



## Starbucks Doesn't Spell The Apocalypse!

Alberto Baudo (September 08, 2018)



Starbucks has opened its first ever branch in Italy. “Dedicated to Milan, the city that inspired our dreams. Every coffee we served brought us here.” This inscription is on a wall of Starbucks’ newest location in Milan. Why hasn’t Starbucks opened store in Italy until now? Will it succeed? Will it hurt small businesses? Will it change Italians’ habits? Only time will tell, but we can make our modest predictions if we examine the hard data, says Alberto Baudo, owner of Williamsburg’s Fabbrica Why hasn’t Starbucks opened store in Italy until now? Will it succeed? Will it hurt small businesses? Will it change Italians’ habits? Only time will tell, but we can make our modest predictions if we examine the hard data, says Alberto Baudo, owner of Williamsburg’s Fabbrica

So Starbucks is opening in Italy. The magazine Gambero Rosso, one of the gatekeepers of fine dining and drinking in Italy, published a wonderfully written and well-researched article titled 10 Reasons Why Starbucks in Italy is a Catastrophe.

Despite the title, the article isn’t all negative; the magazine didn’t rush to defend our traditions. On



the contrary, it took an interest in Seattle's invasion. But the questions pile up: Why hasn't Starbucks opened store in Italy until now? Will it succeed? Will it hurt small businesses? Will it change Italians' habits? Only time will tell, but we can make our modest predictions if we examine the hard data:

- Starbucks is the largest chain of coffee shops in the world, not in franchising but in terms of real estate.
- Starbucks wasn't born yesterday. It opened in 1971. It has 25,000 stores around the world.
- People like Starbucks. Its brand is trendy and it makes excellent coffee served in a comfortable space with free Wi-Fi designed to make you feel at home. Obviously there are plenty of old and highly regarded cafés in Italy. But they're the exceptions that prove the rule.

**Objection #1:** Starbucks coffee is nasty and Italian coffee is the best in the world. Actually Gambero Rosso recognizes that "Italy isn't the number one consumer of coffee per capita, but in all likelihood it is the country where the drink plays the most crucial social, cultural and anthropological role.

Nevertheless, as has happened to many other excellent Italian commodities, coffee has been abused and degraded over the years, and is now a shadow of its former self." Setting aside tastes for the moment, let's try to understand how the Seattle coffee company achieved its global success.

Starbucks has over 30 blends of coffee, ranging from the most famous blends to local selections to reserve roasts. Their website even has a feature that will recommend the best coffee or blend for you personally, depending on how you answer three specific questions

How many cafes in Italy can say the same? And how many in Italy know that at Starbucks you can "design" your own espresso? Then there's the part-hipster, part-metropolitan ambience that young people armed with iPhones are drawn to like bees to flowers; the free Wi-Fi; the courteous and competent staff that asks you what you'd like and writes your name on your personalized cup; the large, clean and totally livable spaces; the fact that you don't need a key to go to the bathroom; the fact that there aren't limits to how long you can stay; the fact that, on average, they're better than we are at making coffee.

Again according to Gambero Rosso, "Setting aside tastes and technical considerations regarding the quality of blends, for millions of people around the world, Starbucks is their coffee touchstone. Thanks to Starbucks (its menu and its shelves stocked with retail), these people know that there is no such thing as "coffee," but rather "coffees", which come in a variety of blends from a variety of sources. Thanks to Starbucks they learn what sustainability means.

They are up to date on characteristics and areas of production thanks to the short synopses provided them. No one in a traditional Italian bar can teach you these things, and the result is that, of all the populations in the Western World, Italians may know the least about coffee. So much for being the home of the 'tazzulela'."

**Objection #2:** But coffee in Italy costs 1 euro and at Starbucks it costs more than 3! If Starbucks really does sell espresso for 3 euros, it'll be an outrage, writes one noted Italian expert. True, yet not for the reasons you'd suppose.

