allocating their budgets to promote their businesses.

Only 40 percent of participating roasters currently engage in paid advertising, with Facebook and Instagram being the most popular paid advertising

FIGURE 10. PAID ADVERTISING CHANNELS USED

| Platform | Respondents |
|-----------------|-------------|
| Facebook | 68.42% |
| Instagram | 63.16% |
| Google Ad words | 39.47% |
| Other | 34.21% |
| Offline Ads | 21.05% |
| Sponsorship | 0% |



Navigating the Global Coffee Economy

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FIGURE 11. OTHER MARKETING CHANNELS USED

| Method | Respondents |
|---|-------------|
| Word of Mouth | 93% |
| Social Media (unpaid) | 79% |
| Cold Outreach | 53% |
| Email Marketing | 53% |
| Partnerships | 35% |
| Conferences and Industry Events | 24% |
| Affiliate/Referral Programs | 21% |
| Content Marketing (blog and other content) | 18% |
| Participate in Associations | 15% |
| Participate in Online Communities or Forums | 15% |
| None of the Above | 1% |

channels. This data includes both the online and offline paid advertising efforts of those who responded that they pay for advertising. (See Figure 10, page 42).

Often, marketing budgets aren't as large as roasters would like, necessitating a focus on cost-effective strategies. There are numerous marketing approaches that, while they require time and labor, do not demand significant financial expenditure. (See Figure 11, left.)

While online marketing techniques are essential, survey results also underscore the enduring importance of word-of-mouth outreach, which remains a top channel for 93 percent of respondents. Though highly effective, word of mouth is inherently passive and does not always involve proactive marketing efforts. To maximize the benefits of word-of-mouth marketing, it is crucial to focus on developing genuine, lasting connections with customers and wholesale accounts. Building these relationships can lead to ongoing revenue from those who believe in and advocate for a roaster's business and products.

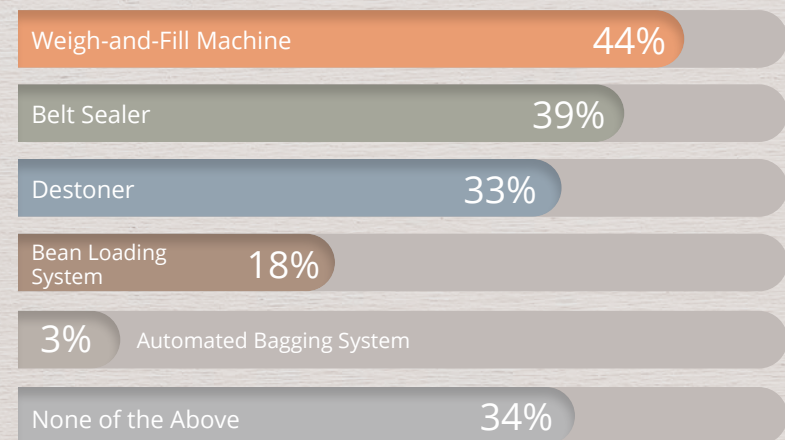
TAKEAWAY: Leveraging online marketing opportunities is crucial, but nothing replaces the value of professional relationships and direct communication. Consistently delivering a great product and fostering strong connections with customers and wholesale accounts will naturally drive word-of-mouth referrals and contribute to sustained business growth.

LET'S TALK TECH: SOFTWARE & ROASTING EQUIPMENT

Roasting and Production Equipment

Though coffee roasting is inherently a manual task, there is a wide range of specialized equipment and software available to improve efficiency and handle more orders in less time. Investing in the right equipment can significantly speed up the production and fulfillment process. To understand the current landscape, we asked survey participants about the equipment they use in their roasteries. (See Figure 12, left.)

FIGURE 12. ROASTING AND PRODUCTION EQUIPMENT USE



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THE UNSUSTAINABLE PROJECT
ASK QUESTIONS. TELL STORIES. EVEN THE HARD ONES.



