

What is the true cost of a cold brew system for a cafe?

We take a look at the economics behind in house cold brew systems (hint, the answer is yes!)

An in house nitro cold brew program can be great for your bottom line. We've gone deep into the costs and have discovered that your business only needs to sell one serving a day to break even. Even a moderately busy program should recoup its costs over 3 months or so. It's not a plug and play system however, it will require careful management and training to be successful.

How much should you charge?

A quick survey of a big green behemoth finds that they charge about \$4.50 for a 16 ounce nitro cold brew. As an independent shop owner, you should aim to beat the green mermaid on quality, service and price. Charging between 5.00 and 5.50 for your nitro cold brew should accomplish this, but you have to meet the marks on quality.

What is the cost of a cup?

The answer to this question is a bit complicated. As with many things in coffee, it depends on the brew method, brew strength, and how many servings per day you expect to average.

So how much does it cost?

Most shops use corny kegs, 5 gallon soda or home brew kegs to brew to dispense cold brew. You will need to use 4.3 LBS of coffee per 5 gallon keg batch of cold brew yielding approximately 38 servings of cold brew coffee. You should expect to divide your cost of coffee by about 9 to give your coffee cost per serving. If you are paying \$9 per lb for coffee, you will see a cost of coffee per serving of about \$1.



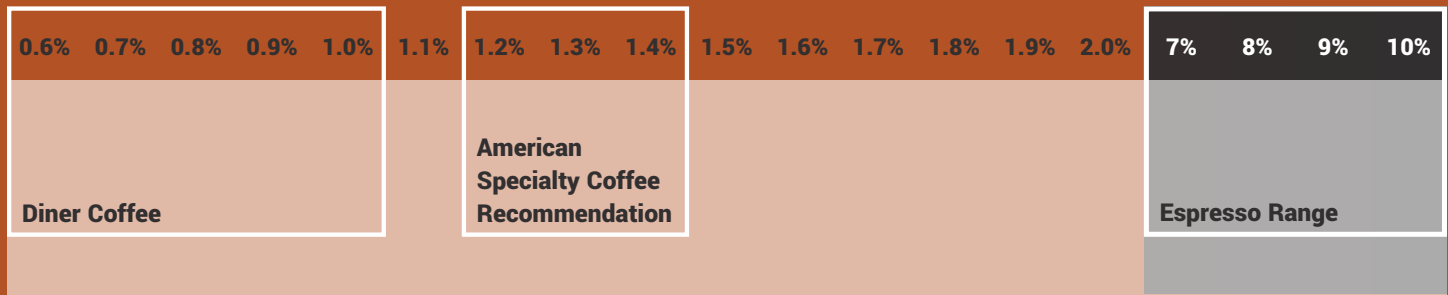
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We need to talk TDS

Coffee brew strength, measured by Total Dissolved Solids (TDS) in suspension



We recommend a TDS of 1.8% for cold brew. To give you some context, a cup of brewed coffee in a coffee shop should have a TDS of between 1.2% and 1.4%. TDS, or total dissolved solids, is simply a measure of how much coffee is actually dissolved into the brown water we serve. It's also a good proxy for overall perception of brew strength and caffeination.

Consumer palates can easily pick up on differences in TDS of .2%. Cold brew is going to be between 25% and 50% stronger than brewed coffee. It's also going to have a richer and creamier mouth feel because of this additional strength. Consumers expect cold brew to be strong and have a big kick of caffeine.

Let's add a few extra costs including:

Disposable batch filters (1.50 per batch)

Labor to brew and clean one keg (20-30 minutes per keg batch)

Assuming a \$9/lb wholesale coffee cost, we estimate the total direct cost per serving to be \$1.31 This does not include ongoing maintenance and equipment costs. These will vary based on how much your equipment is used, which depends on your weather, market, and how much you emphasize cold brew in your marketing and menu placement.

The big number for planning purposes is that you should be able to make at least \$3.50 per serving to cover your fixed costs. We will look below at how busy you need to be to break even on your investment.

Before you celebrate and make plans to add nitro cold brew to your menu, you have to take a close look at your demand and make sure that you are going to be serving enough cold brew to make the investment in equipment, brewing and staffing worthwhile.

