

# Is Starbucks ready for South Africa?

By  Michael Wood

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The news that Starbucks will be entering South Africa is positive - after all the Starbucks brand is known to be a quality coffee brand. Will the global brand be able to achieve sustainable success locally? SA's coffee culture is still in its infancy and competition will surely blast Starbucks from all sides - it's not going to be easy to achieve long-term success.

Local cafés that rival Starbucks's quality and service offering with a unique local 'flavour', established franchised coffee retail stores and convenience store coffee brands such as Seattle Coffee, won't make the entry easy for the global brand.

Look at what happened when Starbucks entered the highly competitive coffee culture in Australia. The strong coffee culture may have accounted for Starbucks losing money in the early years after it opened. Starbucks opened its first store in 2000, it then opened a further 84 outlets before having to close 60 of them because they didn't make money. This was mainly due to consumer preference for local and genuine Australian products versus the coffee menu of Starbucks. Australia has over 10,000 coffee shops and Starbucks had competition that offered a similar product of equal or better quality and, in addition, it had to contend with Australians' preference for local products. Starbucks took it on the chin and adopted the Australian coffee culture - it even exported it! The 'flat white' steamed milk over two shots of espresso is Starbucks's Antipodean addition to their American menu\*.



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The South African coffee culture is in its infancy compared to countries like Australia, Italy and the US; however it is growing as consumers become more open to buying and trying out different coffee beans - and their tastes have become more discerning as they experience better quality coffees. Consumers are also purchasing more coffee grinders and coffee-making machines for use at home; look at the recent success of premium coffees like Nespresso, indicating that a coffee culture is, in fact, slowly brewing.

## Culture is less developed in SA

Because the coffee culture is less developed in South Africa and we are a nation that is open to trial and new experiences, with the wide range of options on the Starbucks menu including personalising your own coffee, local consumers may be more acceptable of the coffee brand than the Australians.

A coffee culture is about a social ritual - a social experience - leaving the office to socialise with great coffee served up with some business on the side or meeting friends and catching up over a café latte. Just good coffee isn't enough, successful coffee shops have to create a total social experience based on attractive and inviting environments, innovative products and the highest quality service.



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While Starbucks' strategy of providing premium coffee that is convenient, with a strong personal service flavour, sprinkled with the 'Starbucks experience' may work elsewhere, will it be enough for South African growth?

Starbucks entry into South Africa is a good thing for consumers, competition raises the bar and, ultimately, all consumers benefit. And if you don't like the coffee, Starbucks makes great milkshakes!

\*Source: [Glenda Kwek, AFP, 25 May 2015, 11:22 AM](#)

## ABOUT MICHAEL WOOD

Michael Wood is co-founder and Director of Aperio, a business consulting company focused on accelerating growth of FMCG brands in South Africa and sub-Saharan Africa. Michael has many years international experience where he held the positions of Marketing Director, Sales Director and Managing Director with the Gillette company and Procter & Gamble.

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