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Specialty Coffee Cos Keep Sales Warm With Creative Marketing

DOW JONES NEWSWIRES

By Holly Henschen
OF DOW JONES NEWSWIRES

NEW YORK (Dow Jones)--Specialty coffee roasters are brewing up creative strategies to keep consumers interested as the tough economy cools demand.

Specialty coffee roasters tend to emphasize sourcing and craftsmanship dedicated to their premium or exclusive beans. In the weak economy, some roasters are holding free coffee tastings to show consumers the difference and to entice them to take home a bag of coffee. Other roasters are honing their coffee focus and utilizing consumer education as a marketing tool to highlight their beans. Some are tapping heightened consumer awareness of environmental and social concerns to market fair-trade and organic specialty coffee.

Specialty coffee, also often called gourmet or premium, refers to beans with exceptional flavor and sourcing characteristics. The specialty umbrella also can include certified organic or fair-trade coffees.

American's total coffee consumption is holding stable in 2009 despite the weak economy, according to data from the National Coffee Association of U.S.A. To save money, consumers are brewing at home more, the data show. Daily consumption of specialty coffee has fallen back to 14% in 2009, however, down from the record of 17% in 2008, according to data from the Specialty Coffee Association of America.

U.S. imports of organic coffee, which is produced without agrochemicals, are expected to increase by only 4.5% in 2009, down from the 29% annual growth rate in the last nine years, according to research from Daniele Giovannucci, noted organic market researcher and former World Bank Group senior consultant. Not all specialty coffees, however, meet the organic certification standards verified by various non-governmental bodies.

With the thought that tasting is believing, some coffee companies have made in-store tastings a staple to reach out to drinkers.

Puroast Coffee has instituted giveaways to showcase the superiority of its low-acid brew, said Kerry Sachs, CEO of the Woodland, Calif. company.

The company roasts its coffee slowly at low temperatures rather than traditional high-heat "flash" roasting. The method, borrowed from a Venezuelan roasting process Sachs encountered in the Andes Mountains, makes Puroast drinkable for consumers with digestive problems, such as ulcers, acid reflux and heartburn. Published research from University of California-Davis confirms Puroast's benefits to a consumer base that would otherwise have to forego coffee.

With the focus on the consumer, Puroast is increasing their presence in retail locations with pharmacies and including in-store coupons and displays, Sachs said.

"Since we don't have our own coffee shops, we really have to work on tastings. We always have to keep being out there. It's a never-ending job," Sachs said.

Consumers consider coffee a necessity and regular drinkers want quality, Sachs said. Large-scale institutional customers are actually more impacted by economic trends than individuals in the case of coffee purchases, he said.

Stimulating coffee drinkers' tastebuds and tapping their curiosity at an affordable price has proven a sound strategy for some specialty roasters.

Intelligentsia Coffee and Tea touts its coffees as an inexpensive indulgence that costs less than a glass of fine wine, said Doug Zell, CEO and founder of Intelligentsia, along with offering an educational experience for interested consumer.

"People are more receptive to learning about coffee as opposed to just [its] caffeine-delivery significance," Zell said.

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Intelligentsia brews its coffee cup-by-cup and prices differ based on the variety. In line with the home-brewing trend, Intelligentsia sells their beans by the bag, complete with information about the source, elevation where the beans were grown and type of bean used.

Intelligentsia said it is bucking the weaker sales trend in specialty coffee trend as same-store sales were up last year. The company credits its focus on coffee - not mixed coffee drinks - as well as personalizing its store experience for customers, providing extensive barista training and instructing the farmers that they acquire the beans from. Outside the company's three Chicago and two Los Angeles locations, wholesale coffee is 65% of Intelligentsia's business.

Despite tighter budgets during the recession, some companies say consumers can make the world a better place with their specialty coffee purchase.

True Origins Organics sells Columbian beans grown by indigenous communities and then roasted and packaged within the country. The company also reinvests profit in those communities.

True Origins Organics is sold at specialty stores to consumers who feel they are making a difference with the small step of buying a certain brand of coffee, said Silvia Covelli, the company's president and founder.

"[Consumers] also feel like they identify with the region and the farmers," Covelli said.

Despite weaker-than-projected sales since entering the market in late 2008, True Origin Organics plans to expand its current East Coast availability to the West Coast by December. The company plans to add 5-lb. bags to the 1-lb. bags currently available to meet demand from food service industry and hotels, she said.

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