

Dunn Bros. Lands Deals with Kowalski's, Lunds & Byerlys as Part of Expansion Plans

By J.D. Duggan | March 19, 2024



Image: Dunn Bros. Coffee

Dunn Bros. Coffee is now on the shelves at Kowalski's Market and Lunds & Byerlys.

After nearly 40 years in the coffee shop game, Minneapolis-based Dunn Bros. Coffee wants to beef up its presence in grocery stores and retailers.

The company has expanded its growth strategy since it was bought by Costa Mesa, California-based [private equity firm Gala Capital Partners in mid-2022](#). Dunn Bros. now has deals with hometown grocers Kowalski's Markets (which took off in January) and one that's underway with Lunds & Byerlys to sell coffee beans on their shelves. It's also selling single-cup offerings, like for a Keurig.

"You have to go where the consumer is purchasing coffee," said Henry Stein, general manager and vice president of alternative channels for Dunn Bros. Covid accelerated the market shift toward brewing coffee at home, and he said Dunn Bros. is in a "full-court press" to make its product available to those consumers.

The company is also looking at food-service channels, like venues and hospitals, which have shifted from seeking the cheapest coffee available. It landed a deal last year with Canopy by Hilton Minneapolis Mill District, which now serves Dunn Bros. coffee. A corporate shop is also located in Hennepin County Medical Center's downtown Minneapolis campus.

"It's mutually beneficial" to add channels, Stein said. "Coffee shop awareness will raise the awareness levels for consumers who see it on a grocery shelf" and vice versa.

Dunn Bros. is also looking to expand its e-commerce business and its loyalty programming. It roasts-to-order, meaning when an order comes in, the company roasts it the next day and ships it immediately so the customer hopefully receives it within three days from ordering.

The coffee business is more competitive than ever as big brands continue to grow and independent shops gain a foothold in the market. Stein said a legacy of success and a consumer expectation for quality and consistency has helped Dunn's expansion.

Gala Capital expects significant movement in Dunn Bros. alternative channels to the point that it could outgrow the in-store sales channel, Stein said.

But this won't slow the company's real estate growth. Dunn Bros. currently has its sights set on four potential brick-and-mortar locations and is interested in opening coffee shops in the skyway or North Loop in downtown Minneapolis. While it's prioritizing franchising opportunities, it could grow its portfolio of corporate stores. (Currently the company has three corporate stores and at least 50 locations total.) Stein also noted an interest in the area around the University of Minnesota.

It's especially looking at the Interstate 35 corridor down to Texas, where the brand already has a presence.

The company's top priority as it expands into grocers is "to ensure that the coffee that they've come to know and love through coffee shop experience can be easily articulated at home with their own brewing," Stein said.