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## **IPSENTO COFFEE GOING PUBLIC**

**January 17, 2018** — Ipsento Coffee Co. is excited to officially announce an opportunity to own a share of our business. We are becoming the first independent coffee brand to offer partnership through an exciting new opportunity for small businesses called equity crowdfunding.

We are currently hosting this offer on WeFunder, the leading equity crowdfunding platform. **This investment opportunity is available to anyone, even non-accredited investors.**

All information as well as the opportunity to invest can be found online at <http://www.wefunder.com/ipsento>. To date, 78 individuals have invested over \$57,000!

The following is an interview with Ipsento owner Tim Taylor:

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### **What is Ipsento?**

TAYLOR: Ipsento is a Chicago-based coffee business that's been around for about 10 years now. We source coffee from coffee farms, roast it, brew it in shop, and sell the beans for people to take home.

Outside of our cafes, we offer public classes and wholesale coffee. We have about 40 wholesale accounts, including other cafes and restaurants as well as offices and churches.

### **How did the company start?**

TAYLOR: In college, I (Tim) was attending classes and working full time, so I was in need of caffeine. That's when I was first exposed to coffee. I didn't like it initially, but I didn't like soda and other forms of caffeine either, so I started looking into how to get a better cup of coffee. This led to learning about local roasters: buying from a roaster was going to give me fresher coffee that tastes better.

I became increasingly interested in coffee and eventually made my way to a coffee farm. I worked for U.S. Airways and would use my free flights to visit coffee farms. This led to me roasting fresh coffee myself, at home, in a popcorn popper. It was some of the best coffee I'd ever had, and I started to become really passionate about it.

The first business I started, called Coffee Ambassadors, does coffee imports. It's now one of the branches of our business. I travel to different parts of the world, develop relationships with coffee farmers, and buy their coffee. If they're delivering high quality, they're rewarded with a great price. By great, I mean two to three times the commodity price for coffee. As a craft roaster and craft retailer of coffee, we want to partner with craft growers as well.

I started 'toll roasting'-- sharing a roaster with other roasters. Eventually I got my own roaster and would take it out to farmers markets and sell beans there. Our first shop gave us a more permanent roasting space where we could also retail coffee and espresso.

## **How do you stand out in the coffee business, where many people just want a quick cup and may not care about quality?**

TAYLOR: We were one of the early adopters of the “farm-to-table” model. Because of Coffee Ambassadors, our retail operation was able to offer extremely fresh coffee that had been directly and ethically sourced.

We are now part of a growing number of roasters who are visiting coffee farms, tasting coffees, and vetting their quality. They’ll roast and taste (cup) samples from importers or farms to decide whether or not they want to buy that coffee. That’s typically not how things have been done.

Ten years ago very few roasters were doing that. They were just buying from an importer a Guatemalan or Mexican or Kenyan coffee. They wouldn’t even think about sampling it in advance. All that mattered at the time was where it was from.

I’m combining a personal passion for travel and culture with a palate that appreciates finer goods, like great coffee. I’m into cheese and beer and wine and fresh vegetables from a garden. We want to be known as a farm-to-table coffee provider.

When I first started, I focused a lot on the stories of the coffee farmers. But, those stories became trendy really fast. After a few years, I decided I didn’t want to sell the plight of the poor coffee farmer. I completely abandoned that and started focusing on quality coffee, but then I was under-telling the story of how we sourced the coffee from farms and are paying literally twice as much as most coffee roasters for the coffee to ensure good quality.

Since then, we’ve started doing a bit more marketing. We just finished a video that tells our story a little bit more, to communicate who we are and how we do coffee and what’s different about it. We also do a lot of events in our coffee houses in Chicago. We do tastings and classes, including latte art classes. We’re giving people a hands-on experience to engage with our craft in that way. Those are things that very, very few coffee shops do that we do, and those help us stand out as a leader in the craft coffee arena.

