



## Smaller coffee shops say loyalty keeps them alive

While

1/3 Starbucks

1/3 closes

1/3 stores,

1/3 local

1/3 businesses

1/3 do

1/3 well

**By Rachael Bogert McClatchy Newspapers**

SACRAMENTO, Calif. — In an economy where the siren song of Starbucks' two-tailed mermaid has weakened slightly, independent coffee retailers are managing to maintain business, owners say.

The little guys are trading on loyalty and, because of that, store sales have not dropped significantly and their core remains strong with a steady flow of patrons.

"People are loyal when it comes to coffee. It's part of their routine that doesn't change from morning to morning," said John Owens, an equity analyst with Morningstar.

As the Seattle-based Starbucks chain remakes itself with new products, analysts say consumers remain loyal to the brand, not a specific location. Independents, meanwhile, sell their independentness — the vibe of the local coffeehouse, its uniqueness and the product offered.

Chris Pendarvis owns five coffeehouses in the Sacramento area, including The Naked Lounge in Sacramento and Habit in El Dorado Hills, Calif. Repeat visits and word of mouth are how they are able to maintain their business, Pendarvis and store employees said.

What makes people loyal to a smaller place rather than a Starbucks is quality and atmosphere that cannot be replicated in a chain, said Robynn James, the general manager of Habit, whose past is with Starbucks.

"People in Sacramento know good coffee," James said. "To a customer, our coffee is a swift kick in the pants. Get a good cup of coffee and it makes a difference in your day."

Customers Hank Floyd and John Turk were recently playing chess in Habit and each drinking a Kerouac, a chilled espresso and cream drink served in a martini glass. "Friends from school hang out here," said Turk, 16. "It's just a really chill spot to be."

At The Coffee Garden in Sacramento, owner Michael Madsen has a Rolodex full of customer names.

“(We have) a pretty loyal customer base,” Madsen said. “So I’m not worried about this business.”

The economy has affected his customers — rather than a customer buying a coffee and a pastry, some get only coffee.

“People are just trying to save here and there,” said Madsen. “But we do what we can with customer service and late hours to make up the difference.”

Starbucks, too, is banking on loyalty to the brand as it faces economic stresses in addition to having expanded past customer demand without timely innovation of new products, Owens said.

Owens reported a series of protests by customers who wanted to save their Starbucks that were scheduled for closing.

Billy Mongold of Sacramento was outside his favorite Starbucks after the store’s morning rush had subsided.

When employees confirmed that the location was closing, Mongold said he was surprised. “This place is close to my house,” he said. “It’s really convenient.”

He will soon have to go to “the Starbucks down the street” to get his usual venti white iced mocha.

According to Owens, 75 percent of all closing Starbucks locations are within three miles of another Starbucks. He said that when one store closes, nearby stores can expect a boost in sales as customers move to get what he calls their “Starbucks fix.”





**LEZLIE STERLING/MCT** Robynn James, general manager of Habit in El Dorado Hills, Calif., used to work for Starbucks and says the quality and atmosphere of a neighborhood shop can't be copied by a national chain.