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Starbucks Goes Back to Its Roots With Cafe Concept

'Inspired by Starbucks' Coffeehouses to Serve Alcohol, New Food Choices and Live Entertainment

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CHICAGO (AdAge.com) -- Starbucks is going back to its premium-coffeehouse roots -- by building premium coffeehouses. The chain, in the latest attempt to negotiate its turnaround, is focusing on stores with smaller-batch coffee, community involvement and entertainment.



Starbucks will remodel three Seattle cafes as part of the initial test.

Photo Credit: Starbucks

The first location, opening next week, will be named "Fifteenth Avenue Coffee and Tea, Inspired by Starbucks." Evening revelers can find beer, wine, new food choices, the occasional film screening and a variety of live entertainment, including music, acting and poetry reading. Bleary-eyed, breakfast-time folks can get a cup of coffee they may not be able to find anywhere else in Seattle.

"It feels like the first time they've done something right in a long time," said Robert Passikoff, president of Brand Keys. "This has the opportunity of being the next evolution in coffee." He added that while coffee shop as night-time hangout isn't new, Starbucks can offer more by way of community involvement, environmental commitment and friendly baristas without visible tattoos.

This is also the latest in a string of long-closeted ideas that are seeing the light of day. The café concept dates back about 15 years. In February, Starbucks began testing Via, an instant-coffee product more than 20 years in the making.

Major Cohen, a senior project manager with Starbucks, said he's been working on this café concept for nearly 15 years. The idea came from thinking about the "good old days" when they could roast coffee in the morning and have it in a local store by that afternoon. The first three cafés will be in Seattle, near one of its roasting plants, so they'll be able to offer smaller-batch coffees from far-flung locales such as Thailand, and loose-leaf Tazo teas from places such as India and Japan.

"We clearly want to present ourselves in a different way," Mr. Cohen said. "What we're really trying to do is build on 38 years of experience with great coffee and somehow extend that vision." He acknowledged that "some of us think as grandfathers of the coffee world." But he said, "I think people know that we're often innovative and we innovate through products."

Changing the Starbucks experience

This project is different in that it's tweaking the Starbucks experience. But don't expect to find these cafés across the street from each other. While the number of "Inspired by Starbucks" locations is likely to grow if the test is successful, not every store is appropriate for a stage, night-time crowd and alcoholic beverages. So it will be a boutique concept by definition.

Scott Bedbury, founder of Brandstream and former Starbucks marketing chief, noted that one of the primary benefits of such a concept is maximizing profitability per square foot. Starbucks has been known for its real-estate savvy since day one, but locations generally go dormant after dark. Adding an evening occasion is likely to boost profitability for appropriate locations, particularly if they serve alcohol. He said the concept could be Starbucks' next Frappuccino.

"It was a godsend because it gave people a reason to come in hot months," Mr. Bedbury said about the frozen beverage. "And it brought in a whole different group of people who didn't even like coffee, which got us into ice cream." The café concept would keep stores open longer, "but you're using that square footage to get more out of it." It also combats Starbucks' critical saturation issue, particularly in the United States. "God knew they didn't want to open more stores, they want to do more with what they have," he said.

Technomic President Ron Paul cheered the move, and said he felt confident the test would be quite successful. However, he predicts the concept will look much different if rolled out on a national stage. "I still think it's more of a test lab than something they're more serious about rolling out," he said. "That's not a national strategy."

Dennis Lombardi, executive VP-food service at WD Partners, praised the chain's risk-taking moxie. "I love chains that experiment," he said. "But if you're going to experiment, you've got to be willing to fail fast if it doesn't work."

That's why Mr. Bedbury said it's a good idea to start small, and with a different concept. "I think they're smart to walk before they run and not embed it in the consumer-facing brand they have today," he said.

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