Restaurant Research®

Concept Analysis & Benchmark Report

Dutch Bros Coffee 2024

Executive Summary

Dutch Bros is a $1B coffee chain which continues to rapidly expand East from its West Coast (Oregon) origin. Coffee connoisseur fans love the chain's engaging customer service and a virtually unlimited selection of affordable, tasty, caffeinated beverages. While the target market is broad (coffee drinkers on the go who access the drive-thru), the brand is well established among a younger demo (hipsters) including high school kids who are developing their caffeine habits at an early age. A core brand equity includes a unique customer experience that focuses on the convenience of drive-thru & walk-up ordering facilitated by enthusiastic "Broistas" at the order/pick-up window. DB's core menu equity is represented by use of high quality, proprietary ingredients & extensive flavor customization options and the brand is well known for offering its customers the ability to customize their orders by choosing from a wall full of unique flavors (including Bubble Gum, White Zombie, Jelly Donut & Molten Lava) stored in what appears similar to liquor bottles from a bar. Dutch Rewards loyalty program drives 65% of all system traffic and its Dutch Pass allows loyalty users to pre-load funds & pay through the app, speeding-up drive-thru times. Notably, DB recently opened its 800th store and is well on its way to its long-term goal of quintupling its current store portfolio to reach 4,000 locations over the next 10-15 years. Having said all this, the chain's ongoing traffic challenges reflect sharp menu price increases and a lack of advertised discounting (beyond existing reward members) during a challenging economic environment which has been particularly difficult on its core younger demo. Also, DB's sales weakness reflects a lack of mobile ordering in a day and age when the convenience of digital ordering is increasingly demanded by a mobile enabled populace (an issue that is currently being addressed). In conclusion, while Dutch Bros enjoys strong brand positioning, the chain must continue to struggle through the challenge of expanding into new markets at the same time its core younger demo struggles with ongoing economic pressures.

Executive Summary

Parent Company Summary

Parent Company	Ticker	Corp. Debt Rating	Net Debt [(1)]/ EBITDA	EV/ EBITDA	Stock Performance		
					2023	TTM	Jan-24
Dutch Bros Inc.	BROS	Not Rated	4.31	20.60	-16.9%	-19.5%	
$1B+ Chains			5.49	15.52	21.1%	3.9%	

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(1) Net Debt includes operating leases.

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