

March 2012

Vol. XXV No. 3

COFFEE TALK

www.CoffeeTalk.com

Retailer Profile: The Coffeemunist Manifesto

by Maxim Vershinin



Good morning! Do not be surprised when your neighborhood gets a new coffee shop with Russian writings all over it. It will probably have a catchy name and Soviet inspired designs. No, the communists did not take over the world just yet, but the Dazbog franchise arrived in your town. Brothers Leonid and Anatoly Yuffa, who fled the Soviet Union to escape the regime and start a new life here in Denver started Dazbog from scratch. I met with Leonid, so that we could find out more about their success story; here it goes:

V. Dobroe Utro Leonid! I love your company name: it is solid, intriguing, and Russian. Could you please explain what it means?

Y. Thank you. "Dazbog" is a common term in Russia. When you start a family, have a new business, move, or get a new job, everyone that you know says "dazbog" to you, so that you will be fortunate in your endeavors. The term symbolizes happiness, health, wealth, and success in every part of your life. We thought it was very appropriate for our business because when one consumes coffee he/she experiences happiness and peace of mind, even if it is just for a slight moment during their lives.

V. I am not too familiar with Denver's coffee scene, how would you describe it and is there something one needs to consider before opening up a business here?

Y. Denver's coffee scene is very similar to Seattle's and Portland's because of the weather - lots of rain, so the coffee culture has boomed a lot faster than it has in other parts of the country. Our company has 26 cafes in Colorado and lots of wholesale business, but Starbucks, for example,

has over 400. The issue for any business owner in Colorado becomes the rent factor: it is still very expensive here, especially in the Denver metropolitan area, compared to other parts of the country with similar demographics. In addition, the lack of density (there is a little less than 6 million people in the entire state) further worsens the situation by limiting the amount of revenue one can receive from a local business.

V. How did Dazbog come to be? Did your family have some previous experience with the coffee business in Russia?

Y. No, our family had nothing to do with coffee in Russia. I graduated from CU with an Accounting and Finance degree in '92, decided to open up a coffee shop, and did more research than I probably should. At the time, it was really in the infancy of the gourmet coffee industry, because even in Italian restaurants here you couldn't get an espresso cappuccino. I decided to import some espresso equipment to train and a few years later stumbled on the fact that I had a great palate for beverages, for coffee in particular. So, in '96 my brother and I started Dazbog.

V. So Dazbog started from just one shop back in time?

Y. I actually didn't end up opening a coffee shop. We started off doing strictly wholesale business focusing on our branding, quality and service. Our customers were coffee shops, cafes, resorts and specialty stores. Only in the last five years we have been doing franchising. We started with one corporate store and from there we opened more stores, and then franchising.

V. What was your motivation to become involved in retail after 10 years of successful wholesale?

Y. You know the more we branded, the better our retailers and our wholesale customers did, and at a certain point we decided to test the brand on the streets to see how viable it was to have a stand-alone brand. So, we opened up the first store, which is still blooming for us, and we have never looked back. People really have accepted our brand because it gets them interested in trying it, and we deliver with the content in the cup.

V. Successful franchising is hard to organize and manage in any type of business. It appears to be like a walk in a park for your company, what is your secret?



Y. It all came together for us in the right way and the right time. I believe that most coffee companies out there who attempt to start franchising and corporate stores do not understand the distribution business and how to get products to their stores. For us, we became experts in distribution, manufacturing, and fulfillment, so we are now able to make sure that our stores are getting the high quality products on time with all of the support. It is the opposite of how most retailers are doing it, but in our opinion, it really worked out for the best. However, we are very particular in who we do business with in terms of franchising especially. We want people that do not only have passion for coffee, but have a passion for our brand as well.

V. How would you characterize your roasting philosophy?

Y. I believe the best cup of coffee is just a naturally sweet cup, but still retains the character of its origins. For that reason we are big proponents of the medium roast, which to us is chocolate brown with natural sugars caramelizing and with oils just starting to come out.

V. What do you think is the main reason behind your success?

Y. You know, one word that comes to mind is that we are authentic. Authentic in all terms of the word: we are who we are, we tell a story through our brand, and we are not making things up. The brand serves as a canvas for telling our story. In addition, the story of every origin needs to be told. We translate it into the cup by representing the true sweetness and the natural character of the beans, and that is the authenticity of the coffee and how it relates to us.

V. Any future plans?

Y. Smiles... People ask me all the time when are you going public? When are you guys going to sell? What is your exit strategy? To me it is like: what exit strategy? I love what I do every day, and I love that it is just me and my brother. Why would I ever want to stop doing what I love? We grow organically and healthy based on what we can afford to grow without harming the farms. As long as I am having fun, I could be doing this for the rest of my life, and there is no reason for me not to be doing any of those things.

