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## COFFEE TALK WITH: Howard Schultz; By Way of Canarsie, One Large Hot Cup of Business Strategy

By ALEX WITCHEL

THE man at the end of the line is fed up. "I hate this place," he says. "It's expensive and crowded and I can't speak the language. What is espresso macchiato, anyway?"

Actually, it's espresso with foamed milk, but no one at Starbucks calls it that. They also don't use words like "small" or "large" when "tall" and "grande" will do. But their funny vocabulary aside, the employees at Starbucks, the Seattle-based chain that is rapidly expanding into New York, are known for being cheerful, well mannered and efficient. Some are so clean cut they look as if they just shoveled a neighbor's walk. They are in direct contrast to the staffs at New York's home-grown coffee bars, like French Roast in Greenwich Village, where the morning servers seem to have made the supreme sacrifice of stopping in on their way home from the clubs.

If Starbucks loses in the hipper-than-thou category (its customers are more The Wall Street Journal than Le Figaro), it seems to please in both quality of product and service. (Even the disgruntled man at the end of the line comes back for more.) Jargon aside -- full explanations of its coffees are posted clearly and not too tough to figure out -- it has established itself over the last seven years in cities across the country as a yuppie destination where lines form on the sidewalks at 6 A.M. and Kenny G. plays on the speaker system. It is an urban oasis meant to soothe, though the Brentwood branch in Los Angeles that was a hangout for Nicole Brown Simpson and Ronald Goldman did earn the company unwanted notoriety.

Starbucks arrived in Manhattan last spring on Broadway at 87th Street (its heaviest mail-order demand came from that ZIP code), and its fifth and most recent branch opened last month on 54th Street at First Avenue. Yes, it is expensive. One cup of coffee can cost between \$1.25 and \$3.60 depending on the type and size. But rather than regard it as a rip-off, most connoisseurs embrace it as an affordable luxury.

They are in luck. Ninety-five more Starbucks are scheduled to open here in the next five years. Which means espresso macchiato just may become the egg cream of the 90's.

So why is it somehow not surprising to discover that the president and chief executive of Starbucks is from Brooklyn?

"It's ironic that no matter where I go, I meet people from Brooklyn," says Howard Schultz, 40, who grew up in Canarsie. "I'm proud of that heritage. It's where I'm from, who I am."

You'd never guess. The soft-spoken Mr. Schultz has barely a trace of a New York accent and a timid, almost apologetic manner. When he comes to visit the 54th Street store, his entrance is ultra low-key. Very tall and a little gawky, he shakes hands wholeheartedly with his staff and says please and thank you. A lot. Unwrapping his long black raincoat, he sighs at the downpour outside, not to mention the lack of customers inside. Requesting an iced double short latte (don't ask), he walks to the counter to get himself a napkin. He looks like a well-meaning camp counselor.

Since buying Starbucks in 1987 (it was originally a local Seattle business that sold coffee beans), Mr. Schultz has masterminded an empire based on the notion that even though the term "coffee break" is part of the vernacular, there's traditionally been no place to enjoy one. "An extension of people's front porch," as he puts it. The company is now the largest of the nation's coffee-bar chains and has a vast mail-order and wholesale supply business. It owns 470 stores (outside franchises are not available), employs 8,000 people and serves more than 2 million customers a week. Its net sales this fiscal year were \$285 million, up from \$176 million the year before.

Talk about local boy makes good. Mr. Schultz lived with his father, a cab driver and sometime factory worker, and mother, an office receptionist, in the federally subsidized Bay View Projects. The oldest of three children, he was the first in his family ever to graduate from college, Northern Michigan University.

"My parents really wanted me to get out of New York," Mr. Schultz says, "be exposed to other people, other ways of life. They gave me great self-esteem and a sense of what was possible. I always saw myself wanting to do something deemed successful and good at the same time. I never wanted to lose my thread to my past. I understand where I came from."

These are not just words. One reason for the smiles behind his counters is that Starbucks is the first company in the country to give its part-time employees (65 percent of its work force) full health-care benefits and stock options. Mr. Schultz has come to New York from Seattle to receive an award from the Business Enterprise Trust, a national nonprofit organization. The award, for courage, integrity and social vision in business, was presented by Vice President Al Gore.

"It is something I'm extremely proud of," he says, "especially at a time when Corporate America has in some ways turned its back on people when it comes to the high cost of health care. But these values are our guiding force. They should be part of the work ethic of building a company. It's the right thing to do."

A singular component of the Starbucks philosophy is its order of priorities. The customer does not come first, the employee does. It's sort of the corporate version of "I'm O.K., You're O.K."

