

What To Do When Starbucks Comes To Town

by *Bob Phibbs, the Retail Doctor*



On October 21, 2004 Starbucks announced that they will put their name on 30,000 stores worldwide — more than triple the 8,500 locations it currently has. The chain will more than double the number of its stores in the United States in the next six years to 15,000. And just how are you going to compete with them?

Whether Starbucks is opening a full service shop 10 blocks down the street, or a Starbucks in a grocery store or as oft happens, a Starbucks right across the street from you, there are things you can do NOW to increase your chances of success wherever and whenever they open. You'll need to learn to Acknowledge, Analyze, Alter and Act. I'm here to give you the tools to do all four.

First, you have to acknowledge the real threat of such a large company. A few of the facts:

- Starbucks is the most admired restaurant chain in the US, two years running
- In 2003, Starbucks was 93rd in the top 100 brands in the US – up nine places since 2002.
- Starbucks believes the saturation point will come when there are a little over three stores per 100,000 residents nationwide. While Starbucks stores seem to be everywhere in some locales, they are still a novelty in many areas. For example, there are 15 stores per 100,000 residents in Seattle, but only 1 in New Orleans, less than 1 in Oklahoma City, and 1.5 nationwide.
- Starbucks only spends 1% of annual revenues on advertising, usually to introduce a new summer drink or a new coffee flavor.
- Starbucks is nearly debt-free, financing all its growth through cash flow.
- Starbucks keeps control of its image by owning all its shops instead of growing through franchising in the US.

In short, they are not going anywhere and more than likely are coming to your area -sooner than later. They will immediately upgrade what your customers will expect of you.

There are five steps a business person naturally goes through when a Starbucks comes to town. First they deny. “My customers are loyal; they won’t leave me,” they say. This is the trap many independents foolishly hold fast too. Second is Anger. “How dare they come here and why are they targeting me?” they ask. Being mad will do nothing to keep them from coming or keep you in business. Next is Depression; you feel hopeless, whipped. This stage is the black hole of self-pity. Nothing can happen at this stage. Fourth is Acceptance. You’re ready for whatever happens. This is the start of change but has no direction. Finally you come to the Crossroads and ask, “which way should I go?”

You are forced to choose one of three paths with very different results at their ends. One path leaves you overwhelmed and ready to quit. You in essence say, “I don’t want to play this game anymore” and close your doors. For some, that is a good alternative. On the second path you say you’re going to change but don’t. You painfully watch as your business slowly “dies on the vine” due to neglect. It may take a few years but the inaction paralyzes your business. The third

path, the one frequently less traveled, is when you commit to change and then follow-through. This path is the only path that leads to life for your business. You might not see immediate results but within a few short months you may be the only one open on your street. As you continue to make changes, a positive outlook keeps you focused on the progress you are making.

Starbucks has accelerated your crossroads decisions. Whether you want to or not, your world will never be the same. Decide now which path you can commit to. If it is the third path, then read on.

Once you've acknowledged the real threat, you need to analyze your facility and merchandise, your sales team and finally your marketing. While a more comprehensive explanation can be found in my book, *You Can Compete: Double Sales Without Discounting*, here is an overview.

Begin with the facilities: Clean, Cut, Change

Clean everything from floors to ceiling, from front door to bathroom, from bean cases to roaster floor. After working in your store for a number of years, you have gotten used to the dirt and clutter. Starbucks customers won't look past it; they'll just look past your offerings. Make sure all the lights are functioning, if not replace the bulbs and if necessary the sockets. People shop where it is bright and cheery, not dark and dingy. If cleaning isn't enough, consider a complete paint job in updated color schemes. Cut unnecessary signs, displays, and racks. When was the last time you took apart your espresso machine and cleaned, I mean really cleaned it until it shone? Is the steam wand so old it is copper? – if so, replace it now. Change everything out-dated. Add planters, trendy awnings or additional lighting. Remember the best retail mimics the best of our homes, not the worst of a garage sale. Move the sale merchandise to the back. Price everything; no one wants to have to ask how much something is. Put a few impulse items at the register. Your over all merchandise goal is to have higher-end merchandise that isn't readily available at Starbucks.

Move on to the Barristas: Train, Hire, and Fire

After your coffee house is all clean and sparkling, your merchandise updated, etc., it is time to analyze your sales crew. Do your employees value the customers standing in front of them? Are they on time to work? Do they have a positive attitude? Do they know the features and benefits of your highest priced coffees? Do they drink your coffee? Can they compare and contrast your different blends? Can they move product and upsell? If so, you're there. If not, get a comprehensive training program in place that includes what your interpretation of great customer service is – my Five Parts to A Sale would be a good start. Then come up with a reward system for meeting sales quotas. Your goal is to have a team that gives the same high level of service whether they know the customer personally or not. People want to be known by their name, not by what they drink. If your barristas are untrainable or resist you entirely, hire new ones. Get new employees on board before you decide to let your others go. Once new barristas are in place, decide who should go and follow through; no matter how hard personally it is for you. Then train, train, train.

The restaurant industry in general, has pioneered a workforce that earns low wages, gets little training, receives few benefits and has one of the highest turnover rates of any trade. How you stand out to the customer is a direct reflection of the time and money you've invested in your employees.

Now Review your Marketing: Examine, Educate, Ensure

After your facility and sales team have been analyzed, examine your existing marketing efforts. Is it a random hodgepodge of discount coupons? Do you have a consistent high-quality image in your community? Is your logo easily readable? Do you have a mailing list? Are you visibly giving back to your community? Can you give classes once a month to explain your various roasts or the different ways to brew coffee? Can you partner with other small businesses – the local bookstore for example - to cross promote? Basically, you'll need to develop a plan that addresses both people who know you and those who don't know you.

Marketing is often more of an educational job – letting people know what they want lies with you, not the other guy. Your message can be delivered in paid ads, newsletters, direct mail, as well as your drink sleeves, bagel bags, coffee bags, menus and other collateral materials. You want to budget as many impressions as possible to ensure your customers always think of you as their only source for coffee.

Once all of that is done, and this could be several weeks or several months later, you now need to see what you can do to differentiate your business and take on Starbucks.

Now Alter your Business Style: Differentiate, Dazzle, Discontinue

Differentiate whatever products you carry against what Starbucks carries. If they have the same coffee machines, find another, more expensive brand. If they have a special drink, come up with your own premium one that is fresher and better tasting.

Dazzle your customers with your presentation of the premium items. Don't just put 50 some-things out on a shelf – that's Starbucks. Take time to creatively build a compelling and selling display. Finally, if you have older merchandise that isn't moving, discontinue the items entirely.

Now You're Ready To Take Action! Prioritize, Plan, Profit

Prioritize by need first and then by difficulty. Look at what's critical to your success first, even if it is not the easiest thing to do. Critical items are absolute musts and really will make a big difference in the end. They might include adding new lights, hiring new employees and changing your buying habits. In the meantime, you must retrain your employees, move racks to follow your new plan, and clean.

Now just work your plan until you have accomplished much of your list. Change is much better when you initiate it. If you go through this discomfort early, you will have a much different outcome when Starbucks opens. When you Acknowledge the threat, Analyze your weaknesses, take Action to change and Act on those items on a daily basis, you will be leagues ahead of your frightened competitors. Good selling!

If quoting, please reference this website and author.

Bob Phibbs, the Retail Doctor, has helped hundreds of small and medium-sized businesses in every major industry, including hospitality, manufacturing, service, restaurant and retail. His book, *You Can Compete*, highlights his proven method how every independent retailer -- in any neighborhood -- can improve its bottom line and compete successfully with major chains.