



## Jack's Blend

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**Q:** I've followed your column for a while and have not seen any questions or comments on Starbucks®. With Mr. (Howard) Schultz taking over again as CEO of Starbucks and then retraining all stores, slowing down their growth and then the purchase of the Coffee Equipment Co., maker of the Clover™, what does that mean for us independents? Do you think Starbucks slowing down their growth means the coffee industry is slowing down? And why do you think they purchased the Clover?

— Thanks, I.E.

**A:** When I opened JP's in 1993, there was a fellow business owner down the street who owned a store in another industry. She always seemed to live in fear of what the big guys would do to her ... and to me, and to any independent business owner in general. She even wrote up a memo comparing every business in our downtown to its chain, franchise or national competitor saying, "What if 'they' come to town?"

I chose from the very start not to live in fear of what any other coffee business could do to me. My mantra to my first operation's manager was, "We run our business like Starbucks is coming to town." In other words, we focus on excellence in everything we do and let the chips fall where they may.

Over the last dozen years, we've seen about a half-dozen competitors come and go within our small downtown (and a couple that stayed). Customers would say, "Hey Jack, I see you ran another one out of town!" to which I replied, "No, they ran themselves out of town." I would hint at the fact they chose to serve crappy coffee or have poor service. Some of them selected a bad location or built out their store with no atmosphere. That's what made them fail. Not me. Not Starbucks. Not some other competitor. They ran themselves out of business.

Starbucks chose an incredibly fast growth model. They put stores in areas that could not stand a slow down in the economy. They built stores very close to each other and cannibalized sales from their own stores. Not a problem during double-digit growth years, but when the economy slows down or goes backwards, tough decisions need to be made. Closing 600 underperforming stores is just that, a tough decision that had to be made for the good of the whole.

I feel Starbucks, being a public company, has at times been more concerned with share price than customer satisfaction. It switched to super-automatic espresso machines for the wrong reason. Store layouts were dynamos of efficiency, but lacked the sprawl, the space, the atmosphere that community coffeehouses often need for long-term community connection and success.

It's inevitable. A company that focuses on share price will at some point lose its identity. They forget the customer is not the investor, but the person on the other side of the counter forking over \$4 to get a great cup of something; the person who loves what the company began as. Forget to take care of the customers and the investors go away.

I personally feel that Mr. Schultz taking the helm at Starbucks again is a good thing. Good for Starbucks and good for us indies. I'd rather compete against a large chain that makes a great cappuccino than one who makes a bad one. Bad coffee is bad for the industry. Competition is good for the industry.

The Coffee Equipment Co., maker of the Clover coffee brewer, was sold to Starbucks. I see two main reasons Starbucks bought the company. First, they wanted the technology. Second, they didn't want anyone else to have it. Maybe both.

I hope the inventors sold the Clover for a hugely profitable amount of money. If I was in their shoes, I would have probably done the same thing (congrats to Zander Nosler and

Randy Hulett) and would be looking toward my next opportunity. I agree a machine like the Clover was a great invention and made a great stride forward in the sparse field of coffee innovations, but I'm sure there are more great ideas to come. Maybe even an affordable Clover knock off.

Lastly, for the record, I own a business in the worst state economy in the nation. We have higher unemployment, people leaving our state, a government that can't add and a new tax that adds to the already overreaching burden of taxation against small businesses. But things are great. Sales are up. Profitability is up. We have a great staff, and the store runs smoothly. If we can succeed in Michigan, there's nothing you can't do.

*Note: The opinions expressed in the above column are those of the writer and do not represent the opinions of this magazine or any of its staff.*

