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Competition for Coffee Mind Share Heating Up

By Roland Oliphant

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Anna Tsfasman is evangelical about coffee. She can speak at length, without referring to notes, about the attributes of different varieties of beans, the intricacies of the roasting process and the affects of weather on the grind — not to mention the proper way to drink it.

"You don't understand that coffee can be good until you taste one," she said. "I used to think coffee should always be bitter. Then I actually tasted a decent coffee and I'll never go back," she said, before issuing a reprimand for failing to stir and drink an espresso within its one-minute "life span."

An espresso is "dead" after that, it turns out. And failing to stir is a sure sign of a coffee ignoramus.

Tsfasman is managing director of Koffein, or Caffeine, a new coffee shop company that is positioning itself as the "only place in Moscow for ordinary people to get a decent coffee."

The chain's unabashed claim is that Muscovites have been shortchanged for too long by competitors like Shokoladnitsa and Coffee House — which Tsfasman says sell poor quality coffee at unreasonable prices.

People just need to be educated in the way of "coffee culture," she says. Once Muscovites taste the difference, and see the prices — she promises to sell an espresso of superior quality for the same 89 rubles as her two main competitors — she is sure they will come flocking to her.

But can Russians really change their ways?

In 1996, U.S. expat Jerry Ruditser told The Moscow Times exactly the same thing when he brought the Coffee Bean chain to the Russian capital.

Nearly a decade and a half later, his business has experienced only moderate growth, boasting 12 stores in cities across Russia, including six in Moscow, according to the company's web site.

Russians are drinking the black stuff. They are already some of the most voracious coffee drinkers in the world, downing 95 cups each a year — ahead of Saudi Arabia, Mexico and Egypt.

"But 80 percent of that is drunk at home, and most of it is instant coffee," said Svetlana Knyazeva, vice president for franchise development at RosInter, and head of Costa Coffee in Russia.

The capital is bursting with branches of Shokoladnitsa and Coffee House — both home-grown establishments, which dominate the local scene, having 105 and more than 200 outlets, respectively, in and around the capital.

The two chains claim about 60 percent of the market, said Knyazeva at Costa.

Meanwhile the well-established Coffee Mania caters to those undeterred by its 110 rubles per espresso price.

Now an increasing number of both local and foreign players are seeking to "premium coffee" to sophisticated urbanites that like to think of themselves as connoisseurs but don't want to be ripped off.

Koffein, which opened in 2008 and already has 20 outlets in the capital and plans to open several more in St. Petersburg this year, is deadly serious about its evangelizing mission.

It is up against foreign entrants, including Starbucks, which arrived in 2007 and has grown to 43 stores, and Costa Coffee, which opened its first store in 2008 and now has 24 outlets in Moscow and St. Petersburg, including airports.

There's plenty of room for growth. According to Knyazeva, 60 percent of Muscovites visit a coffee shop at least once a week — compared with 40 percent in Britain. But Mexico and South Korea have more per capita outlets than Moscow, she said.

Most of these chains like to describe themselves as "coffee houses" rather than cafes, to underline their emphasis on the primary product and to distinguish themselves from Coffee House and Shokoladnitsa, which serve as much food as they do coffee.

The effort to focus on the quality differentiator means that chains are given to bombastic claims about the superiority of their product and service.

Costa, for example, claims that only one percent of all the coffee grown in the world meets its rigorous quality standards, and that nine out of 10 people in blind taste tests prefer their drinks.

Koffein, the evangelical upstart, retorts that it is the only chain to use a 100 percent Arabica blend, and that all of the bigger chains over-roast their beans.

Starbucks did not respond to requests to comment for this article.

All the serious chains — including Starbucks, Coffee Bean, Coffee Mania and Costa — boast their own "barista academy," where employees are taught how to mix the perfect mocha, understand the taste differences in roasts and how changes in the weather affect the grind. They hone their skills in a crucible of internal and international competitions.

To listen to the coffee shop companies, their bar tenders are entrusted with trade secrets as arcane as freemasons and are as rigorously trained as Special Forces soldiers.

Coffee Mania describes the profession as an "applied science, an occupation that requires constant practice and improvement. Like driving a car, the work of a chef, or poetry."

Costa's bar staffers undergo two months of training to become a barista and six months to make "master."

Koffein boasts that it would rather accept a more modest growth rate versus its rivals than compromise on the year-long training program required of its baristas. "We're not going to sacrifice quality for quantity," Tsfasman said.

"If we have a school, the others have a kindergarten," said Olga Melik-Karakozova, a one-time European and twice Russian champion barista who Koffein has hired to mastermind its quality drive.

But how many ordinary Muscovites are able to distinguish really good coffee from bad? And does your average customer looking for a caffeine hit really care about craftsmanship?

"Of course, they don't," conceded Melik-Karakozova. "But everything we do is about taste. And people know when something tastes nice."

Consistency is also a factor. "You never know how good a coffee you're going to get. In Starbucks, Coffee House or any other cafe, you could have a great coffee one day and a terrible one the next," said Andrei Petrakov, general director of the RestCon consulting company.

The avowed aim of concentrating on coffee alone is not easy. Costa entered the market

determined to set itself apart from Coffee House and Shokoladnitsa by focusing on coffee rather than becoming a pseudo-restaurant, but soon had to compromise.

"Russia has long, cold winters and people like to come in and eat something hot," Knyazeva said. Costa now offers a small range of hot food — as do most of its competitors.

"We're still in an experimental stage, working out what concept is the most effective in this market," she added.

Profitability remains the key driver. "The biggest factor for anyone in the food sector is income — income and habit," Petrakov said.

Habits are changing in the chains' favor — the younger generation goes to restaurants and cafes "about two and a half times more often" than their elders — but the economic question remains.

While Costa targets customers with an average income of 60,000 rubles per month, "the income of Muscovites is still quite low," Petrakov said. "And I'm afraid that until that increases, we're not going to have the potential of growth that could bring us to the level of Paris or Milan."

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