

Delivering Affordable Luxury

Michael Tattersfield, president and CEO, **Caribou Coffee**

By **Abbie Westra**



NAME: Michael Tattersfield

ROLE: Joined Caribou in 2008 as president and CEO

PREVIOUS POSITIONS: COO and executive vice president of lululemon athletica; vice president of store operations for The Limited Brands Inc.; and president of A&W All American Food Restaurants for Yum! Brands

When Michael Tattersfield took the helm of Caribou Coffee in late 2008, the No. 2 coffeehouse company was struggling. Its stock was teetering toward \$1, and the coffeehouse company hadn't made a profit since it went public in 2005.

"We had a simple goal of making \$1 in 2009," he says, "and we made \$5 million." A year later, Caribou doubled that number, and in August the 541-unit chain reported a 4.6% same-store sales increase for the second quarter.

"We're always humble about this. Success doesn't guarantee success, and I'll always remind us of our history. It's not like folks didn't try to do well," Tattersfield says.

But an emphasis on culture and smart marketing often produces success. Caribou last year rebranded, updating its logo, modernizing the coffeehouse's Northwoods-lodge aesthetic and engaging customers to think about what inspires them to get out of bed in the morning—besides, of course, a cup of caffeine.

Internally, that message manifests in an overarching mantra of "affordable luxury"—particularly appealing in today's economy. Coupled with highly specialized coffees, Caribou is delivering meal options anchored by higher-quality ingredients. Recent menu additions include fruit and yogurt smoothies, whole-grain oatmeal and breakfast sandwiches.

Up next is a grilled-cheese sandwich line for the lunch day-part. At press time, these "Grown-Up Grilled Cheeses" (Three

Cheese Classic, Gouda Turkey Pesto, Aged Cheddar Roast and Italian Chicken Melt) were being tested across the country and preparing for a national rollout—"If the timing lines up and the systems are ready to take it," Tattersfield says. "We're privileged enough to be able to say we'll do it or not do it."

Tattersfield spoke with *Fare* magazine about Caribou's corporate rebound.

» With the rebranding behind you, what is your focus today?

The company has been evolving from a coffeehouse business to a branded coffee company, and that forced us to look at the business in different channels (traditional coffeehouses, licensed locations and consumer packaged goods). Those channels are where coffee consumption is occurring ... [and] if you're not in those channels, there's a very good probability that you'll have a customer loyal to another coffee brand—and they will skip you.

» So how does the brand reflect the Caribou experience?

There's a vibe around our brand that's youthful, playful and interactive, trying to connect and engage. We didn't change our retail brand tagline—"Life is short. Stay awake for it."—we just needed to make sure it worked with what we were doing.

But we needed to make sure that people understood it as a very high-quality coffee, and everything we do is going to match up with that. We don't want to cut corners anymore. So we introduce products like a real chocolate that you melt, vs. a pump, which you don't even know if it's chocolate. The industry does that a lot, for cost-control measures. We go through so much energy in sourcing our coffee; can we match it up with a really good chocolate?

It's the discipline of doing everything well. Ultimately consumers choose [whether] it's great or not. I've always learned

From 'Cari-who?' to Caribou

The No. 2 coffee chain's growth plans for the rest of 2011 and the beginning of the new year:

- ▶ Increase penetration in existing markets—where brand loyalty is most promising
- ▶ Open 10 traditional stores and 30 licensed stores
- ▶ Target a 3% to 5% same-stores sales growth for 2011
- ▶ Add another 200 stores to its CPG reach
- ▶ Launch the lunch platform
- ▶ Focus on forward flavors in beverage lines



over time, as long as you have an affordable luxury price point, people are willing to make a decision based on quality. And that's the customer set that we continue to build upon, that gives us credit for what we do.

What I love about our business, where its heritage came from, was being a coffeehouse company. That allows the soul of the company to come through in everything that we do. ... But whenever I've tried to prescribe what fun and quirky is, it doesn't really work. It's a really bad idea. Believe me, I've done it more than once. Instead, you let employees have play and provide the vehicles that are ultimately going to provide the connection.

Our customer base is going to say, "Your quality better be exceptional; that better be a given. But what you do at the store is what makes me come back. What you do with loyalty programs or other things helps me to become entrenched." Customers need to love us, not like us.

» What are your plans for foodservice?

One of the biggest Achilles' heels we had was that our food was mediocre. It just wasn't a good sandwich. ... We spend all of our time sourcing and talking about coffee: We continue to look for more interesting micro-lots, more single-origin coffees. What from that translates to other parts of our business? How does that thinking evolve to your food business, and how do you build from there?

Our goal is to evolve the food attachment rate (percent of transactions that include food). Before we started to upgrade, it was 18%. Can we get it to 30%? Just oatmeal and breakfast got us pretty close to about 24%, so we're on the right track. It's not about, "This one thing needs to sell"; they all need to continue to grow. It just has to be something that is interesting, convenient, easy and affordable—but high-quality. It's an affordable luxury. ■



Recent rollouts from Caribou include (pictured, top to bottom) breakfast sandwiches, the "Grown-Up Grilled Cheese" line, and fruit smoothies.

