

## Starbucks gets roasted by the recession

**Darcy Willson-Rymer, managing director of Starbucks UK and Ireland, is lost for words over the coffee giant's fall in sales in the UK last year.**

By Josephine Moulds  
Published: 4:48PM BST 04 Sep 2009



Darcy Willson-Rymer, Managing Director, Starbucks UK and Ireland. Photo: Eddie Mulholland

Usually every inch the fast-talking salesman, he is dumbstruck on this fundamental point.

"Down on what?" he asks eventually.

As managing director of an international subsidiary of a corporate behemoth, Willson-Rymer can hide behind the fact that the UK's figures are not broken out in financial statements. Except last year's annual report stated quite clearly that sales in Starbucks' biggest international subsidiaries, the UK and Canada, were down. We can safely assume it is referring to sales compared with the previous year.

After much humming and haing, the Canadian-born 43-year old says: "What you'll find is there was a general point in time where there was a pause. If you take the City, for example, that was more affected than elsewhere. A little bit in what we call transportation, so railways and airports."

Back into the rhythm, he finishes triumphantly: "What I can tell you is we are now serving more visitors than we were this time last year, on a like-for-like basis."

That may be true, but experts say those customers are spending less. Jeffrey Young, managing director of consultancy Allegra Strategies expects like-for-like sales to sink by between 5pc and 7pc in the year to September 2009. Profits, he says, will fall by more than that.

Allegra research suggests Starbucks has been among the hardest hit coffee chains in the downturn.

Willson-Rymer took the job of UK managing director last August, shortly after the group posted its first quarterly loss in 16 years.

"Certainly it's been an interesting year," he says. "It's been very hard work, first of all coming in and trying to set a strategy, then hitting a brick wall in terms of the recession and having to course correct and adjust to that."

Globally, Starbucks has launched a programme to slash costs by \$500m (£306m) in the year to September. In the UK, part of that appears to be through cafe closures.

Laura Chesters, news editor of *Property Week*, says: "When Starbucks began its rapid expansion in the UK it often ended up paying very high rents for prime locations.

"Many of these shops will now be unprofitable in comparison to other coffee operators who have chosen more realistic locations with more affordable rents."

She says Starbucks has hired consultancy CB Richard Ellis to sell or agree cheaper rents at up to 50 loss-making stores in the UK.

Willson-Rymer is evasive. "I don't recognise the number," he says. "We may close some stores but it will be for one of three reasons – either the lease came to an end and we didn't want to renew it with the landlord, the trade area has moved or we made a mistake.

"We apply that to the store portfolio and we do that . . . we should do that every single year." Only one year into the job, he can make the rules up as he goes along.

At present, the chain has more than 700 stores across the UK & Ireland. Its ubiquity has caused a backlash from some consumers.

As UK high streets have grown more and more alike, Britons blame the loss of independent stores on shops they see most regularly, from Starbucks to McDonald's.

To some extent, it is the fault of these huge multinationals. By paying over the odds for prime locations, Starbucks raised rents overall, making it unaffordable for independent stores.

But Starbucks does not always win out over the independents. "Customers buy on quality, they buy an experience," says Willson-Rymer. "If there is an independent coffee shop that does better than we do on those things, I promise you, our business suffers."

Starbucks remains a mightily popular brand. In the UK and Ireland it serves around 2m customers each week, making it the most visited coffee chain in the UK.

Mr Young of Allegra says: "A lot of teenagers aspire to it. It's a cool lifestyle. It's the original. It's like the Coke of the colas." But, he says, the company is suffering from brand fatigue.

In Allegra's research, a managing director of a leading coffee roaster, says: "The stagnation of Starbucks as a brand is a wake-up call to the industry in terms of what happens if you stand still in this market."

Even upbeat Willson-Rymer accepts the brand has slipped: "We set the standard and we allowed other people to catch us up."

Asked why Starbucks is a brand people love to hate, he says: "I think it's because we haven't done a good enough job in telling our story.

"If you go back in time, what [Starbucks founder] Howard Schultz wanted to do was set up a company with a social conscience. So all of the decisions around ethical sourcing and all the things we've done over many years, like community involvement, we never sought publicity for. We did it because that was who we are."

Last year, Starbucks donated 0.1pc of revenues to charitable organisations. In 2008, just 5pc of Starbucks' total coffee purchases were Fairtrade, a decline of 1pc from the previous year. So it is questionable whether Schultz succeeded in his goal.

The company is, however, trying to change its image. This week, Starbucks UK & Ireland announced that all its cappuccino, latte and mocha coffees – around 90pc of all the coffee it sells – would now be made with Fairtrade coffee beans.

Willson-Rymer joined Starbucks from the venture arm of Unilever in 2007. "I always knew I would work for Starbucks. I didn't know how, I didn't know when, but I knew I would," he says, with almost religious zeal.

This secret desire came from a love for the service industry. "In Starbucks, we have a huge privilege to change the way people feel," says Willson-Rymer. "My role is to be of service to the people in Starbucks.

"In the end, if you go on the Starbucks directory, there is no such person as Starbucks. Basically, it is every individual," he concludes mysteriously.