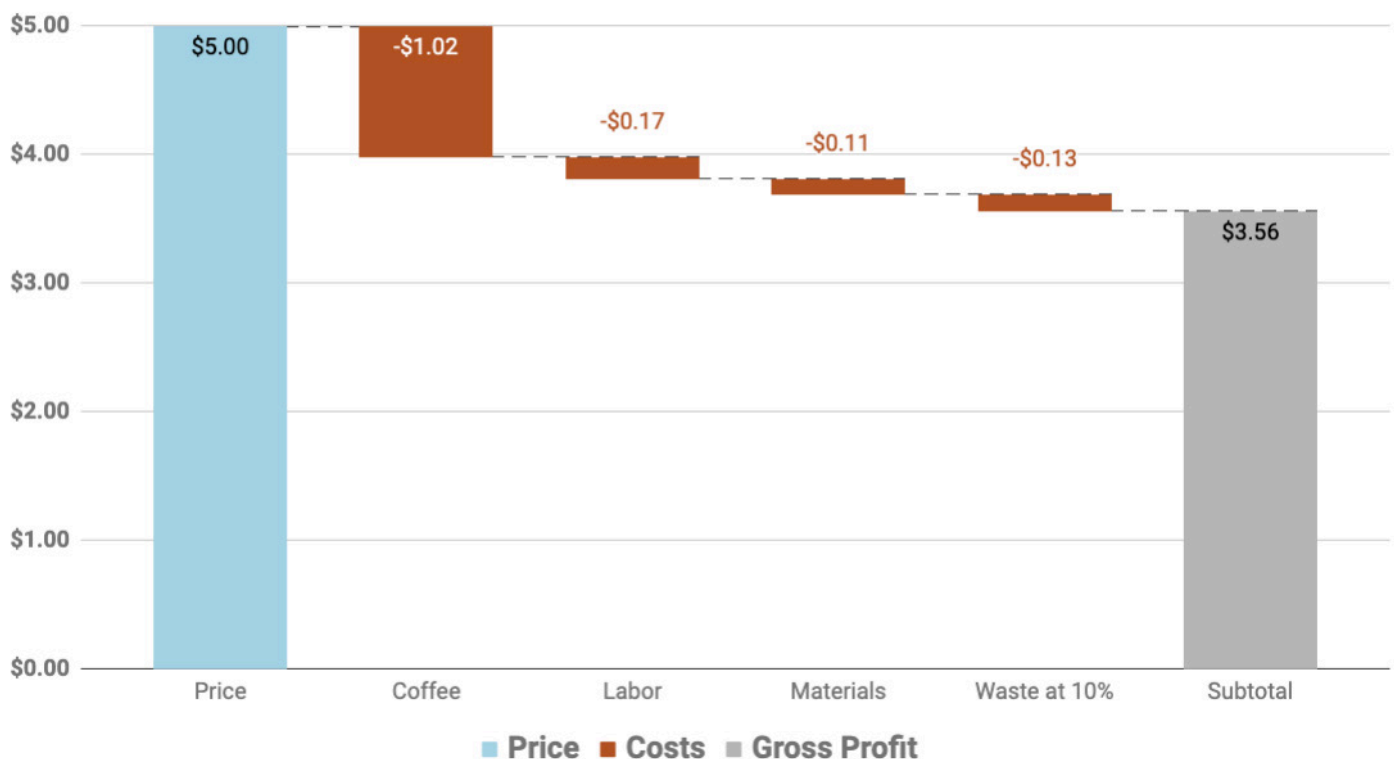
How much do I have to invest in equipment?

We estimate that it will cost between \$3,000 and \$4,000 to purchase, install and learn to use a single nitro tap. This will include kegerator, gas tanks, kegs, gas lines, simple brew equipment and cleaning equipment. If you assume a 5 year useful life, you should expect to spend about a cost of \$2.00 per day for equipment. You need to add about 20 minutes/week to clean the system, or about \$1.25 per day. This will bring your total equipment costs to \$3.25 per day and about \$1,200 per year.

How much extra staff time will it require?

We figure that you need about 20 minutes a week on average to clean and about 20 minutes to make a keg once you have your system in place. If you are going through 1 keg per day, you should expect to spend 3 hours a week brewing, cleaning and maintaining your system.

Price vs Cost for Nitro Cold Brew



What sales target do I need to hit to make it worthwhile?

At \$3.50 per serving in gross profit, you only really need to sell one drink a day to break even over a 5 year period. If you are selling (10) 16 oz servings a day you can break even on your initial investment within 3 months.

Other things to consider:

The economics presented above are for a well run system with the kinks worked out. In reality, you are going to be climbing a learning curve in your cafe to develop your system. Some cafe ecosystems don't have the capacity to add another core competency. You are going to have to learn how to efficiently:

Brew cold brew

Maintain your nitro tap

**Work with 5 gallon kegs,
including troubleshooting
and cleaning**

Learn how to clean lines

Inventory your nitro gas

If you don't think you can execute on these things then you might want to consider a system that is simpler to execute. You may need to spend more money up front and compromise on quality a bit more, however, the end result has to be a consistently high quality product for your customer. As with espresso, there are no shortcuts to getting good at nitro cold brew, just a different skill set.

Need some help getting your system going?

Let us know if you have any questions. We are happy to help, write community@blackoakcoffee.com or give us a call at 866-390-1427

Find more resources on our Business of Coffee Blog:

www.BlackOakCoffee.com/TheBusiness



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