## **How successful are your retail locations?**

TAYLOR: We have two cafes and a separate roasting facility in Chicago. The location we call the 606 is on a popular bike and running path in the heart of Wicker Park, Bucktown, and Logan Square. The trail is called “the 606” because it connects multiple neighborhoods and zip codes that start with 606. Our shop is located at a very popular stop on the trail, right at Milwaukee Ave. At that cafe, we’re taking in around \$100,000 a month in revenue.

At our original location, we’re earning about \$65,000 a month. The original location was close to \$100,000 until we opened the 606 store. Both cafes are within a half mile of each other. One of the downsides to being close is we’re taking some of the other store’s sales. But between the cafes, we’re taking in \$165,000 to \$170,000 per month, and in the wholesale department, we’re taking in about \$45,000 per month. Our coffee is definitely the most expensive in the city, but it’s still priced so it can be approachable to the masses, because otherwise, we’d have a much smaller customer base. Our margin isn’t as big as others because we’re buying more expensive coffee and not marking it up as much.

## **How quickly do you want to expand?**

TAYLOR: Part of our game plan is to open three cafes over the next four years. We want to raise money to start the first one and build it out completely. Through the revenues we earn there and in addition to our other cafes, we’ll be able to open up the next two cafes.

### **Where do you plan to place three new locations?**

TAYLOR: We placed the first two in close proximity to each other because we had a great opportunity. The 606 location is a cafe by day and a bar by night. The original location is just a cafe. They're slightly different concepts and both locations are fantastic.

But the plan with the next shops is to spread out around town. We're starting to get more recognition from different parts of the city, and every week we get real estate agents reaching out to say, "Hey, here's a great spot for your third location." They're saying they want us in different buildings around the city, so we feel like we need to go where people can't currently buy our coffee. We have a couple of locations in mind, but we want to have a successful round of fundraising before we pull the trigger. In looking at possibilities, I'm focusing on foot traffic. I want to find people who are commuting, so we need to be near a train line or a high-traffic bus line. Both our existing locations are in areas where lots of people walk. We have been eyeing places in the Loop, downtown, where there isn't much parking, but there's so much foot traffic that it's still absolutely worthwhile to put a location there.

### **How competitive is Chicago's free market?**

TAYLOR: It's not saturated at all. I think there's a growing market for what's called third wave coffee -- some even call it progressive coffee -- this higher-quality, more engaging experience, where a roaster has freshly roasted beans but is also paying attention to all the details in what produces a great cup. These shops have baristas who are highly trained and capable, and who are actually considering this a career path, because we pay them well. There's an increasing interest in the market for this type of coffee.

In that sense, I'd say there is definitely room for growth. Once a month, we have an event where we invite five other roasters to bring their best coffee, any coffee they want, and we do a side-by-side blind public tasting. Part of that is to foster a spirit of collaboration with roasters in that community, but it's also our way of saying, "There is room. We're not afraid of you liking somebody else's beans more than ours," as well as, "We'd also like you to see that ours are pretty good compared to the competition." It's not so tight of a market that we have to fight each other for accounts. Of course, as we expand the wholesale side of the company, there will be more competition. If there's a cafe that does great coffee, every roaster wants to supply that cafe.

### **What concerns do you have about expanding and how do you plan to address them?**

TAYLOR: We want to make sure the quality stays the same. Right now, our stores and production are within a mile of each other. When we expand, it won't be as easy as just walking down the block to check in. We are talking about product quality, but also staff. We may not see everyone every day, so we will need to be even more intentional with company-wide communication, as well as one-on-one communication.

So far we've been really lucky with staff, and as we grow we want to see them in leadership positions. Jenny is our director of training and staff development, and her job is solely focused on training and developing our staff, counseling them, and giving them direction for career paths in coffee. That's really helped a lot in getting people to take the job much more seriously and move toward leadership roles, which helps with turnover. It can be hard to manage young people, but it's really rewarding to challenge them and watch them grow in the company.