So, why coffee? His ardor for the product started in 1983 with an epiphany in an espresso bar in Milan. "I saw something special," he says. "Coffeehouses in Italy are a third place for people, after home and work. There's a relationship of trust and confidence in that environment. As Americans, there are very few things we have confidence in."

Then there's the coffee itself. "How many things do people in America drink every day?" he muses. "Coffee is such a social beverage, a personal beverage. There's the romance of coffee, its history. We had an opportunity to utilize the relationship I saw in Italy, the safe haven of the coffee bar, and package it with undeniably great coffee and service that is completely different from most establishments in America. I mean, we can change how people start their day."

He's worked himself into a state of ecstatic corporate-speak, transported by his mission.

SERVICE is a lost art in America. I think people want to do a good job, but if they are treated poorly they get beaten down," he says. "It's not viewed as a professional job in America to work behind a counter. We don't believe that. We want to provide our people with dignity and self-esteem, and we can't do that with lip service. So we offer tangible benefits. The attrition rate in retail fast food is between 200 and 400 percent a year. At Starbucks, it's 60 percent."

A recent morning at the Broadway store seems to prove his points. The place is packed. The cashier calls out the customers' orders efficiently enough, though he can't quite hide a yawn. "I got no sleep last night," he confides. "And I had to be here at 5:30." He catches himself. "But that's O.K. Have a nice day!"

As a counterpoint to the rush for coffee to go, tables are filled with early morning dawdlers. Three women who have met for coffee after dropping their children off at school stand to leave their table and seem to laugh at another woman sitting nearby writing a letter. She looks angry.

"Did you hear what she said?" one of the three asks the letter writer, who shakes her head warily.

"Her pajamas were showing," the woman explains. "She thought you saw."

Another woman balances her checkbook, while another grades a sheaf of looseleaf papers. Behind the counter, one employee rubs the shoulders of another, while the yawning cashier takes a break. The unhurried atmosphere is very un-New York. Which can never be a bad way to start the day.

But the Broadway store has six months on the new 54th Street location, where the only action in the last half-hour was one man's successful pilferage of a New York Post left on a table by another customer. Mr. Schultz is not overly concerned. He glances outside to a patio where tables will be set up in better weather. He can wait.

His only regret, he says, is that his father, who died of lung cancer six years ago, never saw his success.

He recalls that when his mother, Elaine, recently came to visit him, his wife, Sheri, and their two young children, she turned to him in the car and said, "If your dad could see this."

Mr. Schultz says: "He missed this, he missed everything. My father didn't finish high school, and what I remember most was the way he was treated in his adult life, which beat him down. He didn't have the self-esteem to feel worthy of a good job. So, I try to give people hope and self-esteem through a company that respects them. Dad never had that opportunity. The culture and esprit de corps of the company is where I and others in Starbucks have come from. Every one of our actions have to be compatible with the quality of our coffee. It never lets you down."

If the idea of trying to match human behavior to the quality of an inanimate object seems absurd, he doesn't seem to notice. Whatever works.

Mr. Schultz learned his business skills at Xerox, where he says he received "terrific training." After three years, he was recruited by Hammerplast, a Swedish housewares company that had Starbucks as a client. He joined Starbucks in 1982, leaving in 1986 to operate his own chain of espresso bars in Seattle. He returned in 1987 to buy the company and become its president and chief executive. At age 33.

THE secret to his success? He looks embarrassed. "Maybe I wasn't jaded," he says. "I always wanted to do something to make a difference. Maybe people gravitated to that."

He speaks with a finger on his mouth, conscious of his clear-colored braces. "I only have three more months left," he says. "I've had them for two years. In 1972 I was playing football and broke my jaw. It never healed properly and I had TMJ, dizziness, headaches. So I had to have the jaw re-broken on both sides and the teeth moved to be compatible."

He drips iced latte on his pants. Does he jump up to find some seltzer? No, he rubs it deeper into the fabric with his finger. Men.

Undeterred, he talks expansion. Starbucks plans to have 1,500 stores in this country by the year 2000. It has also started an international division and has joined with Pepsi to develop an iced beverage that will make its debut next summer.

He walks around the store, moving like a teen-ager, head forward, eager. Behind the counter, he proudly shows off timers that eliminate the possibility of serving coffee that has sat around too long.

"Retail is detail," he says solemnly.

Apparently so. The coffee's future seems more secure in New York than the company's carefully cultivated mellowness. Even after the morning rush at the Broadway store is over, would-be espresso drinkers circle the tables trying to make eye contact with hard-core malingerers. The edge in their raised voices is unmistakably Manhattan: "Excuse me. Are you leaving?"