

# roast



MAGAZINE

2011 Macro Roaster of the Year



DILLANOS COFFEE ROASTERS

# 2011 Macro Roaster of the Year

BY  
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## THE WINNER'S STATS

**ESTABLISHED** 1992

**LOCATION** Sumner, Wash.

**EMPLOYEES** 68

**CO-OWNERS** David J. Morris, Chris Heyer,  
Howard Heyer

**RETAIL LOCATIONS** Wholesale only

**POUNDS PER YEAR**  
More than 3.2 million

**ROASTING FACILITY** 45,000 square feet, with  
a roasting capacity of 10 million pounds

**EQUIPMENT** Diedrich 120-kilo, Diedrich 240-  
kilo, Probat 25-kilo

**WEBSITES** [www.dillanos.com](http://www.dillanos.com)  
[www.oneharvestproject.com](http://www.oneharvestproject.com)

**DILLANOS COFFEE ROASTERS** is downsizing.

That's right, the company—which is housed in a 45,000-square-foot facility in Sumner, Wash., with plenty of room to grow—decided to go mini with its latest purchase. "We know a lot of roasters who started out small, but built up and bought bigger roasters as they grew," says Dillanos co-owner Chris Heyer. "We did that, too. But in the last year, we also purchased a 25-kilo Probat, which is way smaller than the other roasters we have. We're almost going in reverse."

Of course, Dillanos isn't really shrinking. But the company is buying more and more limited-availability coffees, and the facility's 120- and 240-kilo Diedrich drum roasters proved a little too large for the task. "Our big push this year has been bringing in some one-of-a-kind, exquisite coffees, such as La Esmeralda and a Kenya that we just love," explains Director of Coffee Phil Beattie. "And the only way to really dial in those roasts when you're dealing with coffees that expensive is in smaller volumes. So we bought the Probat."

Dillanos' growing enthusiasm for microlot coffees is just the latest step in the company's evolution, which has taken it from a two-person operation with a single customer (the owners' espresso cart) to a 68-person enterprise that roasted 3.2 million pounds of coffee last year alone. And it certainly won't be the last, as the company also plans to expand its catalog of "relationship coffees," introduce microlot coffees to an increasing number of retail customers, and find new ways to "help people, make friends, have fun," as the Dillanos mission statement declares.

It's all in two decades' work for *Roast's* Macro Roaster of the Year.

### Humble Beginnings

Dillanos co-owners and brothers David Morris and Chris Heyer didn't start on the same career track. Morris was



once a professional bicycle stunt rider—eventually becoming a freestyle pro—but recognized that his long-term prospects as a rider were limited. Heyer, meanwhile, began working at a local espresso cart in the 10th grade and had good things to say about the business. So good, in fact, that when Morris's stepdad (and Heyer's dad), Howard, offered to help him start a business, Morris opted for a coffee cart over a specialty bike shop. Morris soon opened his cart in front of Howard Heyer's convenience store.

And that might have been the start of a thriving chain of coffee retail outlets if it weren't for the cart's wholesale roaster, which wasn't offering the level of support that Morris expected. So he and Howard Heyer recruited Chris, and—in a story that's no doubt familiar to other specialty roasters across the country—said, in essence, "We can do better." Named after Morris's son Dillon, Dillanos opened its doors in 1992 in the small logging town of Buckley, Wash., and later moved 12 miles west to Sumner, where it's headquartered today.

Morris and Heyer kept it simple initially, offering only one regular coffee and one decaf, essentially working by trial and error until they polished their roasting skills. But it was immediately obvious they'd made the right choice. "We really got into it," Heyer says of their first few years. "We loved the coffee industry, went to all the trade shows, and learned as much as we possibly could about coffee. It wasn't something where we always wanted to own a coffee roaster; we just got into it and loved it."

Today, the company's coffee output is mammoth in comparison, yet it's still handcrafted with the same careful attention to detail as in the beginning. The company's coffee catalog includes a variety of complex, bold-tasting blends, such as Black & Tan, a full-bodied coffee with a mellow acidity, and Entrepreneur, named for its wild and aggressive taste. And Dillanos has long offered a number of elegant single-origin coffees from most of the classic coffee regions. But it's the high-end, small-batch coffees—the aristocrats of the coffee world—that are powering the Dillanos engine of late.