We want to make sure that these new leaders are given the tools to succeed, and growing people professionally has been a big focus this year. We want to make sure that people are able to understand cost-benefit analysis and think critically about our role in the industry. We need to make sure that our staff is equipped to do that.

## **Who is on your team?**

TAYLOR: It's taken me almost two years to form a solid leadership team. There are five of us on this core team who meet weekly to discuss every aspect of the business. They're carrying a lot of the weight.

Phil Bloss is our director of operations, and he's incredibly capable. He interned for our wholesale entity ten years ago, before we owned any cafes, and he was excellent. Nine years later, after wanting to move out of the corporate world, he visited our new cafe and said "Whoa! This is exactly what I want to do with my life." He started as a bartender, moved to barista, and recently worked his way up into the role of director of operations.

Harris Nash is our director of wholesale. He managed both of our cafes and is incredibly people-oriented. People love him, and he loves coffee, so when wholesale took off it was a perfect fit.

Jennifer Haare is our director of training and staff development. She's been with the company four years now, and she's worked her way up from barista to shift coach and became our first-ever director of training and staff development two years ago, just before we opened our second cafe.

Kathy Klimentowski is our general manager. She was a regional manager for another coffee company in town. She applied with us a couple times and it wasn't the right fit at the right time, and then that other company went out of business. She came in as a store manager for our original store, and now her role is to oversee both stores.

Beyond that, we have a few other managers: 606 cafe, 606 bar, donut production, office, and wholesale production. Below them is a team of six shift managers. Then we have the barista team.

## **How do you ensure the staff is performing quality work?**

TAYLOR: We have an intense training program that asks more from our employees than a typical barista job. We want to attract high-performing individuals from the outset, and set our standards high. Full barista certification takes about four months, and everyone is on the same page with expectations. Fully-certified staff receives a quarterly evaluation to make sure their skills are up to snuff.

We also take care of our staff. When people feel valued and supported at work, they tend to perform better as well. By creating a space for direct feedback from management -- the evaluations and training -- we are able to call people to a standard but also get to know them on an individual level. Our quarterly all-staff meetings are a place to get feedback from staff. We do surveys and have a regular Q&A time when staff can ask difficult questions about things like pay and time off. They may be wondering why things are set up a certain way or feeling like they haven't received enough definition or reason for why that is. Staff meetings are where they get to ask whatever they want. We have multiple tiers of leadership, starting with our shift coaches, who are like managers on duty. That's where we start investing in leadership and expecting them to evaluate others and address whatever problems they have. Through them, we're able to see, "Okay, where is the staff right now? Where are they at with their enjoyment of the job right now?"

## **Why is employee development important to you throughout the company?**

TAYLOR: One of the most consistent, positive types of feedback we receive through reviews is how engaging our staff is with the customers. It's core to our mission is to engage people with an immensely satisfying coffee experience. When we hire staff, we try to hire people who are into other people, who seem like they can serve and want to serve and give people a delightful experience.

So far, that's served us well. We can train people who are good with people to make great coffee. It's harder to take somebody who's great at coffee and not good with people and teach them to be good with people.

### **What makes Ipsento different than other coffee shops?**

TAYLOR: We started in 2006, so we've been doing craft coffee for a while, and we've learned what does and doesn't work. While the coffee itself is a huge part of what we're doing, we're also focusing on people. For a good five or six years, the industry was super absorbed with itself. We all discovered this new way of doing coffee, craft coffee, and roasting fresh, and it started to become a trend. Now, the industry is starting to recognize that we kind of forgot our customers in the process. For years, the main adjective used for baristas was "pretentious." Anybody walking into a higher-end coffee shop would feel intimidated. It was a pretentious industry. So we began to focus more on engagement.

We made the menu easy to understand. Our first menu actually had a drawing of the volume of espresso and milk in different color, which made it really easy to understand, "What is a macchiato? What is a latte? What is a cappuccino?" It told you, pictorially, how much foam, how much milk, how much espresso was in each.