Rather it will be an outrage because they'll have figured out long before us that people are willing to pay more, even three times more, for a reliably good coffee served in a pleasant environment. Starbucks won't be a huckster if it succeeds in its endeavor, but we'll be the chumps. What it will mean is that they - not us - knew how to teach customers the cost of quality.

Nowhere in the constitution of coffee does it say that coffee must cost a euro. It's an anachronistic belief, a cultural throwback belonging to an Italy that is disappearing and will continue to disappear more and more rapidly, composed of amateur baristas who open a business by placing all their trust in machines bought on loan, in labels provided to them by some coffee company, and in bars furnished by a "trusted" supplier.

The truth is that a successful model can't be built by selling coffee for a euro. To attract clients willing to spend more, you need to spend more. Starbucks took that risk in 1982 when its visionary CEO Howard Shultz, then Director of Marketing, went so far as to put his house up in order to embark on a new project as ambitious as it was unheard of. And it's ironic to note that he got the idea after visiting a café in Milan. That's where he realized there was a totally new market to make up.

**Objection#3:** OK, but Italians are in the habit of taking their coffee differently: three drops standing up and off to work. A far cry from those American big gulps!

The "habit" argument makes me smile every time. For decades the most hardened habits have been continuously discarded in favor of other, decidedly more European and international ones, and yet we continue to take refuge in our castle of provincialism in the name of defending a tradition.

Example: "In Italy people want corner stores, not chains!" said some. Meanwhile Zara, H&M, OBI, MediaWorld, Ipercoop, and similar companies bred like rabbits, leading myriad local shops to fail.

Example: "In Italy people eat well! We don't want American hamburgers!" said some, while at the same time McDonald's, Burger King, American Graffiti, and the gourmet hamburger took the peninsula by storm. Example: "Italians drink wine, not fermented malt!" Meanwhile beer's everywhere and everybody has a friend who brews his own in his garage. Birrerie are chockfull of young people open to new things. Only two things in Italy are sacred and inviolable: soccer (we're all super coaches) and mammas. There's nothing wrong with having everything else up for discussion.

**Objection #4:** Why is Starbucks only opening now? It must have been scared to compete with our cafés, huh? Wrong again. Starbucks has already opened stores in 67 countries that offer greater guarantees for the colossal investments needed to open them. Why drive yourself crazy getting entangled with Italian bureaucracy, high tax rates, and a political class that can't quite be trusted? It didn't invest in Italy until now not because it considered the country better than others but because, alas, it's worse, at least in terms of opening a business.

But to conclude this list of slightly provocative observations, I'll add a few other reasons why we should consider this opening as a great opportunity for our country and our more open-minded entrepreneurs.

**Opportunity #1:** We can really start to talk about coffee in a serious and meaningful way. Café owners could and should learn how to explain where the blend they're selling comes from, what a 'purge' is, and what the best temperature for extraction is. And once and for all we can dispose of the belief that because Italians have espresso pumping in their veins, they don't need to be educated in espresso, that somehow we're born perfect.

Instead we need to keep better records, offer more choices, make an artisanal brand, maybe even toast our beans ourselves, and obviously sell them for three euro. That's how you vanquish a giant like Starbucks.

**Opportunity #2:** Attract customers disappointed by Starbucks. Offer different products for a well-established target. There's still time. We have a year. It could be they'll even find you ready and waiting.

**Opportunity #3:** They'll make room for new businesses. It's sad to say, but many small cafes will close. Starbucks will lead us to more meaningfully reflect on what is happening to our own businesses.

And those who aren't at the top of their game will be wiped out. Some by Starbucks, some by local competitors who are better prepared for Starbucks. The move shouldn't demoralize or demotivate people. It should spur us to keep working. Because the fewer new competitors on the market, the more room there is for professionals who know how to do their job. In short, take it easy, the Frappuccino isn't going to become the law of the land. If you think it's nasty, no one is going to force you to drink it. Each of us can continue to pick up a cup of Joe at the local café for a euro.



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