"In the last three or four years, we've really started focusing on the super high-end specialty coffee world," says Morris. "We were already doing great coffee, but now we're putting a big emphasis



Dillanos' leadership team (from left): Jeff Woods, director of sales; Keith Hayward, vice president; Mark Ireland, director of operations; David Morris, CEO; Chris Heyer, president; Phil Beattie, director of coffee; Rand Hill, CFO

on microlots, some auction coffees, and direct relationships." The move has helped Dillanos cement its reputation as a specialty roaster, but it's also opened up opportunities for the roasters to bypass the traditional importing process and have a more direct say on the quality of the coffees they import. And that, in turn, has helped them connect with coffee farmers to a greater degree than ever before.

In 2006, Dillanos launched its One Harvest Project, a direct-trade program that forges long-term partnerships with select coffee estates and cooperatives. The company also relies on its relationship with Portland, Ore.-based importer Sustainable Harvest to help establish long-lasting relationships at origin. Beattie says the most important aspect of One Harvest—aside from negotiating prices face to face with farmers at rates well above fair-trade minimums—is establishing an ongoing dialogue.

"I meet with the One Harvest estates and co-ops at least once a year, and we have an open dialogue throughout the year so that we can establish a mutually beneficial relationship," explains Beattie. "I can give them feedback on the quality of the coffee, and let them know when they're hitting the mark or if there are certain flavor attributes I'd like to bring out more in the coffee. At the same time, they can explain the challenges they face to us, whether they're having problems financing the harvest or are facing certain social problems. And we can work through these issues together."

The One Harvest initiative has brought out the best in Dillanos. In Tanzania, the company partners with the Kanyovu Cooperative, whose coffees placed first in the annual Taste of Harvest competition at the Eastern African Fine

Coffees Association (EAFCA). The Kanyovu farmers, who also work with the Jane Goodall Institute on establishing more sustainable growing practices, receive the highest price premium of any Tanzanian coffee. At the Rio Azul cooperative in Guatemala, cooperative leaders told Dillanos that their biggest social challenge was the lack of adequate medical care. In response, Dillanos established a family bank credit for the farmers, allowing them to purchase full medical and dental insurance for all 150 families in the cooperative for two years. As the relationship has blossomed, Dillanos also helped the co-op complete a water filtration system for the wet mill, and gave the co-op additional financial support after thieves stole much of its parchment coffee from a warehouse.

At the moment, Dillanos maintains about a half dozen One Harvest relationships, but demand for the coffees continues to skyrocket. As a result, the company plans to expand the program significantly, visiting new estates and cooperatives whenever possible. "We're moving toward a model where our single-origin coffees will just naturally be One Harvest coffees," Heyer says. "When someone calls asking for a Costa Rica, we'll sell them our Las Lajas relationship coffee. The transition will take a while, because it does cost more, but the quality is way better."

There's also another benefit to the One Harvest Project: exclusivity. "As good coffee gets harder and harder to source, the direct relationships give us a competitive advantage," says Morris. "And that helps us continually find great coffee for our customers."

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## Sustaining the Retailer

Morris and Heyer may have been roasting novices when they opened, but their experience running coffee carts made one thing clear: coffee retailers can't do it alone. One of the first major decisions the brothers made was to make sure their retail customers received more business support than they did—everything from detailed coffee and espresso training to proprietary retail tools to help coffeehouses and carts succeed. The support culminated in 2010 with the opening of a Business Development Department that's focused entirely on maximizing profits for Dillanos customers. Each retail account is assigned a Dillanos business development representative to develop new branding initiatives and improve cost/waste management.

"We'll do a step-by-step program for people," explains Morris, "where we'll look at their menus, their signage, what they have on the windows, their customer service—anything that the customer sees, hears, feels, smells and touches. And we'll help them transform their stores into a better branding experience for the customer."