FIGURE 13. EQUIPMENT USE BY REVENUE

| Annual Revenue | Destoner | Weigh and Fill Machine | Commercial Grinder | Belt Sealer | K-Cup Filler | Bean-loading System: Vacuum Loader | Automated Bagging System | None of these |
|-------------------|----------|------------------------|--------------------|-------------|--------------|------------------------------------|--------------------------|---------------|
| Under \$1 million | 29% | 35% | 1% | 35% | 1% | 10% | 1% | 40% |
| Over \$1 million | 48% | 67% | 0% | 56% | 0% | 37% | 11% | 22% |

Notably, 67 percent of profitable companies reported using at least one piece of the listed equipment, compared to 62 percent of nonprofitable companies. Additionally, 47 percent of profitable roasteries use a weigh-and-fill machine, compared to just 38 percent of nonprofitable companies.

Furthermore, and not surprisingly, there is a discernible trend in equipment investment based on revenue. (See Figure 13, above.) Smaller roasters, with revenue under \$1 million annually, are less likely to invest in this equipment compared to their larger counterparts.

TAKEAWAY: Investing in specialized equipment is a strategic move for coffee roasters aiming to enhance their efficiency as they grow their businesses.

The survey results indicate that profitable and larger roasters are more likely to invest in such equipment, leading to better operational efficiency and the ability to process more orders with fewer errors.

Software: Business Operations Tools

Similarly, several types of operational and production software are now available. These online tools and apps help roasters streamline production as well as administrative and other operational processes so that money isn't left on the table in the form of excess labor, unused supplies or human errors. (See Figure 14, this page.)

Through analysis of the data based on profitability, a few differences rose to the top. Profitable roasters are 50 percent more likely to use accounting software compared to nonprofitable roasters. A significant difference is seen in smaller roasters as well. Among coffee roasters with revenue under \$100,000, profitable companies are almost 2.5 times more likely to use accounting software compared to nonprofitable companies. This highlights the importance of knowing your numbers, even as a small startup roaster; accurate financial tracking makes a substantial difference at any stage.

Profitable companies also invested in operational and production software at nearly twice the rate of nonprofitable roasters. This investment in business software allows profitable companies to streamline their processes, reduce errors and improve overall efficiency.

FIGURE 14. BUSINESS OPERATIONS SOFTWARE USE

| Software Purpose | Respondents |
|----------------------|-------------|
| Accounting | 70% |
| Roast Profiling | 54% |
| Operations | 41% |
| Cafe | 32% |
| Other | 15% |
| Inventory Management | 14% |
| None of the Above | 10% |

TAKEAWAY: The data underscores the critical role that business software plays in the success of coffee roasters. For roasters of all sizes, investing in these tools can significantly enhance financial tracking and operational efficiency, ultimately driving profitability. Even small roasters should prioritize knowing their numbers and optimizing their processes to set a solid foundation for growth and success.

Software: Sales and Marketing Tools

Today's coffee roasters have access to a wide array of sales and marketing tools that can help them reach and engage with their customers more effectively. These tools enable roasters to create, manage and track their marketing campaigns with greater ease and precision. To understand how roasters are leveraging these tools, we asked survey participants about the software they use to promote their businesses. (See Figure 15, this page.)

Our findings indicate that, while many roasters are using these tools to enhance their sales and marketing efforts, it's not always necessary to use them to be profitable. Interestingly, among the companies that reported not using any of these technologies, 39 percent were profitable, compared to 29 percent that were not profitable. This suggests that more tools

FIGURE 15. MARKETING SOFTWARE USE

| Type of Software | Respondents |
|--|-------------|
| Email Marketing (like MailChimp) | 47% |
| Digital Design (such as Canva) | 43% |
| None of the Above | 36% |
| Social Media Scheduling (like Buffer) | 16% |
| Customer Relationship Management (such as Hubspot) | 17% |

aren't always the answer; effective strategies and consistent efforts can also drive success.

TAKEAWAY: You don't have to use a multitude of sales and marketing tools to achieve profitability. The key is to find what works best for your business and focus on implementing those strategies consistently. For some roasters, traditional methods and a strong focus on quality and customer relationships may be just as effective as using advanced software tools.

