



Keys to Creating a Profitable Brand in a Bad Economy - Part I By Lon L. LaFlamme and David J. Morris



We have all heard and read the news -- and it is as dark as black coffee.

Former Federal Reserve Chairman Alan Greenspan has forecast an upcoming recession so deep and long it will rival post World War II.

The June 2008 Gallup Poll reports that 89% of Americans believe the economy will be weaker through 2009. The onslaught of an officially recognized bear stock market and public fear of a prolonged weak economy is causing a radical shift in consumer spending priorities. That daily mocha and latte are at the top of luxuries people can do without.

Starbucks' stock has plunged 48 percent from its 2007 high, and in July announced they are closing 600 stores in the U.S. by the end of the year, eliminating 12,000 jobs. Prospects are dim for a quick turnaround for this industry leader, regardless of public relations efforts on a near-daily basis to revitalize the brand. Starbucks is considered THE barometer for the overall health of the retail specialty coffee industry.

Starbucks Chairman Howard Schultz released a statement to the national press in April stating, "The current economic environment is the weakest in our company's history, marked

by lowering home values and skyrocketing costs for energy, food and other products that are directly impacting our customers.”

Schultz also adds that major “return to basics,” like the introduction of the smooth tasting Pike Place Roast blend and the free coffee coupon promotions are just beginning to impact the market. AdAge reported the company has also doubled its advertising spending to \$100 million, along with a steady number of mainstream media stories, analysis, comment and gossip.

Everybody, it seems, has their own take on Starbucks, and an industry that is feeling major jitters from more than caffeine.

Has Starbucks lost its edge? Is it being threatened more every day by losing its core customer to new, cheaper market entries like McDonalds and Dunkin’ Donuts?

Some industry observers suggest that Starbucks’ concept of creating the perfect meeting “third place” (home and work are the first two) got lost while building an international empire. Could it be that Starbucks hasn’t changed so much, but that we have changed culturally and socially?

Now they are taking more care in preparing and serving coffee with new super automatics. Will that faceless army of green aprons trying to work a smile into your brief transaction really revitalize the “Starbucks experience”?

You know where we are going with this. Right?

While many of your customers will be ordering fewer mochas and lattes, lowering your ring from four bucks to under three bucks, there is plenty of blue sky left to survive and thrive. Besides, we all need our daily caffeine fix.

What has changed forever is the free ride to financial success in the retail specialty coffee business.

What hasn’t changed is the opportunity for independent and small chains to create fiercely loyal customers. More than ever, they need your staff to inject magic and sunshine in their stressed lives. Since the birth of the retail specialty coffee business in North America, there has never been a greater opportunity for you and your staff to provide a loving oasis from the financial stresses of the day.

Let’s take this message of hope a step further and feed your optimism with a great example. Take a look at an incredibly successful and growing franchise operator where the competition is the very toughest -- in the Great Northwest.

Bryan Reynolds was a twenty-something married guy with no coffee background. He convinced his parents to invest in a Forza Coffee Company franchise. (They were selected in 2007 as the

recipients of The Brand Coaches' "Hottest Brand Award." Bryan promised his parents that from opening day in December 2006 that he and his freshly trained staff would rack up sales of \$1,000 a day.

That promise was a tall order, considering the 1,200 square foot coffee house with no drive-thru window was located in a B market location, at best. Situated in the heart of Puyallup, Washington's tired and nearly abandoned downtown center, if history was any guide, his business would open and close faster than a summer flower.

Despite the city government's best efforts to revitalize the downtown area, all new businesses and known retail brands were moving up the road to Puyallup's thriving South Hill Mall and shopping area. A handful of antique shops, a modest bakery, and myriad of other struggling family businesses made up the downtown business district. To make chances of survival worse, a coffee house directly kitty corner from his new Forza was the only marginally viable business in sight.

Once opened, Bryan didn't have a dime left for paid advertising. He had to make good on the promise to his family, based on nothing more than a prayer – and word-of-mouth experience from customers.

Now let's fast forward to July 2008, complete with a rapidly melting economy and fear of the future of the industry running wild.

The first day Bryan opened, his sales were over \$1,000. By June of 2007, Bryan's daily sales were over \$1,500. As of this writing in July 2008, Bryan's Forza averages over \$2,000 a day. The Puyallup mayor and city council are doing all they can to encourage Bryan to open a 1,000 square foot Forza a few blocks down the street in the city's soon-to-be-completed five-story, 53,000 square foot city hall.

How does Bryan do it?

I asked Bryan that question. I also asked the other questions you would have tried to pry out of him. When you hear sales figures like those, any savvy specialty coffee business owner would want to directly apply his winning formula to their own operation.

Bryan's answer was simple. "I don't do it. My staff does. Involvement equals ownership."

Before returning to Bryan to dig deeper, I cornered 22-year-old staff barista Amy, and asked her why their Forza was so successful. "Own it and make it your day," she blurted out. "That's my philosophy. I get the chance to create a great start on the day for every one of our customers. You can't believe how good that makes me feel. Every customer becomes a new friend when you really care."

I didn't need to return to Bryan when it came to understanding his stark statement that involvement equals ownership.

This Forza is also the regular Saturday and/or Sunday tradition for our families. I already knew that every single one of Bryan's staff members felt and acted like Amy. I frequently see the staff stopping by to visit customers, often with a cup of coffee in hand on their time off. That speaks volumes about a nurturing culture.

I should point out that Bryan's coffee house is adorned in warm burnt colors, a signature mahogany service counter, a community table, and incredibly comfortable chairs tucked up to high and low tables. There are two conversation areas with soft brown leather couches nestled next to a two-sided fireplace. The overhead and wall accent lighting provides a warm yellow glow, conducive to relaxing time-outs and intimate conversation.

Bryan is nobody's fool when it comes to controlling cost of goods. He carefully selects a limited array of sandwiches and salads, muffins, bagels, breads and donuts. Bryan and his team also do a great job of making sure every customer regularly gets a taste sample of freshly made gelato from the attractive display case next to the order counter. Baristas proudly point out that gelato tastes better than ice cream, with half the calories. That right, with every single order the baristas never fail to offer something more.

No matter what time of day you visit Bryan's Forza, you'll see that there are as many food selections and Italian sodas being consumed as iced and hot coffees, mochas and lattes.

The future of the retail specialty coffee industry is as bright as each of us chooses to make it.

###



B C

