

The New York Times® Reprints

This copy is for your personal, noncommercial use only. You can order presentation-ready copies for distribution to your colleagues, clients or customers [here](#) or use the "Reprints" tool that appears next to any article. Visit [www.nytreprints.com](http://www.nytreprints.com) for samples and additional information. [Order a reprint of this article now.](#)



March 30, 2012

# In Europe, Starbucks Adjusts to a Cafe Culture

By LIZ ALDERMAN

PARIS — On a recent sunny morning in this city's chic Marais district, Marion Bayod squeezed behind a tiny table at Le Cactus, a neighborhood cafe she has frequented for years. She cast a sidelong glance at a [Starbucks](#) across the street.

"I never go into Starbucks; it's impersonal, the [coffee](#) is mediocre, and it's expensive," Ms. Bayod, a 35-year-old masseuse, said as a waiter greeted her by name and quickly brought her usual espresso. "For us, it's like another planet."

Nearly a decade after venturing into Europe, Starbucks is still laboring to lure people like her. Despite engineering a strong turnaround in the United States and growing steadily in Asia, where Starbucks is still a novelty, the company has struggled here on the Continent that gave birth to cafe and coffeehouse culture.

Now, Starbucks is embarking on a multimillion-dollar campaign to win over more of Europe's coffee aficionados — with an upscale makeover of hundreds of stores to cater to an ingrained cafe culture, and adjusting beverages and blends to suit fickle regional palates.

[France](#) may prove a particular challenge. Promenade on a Parisian boulevard with a paper coffee cup? *Ça ne se fait pas!* It just isn't done.

After eight years spent setting up 63 French Starbucks stores, the company has never turned a profit in France. And even in the parts of Europe where the company does make money, sales and profit growth lag far behind results in the Americas and Asia.

[Europe's debt crisis](#) and sluggish economy are a factor. So are high European rents and labor costs, which impinge on profits more than in any other region in which Starbucks operates. But the biggest challenge may lie in tailoring the Starbucks experience to appeal to a variety of European tastes.

"Europe is critically important for our future," said Troy Alstead, the company's chief financial officer. "We have not always put our best foot forward," he added, but "we know we can have a

bigger impact.”

To be sure, Starbucks has plenty of European fans. Whether in Amsterdam, Berlin or London, or even among subsets of Parisians, Starbucks stores are often packed with urbanites, tourists and laptop-wielding young people who embrace the coffee chain as an avatar of American popular culture.

“We see stars like Kim Kardashian in all the magazines walking around with a Starbucks,” Daphka Monteiro, a 19-year-old Parisian and aspiring fashion designer, as she licked the cream off a 5-euro (\$6.50) Frappuccino, across from Ms. Bayod’s preferred cafe. “My friends and I come because it’s hip.”

That may be. But Starbucks struggles to make money from people like her.

While a New Yorker might grab a coffee to go — carry-out orders are one of the company’s biggest money makers — French friends tend to sit when they sip. So Starbucks is having to invest huge amounts to give its stores in France additional seating space, along with other renovations.

Michelle Gass, who last fall became the chief of Starbucks operations for Europe, the Middle East and Africa, recently took an anthropological tour to try to better understand the varying wants and needs of coffee lovers at the company’s European locales.

“In markets where there is an entrenched coffeehouse culture, like Paris or Vienna, I was expecting to hear more requests to be like them,” Ms. Gass said. “But I heard the opposite — people want the true Starbucks experience.”

Because that can mean different things to different Europeans, though, the company has devoted hundreds of hours to studying the variations. The British, for example, are quite happy to drink takeaway coffee, so Starbucks is planning hundreds of drive-through locations in Britain.

And Britons like lattes, although many consider the Starbucks version too watery. So baristas in Britain recently began adding a free extra shot of espresso.

Across the channel, however, 60 percent of French people prefer espresso, while only 20 percent can stomach an “Americano.” And yet, many find that Starbucks espresso tastes too charred, even by French cafe standards. So just two weeks ago in Paris, the company introduced a lighter “blonde” espresso roast.

And then there is the issue of service. To humanize its chain-store reputation, earlier this

month Starbucks had its baristas throughout Europe start wearing nametags.

In London, an experiment is under way to take customers' names with their orders and then address them by name when filling it. Participating patrons get a free coffee, but many others have lit up Twitter with complaints about bogus, American-style chumminess.

Other changes in the way baristas operate — they now keep milk within arms' reach of the steamer, for instance — are meant to overcome the Continental curse of slow service.

The most visible innovations, though, involve “concept” stores designed to make a Starbucks feel more like a trendy neighborhood shop. Last month in Amsterdam, the company's chief executive, Howard Schultz, cut the ribbon on a striking space with local woods and avant-garde architecture, including a stage for poetry readings.

In Paris, the company recently gave a rustic facelift to the Starbucks near the Paris Opera. A vast store near the Louvre got a modern makeover, featuring a sleek, wood coffee bar. And the Starbucks on the high-rent Boulevard des Capucines is a sumptuous hall adorned with velvet chairs, chandeliers and a gilt-leaf ceiling depicting cherubs aloft in a blue sky.

As it adjusts, Starbucks can consult the history of two other big American food chains. Burger King was forced to shutter its 39 stores in France in 1997 after its strategy of directly transplanting its American model, without local adaption, failed.

McDonald's, by contrast, has grown rapidly in France and in Europe over the years by fine-tuning as needed, like using French cheeses, mustards and meats; preserving local architecture in some of its showcase stores; and more recently, creating a cafe area in some locations to accommodate coffee-sipping patrons.

It is too soon to know how well Starbucks's new strategy might buoy its European financial results.

The company posted record earnings of \$3.4 billion worldwide in its most recent quarter, and its stock has rocketed to \$53, up from \$8 in 2008. But in Europe, the weak economy continues to stunt sales.

In the quarter that ended in December, sales in European Starbucks that had been open at least 13 months rose by only 2 percent. That was well below the 9 percent growth in the Americas and 20 percent in Asia.

Starbucks's profit margins are also much thinner in Europe, as a result of high real estate costs and labor laws that require relatively high employee wages and benefits.

But executives are so confident in their strategy that they are planning hundreds of new stores in Europe, from Paris to Moscow, beyond the 1,700 already in place. To corral “captive audiences,” Ms. Gass said, Starbucks plans to put many of the new sites in airports and railway stations on the Continent.

Some analysts see a danger of overexpansion, noting that the global recession in 2008 and 2009 forced Mr. Schultz to close more than 900 locations worldwide and cut \$580 million in costs.

In Europe, “it’s possible the business could become more profitable and focused through the closure of stores,” or by leaving some markets altogether, said John Ivankoe, an equity research analyst at J. P. Morgan in New York.

Ms. Gass rebuts the doubters.

“In Europe, there’s no concern about us being oversaturated — quite the opposite,” she said. “It sounds like a lot. But when you’re walking the streets of Paris, compared with Manhattan, you have to go find them. It’s not like you can turn a corner and a Starbucks will be two blocks away.”

*This article has been revised to reflect the following correction:*

***Correction: March 30, 2012***

An earlier version of this article misspelled the surname of Daphka Monteiro, a patron at Frappuccino, as Montiero.