Then, when we greet people at the register, our baristas say, "Is there anything we can help you understand better? Tell us what you're looking for flavor-wise, and we'll tell you what kind of coffee would be a good fit for you."

We're making it more centered on the customer than on our craft. Engaging people requires meeting them where they are and then drawing them into what we do. It also means anticipating their needs and satisfying them-- sometimes it's as simple as giving them the wifi password and some water before they realize they want it. When you value people, they feel it and respond in kind, and this is a big part of what's made Ipsento such a unique community.

### **How do you acquire new retail customers?**

TAYLOR: When we opened our second location, we had our fourth-busiest day to date, with very minimal advertising. We didn't even have a sign yet-- just a piece of paper in the window that said Ipsento. We took in about \$4,000, way more than average, on our first day in business. What that tells me is that people know about Ipsento, our brand, enough to say, "Hey, I want to check out the new location."

Sometimes we'll do paid and non-paid advertising on Facebook. We also make a point to be at industry events like competitions and trade shows. But otherwise it's mostly word-of-mouth and letting the product speak for itself. We have a decent following on Instagram. All those things are contributing to building awareness of who we are in Chicago as a premier roaster and retailer.

### **How does the wholesaling business work?**

TAYLOR: Up until recently it wasn't really a focus-- wholesaling was passive, in that we were letting people come to us and we'd sell them coffee if they asked. But this year, we transitioned one of our managers into our wholesale business and created a new support and sales role. He supports our existing accounts, and he has help doing that, but he's also out two days every week reaching out to new accounts. He's only been in that role for two or three months, but he's starting to get some great traction. That's our first time we've really invested in anyone besides myself in a sales role, and it's going really well.

We have about 45 wholesale accounts. One of the best types of accounts is a cafe that does coffee well, because they represent our product well and are typically more high volume.

The best account of all is another Ipsento store. When we develop our next three stores, we'll be creating our own large wholesale accounts. That will grow the wholesale end of the business, because we are having transactions between the wholesale entity and the retail entities. Each is their own entity for now.

### **What differentiates Ipsento's wholesale business?**

TAYLOR: In the Chicago market, we're the only roaster that is self-distributing and supplying technical support training and equipment support for other cafes. We do everything in-house, and we don't outsource any of that, whereas for other roasters who go through distributors, the distributors supply those needs, and because of that sometimes you don't have control over how fresh that coffee is.

We didn't want to go through a distributor because we wouldn't be able to have the type of quality control that is important to us. We wouldn't know how long our coffee has been sitting in a warehouse, waiting to be delivered. We wouldn't know the quality of their training program. So we prefer to handle everything ourselves. This also creates a space of really getting to know the people we are supplying, and we like that.

### **What do you plan to do with money from Wefunder investors?**

TAYLOR: We're raising funds to open our third cafe, and to transfer some debt to equity because right now that ratio is not balanced. The imbalance is making it difficult to pay down our debt each month, and we want to change that.

We hope to get a lot of investors on board. Last time we raised funds through loans, we ended up with about 26 loans, all from locals, ranging from \$5,000 to \$40,000. Those were to help us open the next store. I really believe that if we make investing a little bit more approachable, a lot of people will want to own a stake in their local coffee shop. I think the people in our neighborhood totally get what we're going for and would want to buy in. We want to be the premiere community and employee-owned coffeeshop.

For investors who aren't local, I'd want them to know how invested we are locally. We donate regularly to local schools and other community organizations. We also support local artists: all of our coffee sleeves and coffee bags have been screen-printed locally by hand. Our design work and a lot of our furniture was made by hand locally. That's the level of craft and passion we're trying to put into our products. It's not just the beans inside, but also the packaging and the environment. That's the kind of company we want to be, and those are the coffee companies that are growing these days - the ones pushing forward with this craft perspective, that this brand that is a lifestyle brand, not just a caffeine hit.

Beyond that, we do have projections to sell a lot more. When we grow ourselves and grow our brand around town with our own cafes, that's going to build demand for our wholesale product, so there should be a ripple effect.