FIGURE 16. TOP AREAS FOR SALES GROWTH BY FOCUS AREA

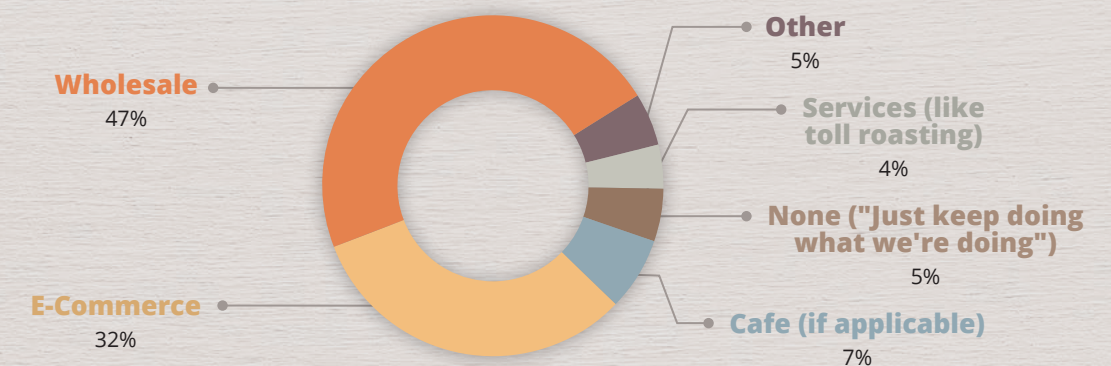
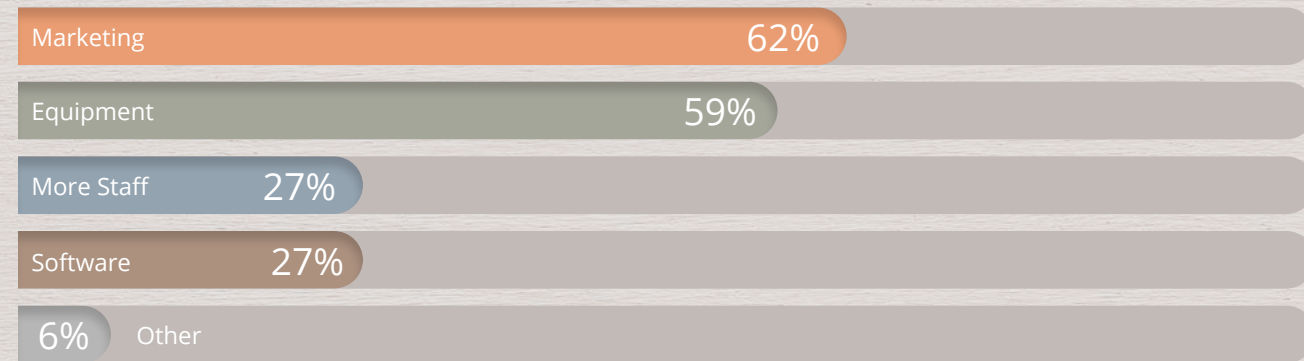


FIGURE 17. AREAS FOR INVESTMENT



LOOKING AHEAD

Lastly, the survey asked roasters what areas of their businesses they plan to focus on growing in the coming year. Forty-seven percent reported that wholesale sales is their primary focus, while 32 percent of roasters plan to focus on their e-commerce efforts. (See Figure 16, page 47.)

The survey also asked where roasters plan to invest in 2024. Unsurprisingly, marketing and equipment stand out as the two biggest areas for investment. (See Figure 17, above.)

WHAT DOES IT ALL MEAN?

Achieving profitability in the coffee roasting industry is an ongoing journey that requires strategic planning, adaptability, and a commitment to continuous improvement. As this survey demonstrates, successful roasters are those who take a holistic approach—optimizing their pricing, diversifying their revenue streams, controlling costs, nurturing relationships, and leveraging technology to gain a competitive edge.

By learning from the experiences and best practices of their peers, roasters can navigate the challenges of this ever-evolving market and build thriving, profitable businesses that stand the test of time. The insights from this survey offer valuable benchmarks

for roasters at all stages of growth, emphasizing the importance of balancing financial discipline with a passion for crafting exceptional coffee.

DANIELE EWALT is the head of operations and marketing at RoasterTools, a software company for coffee roasters to organize and manage sales, operations and inventory at roasteries.



FOR MORE INFORMATION and insights, visit roastertools.com/business-of-roasting-survey to download the full report, which dives into the topics explored here, plus discounts; shipping and delivery policies; software use, including the administrative and project management tools roasters are using; pricing breakdowns; wholesale accounts information; and more.



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