"There are a lot of roasters out there who do a great job roasting coffee," adds Heyer, "but there aren't many who are really trying to build success for the specialty coffee retailer. ... And the business is changing, so a lot of things that used to work in the '90s aren't going to work anymore. Ideas need upgrading." Dillanos even went so far as to organize an annual conference for its top retailers, creating a forum where they can share retail ideas and strategies.

As part of this business development strategy, Dillanos is introducing more and more microlot and auction coffees to its retailers. It isn't always an easy sell, and it requires retailers to willingly brew single cups of coffee that might cost up to \$5 or \$6 each. The rewards, however, are significant, especially when it comes to building a more sophisticated, enthusiastic clientele. To support the program, Dillanos holds cuppings at retail shops, walks retailers and consumers through the coffee-growing and production process,



and even on rare occasions brings the coffee farmer to a store.

The key is telling a story that both the retailer and customer can appreciate. "They like to hear that we sat down to dinner [with the farmer] and negotiated a price for their coffee, as we did with our Las Lajas coffee from Costa Rica," Morris explains. The bond grows even stronger when Dillanos' employees can bring customers with them to origin, as they did to Las Lajas not long ago. "When customers can actually meet the farmers and actually pick the cherries of the coffee they buy from us it's a really unique experience," Morris continues. "The feedback we've received so far is incredible."

Another one of Dillanos' business development initiatives is to help retailers interact with the evolving social media landscape. Dillanos itself is active on Facebook and Twitter and maintains two blogs on its website, a company blog and Morris's personal Coffee Maverick blog. However, the company also encourages its retail customers to create their own online personas. "It's a great way to communicate directly with customers, whether inviting them in for a free latte or promoting upcoming in-store events," says Morris.

## Helping People, Making Friends, Having Fun

With 68 employees, Dillanos no longer qualifies as a small roaster. But don't tell that to the folks at Dillanos, who have maintained a fun, supportive company culture through the years. The company—which Heyer describes as offering "a fun culture with a high level of accountability"—actively solicits ideas from employees in all departments, believing that staff input is essential to keeping the business vibrant.

Dillanos also offers a number of extra benefits for employees in addition to full medical, dental and vision coverage. In January 2009, the company launched the Dillanos Family Foundation, which provides short-term grants to Dillanos employees who are victims of disasters or other emergency or hardship situations (nearly 70 percent of Dillanos staff freely contribute to the fund). Dillanos also donates money on behalf of every employee to the International Christian Children's Fund. And eco-conscious employees no doubt appreciate Dillanos'



green leanings, which include purchasing 100-percent green electricity for all company operations.

The social and environmental initiatives help Dillanos retain employees, of course, but also contribute to the family-focused vibe that Dillanos has worked hard to cultivate. "We've always hired people from a culture-first standpoint," explains Morris. "We believe we can teach someone the necessary coffee skills, but you can't teach someone how to be honest and have a giving personality, or how to fit within a fun, creative culture. ... It gets harder and harder as we hire more people, but we still manage to keep it fun."

Teaching coffee skills to new employees is hardly an afterthought for Dillanos, however. All new employees must invest a full week shadowing a staffer in every department, giving them a broad introduction to the industry. Beattie also teaches an eight-week Cup of Knowledge course that takes students through all the fundamentals of specialty coffee, from origin issues to the fineries of the cupping table. Not only do employees cup all of Dillanos' coffees during the course, but they also cup the best-of-the-best coffees from other roasters, giving them a look at the industry from several angles.

Clearly, Dillanos has figured something out. In addition to winning several awards for its coffee, it was named one of the "best places to work in Washington" in 2007 by the *Puget Sound Business Journal*.

As for what the future holds, Heyer is unequivocal. "We want to continue to grow, but stay focused on being a wholesale roasting company that sells mainly to specialty coffee retailers," he says. That includes offering private labeling to retailers who want to further distinguish themselves from the pack.

"With limited supplies of high-quality coffee in the industry, I personally think it's going to get harder and harder for retailers to find a roasting program that does it right," says Morris. "We want to fill that niche for retailers and be the roaster behind the brand."

