



Starbucks rare in southern Dallas

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At Illinois and Westmoreland, near bustling taquerias and the occasional pawnshop, sits a novelty for Dallas' less-than-affluent southern sector – a Starbucks.

The quintessential symbol of yuppie trendiness remains a rarity in this wide swath south of Interstate 30, where incomes are generally lower and crime often higher than in many neighborhoods to the north.

Starbucks' Web site shows only 11 of its pricey coffeehouses are south of Interstate 30 and within a five-mile drive of southern-sector residents. And only four of those are actually in the southern sector; the rest sit in wealthier nearby cities such as Duncanville, DeSoto and Mesquite.

Meanwhile, the brew abounds north of I-30. Folks who live in the trendy Uptown area just north of downtown can choose from 38 Starbucks within five miles. Other north-side ZIP codes contain as many as 43.

"I noticed it immediately when we first moved down here. ... It was like you couldn't find a Starbucks," said Pete Cosens, who moved from solidly middle-class Addison to southern Oak Cliff in November.

"When I was living in Addison, it became a thing where there was almost one on every corner." In fact, his old neighborhood to the north boasts 28 nearby.

Starbucks won't talk about any plans for adding to its south-side roster. But many residents here seem ready to welcome the chain, along with the chance to splurge on one of modern life's little luxuries, a \$4 fancy cup of coffee.

"I'm very happy this is here," Cesar Rodriguez said recently as he drained the last drops of a Caffé Americano at the new West Illinois Avenue Starbucks, which opened in 2006 just two minutes from his home. "It's so comfortable here. You can take a coffee and surf the Internet; that's a big difference" from less expensive coffee shops.

Long a rarity

Before 2001, finding a Starbucks south of I-30 in Dallas was impossible.

The first one on southern soil opened in March 2001, seven years after North Dallas got the first local shop, at Creek Village in Plano. The southern Dallas store came with an assist from basketball-star-turned-entrepreneur Earvin "Magic" Johnson.

The store co-owned by Mr. Johnson, at Camp Wisdom and Highway 67, is part of his Urban Coffee Opportunities program – a joint venture with Starbucks that has brought more than 70 outlets, mostly to poor neighborhoods such as Chicago's South Side.

Starbucks doesn't deny its north-centric presence in Dallas.

"Our growth has been toward the northern part of the metroplex, you can't deny that," said Gaye Magee, Starbucks' marketing manager for Northern Texas and Oklahoma.

'Transitional' areas

But she hinted that may soon change. "I know South Dallas is a part of the community that there is a focus on," she said, declining to give additional details.

In fact, the number of Starbucks outlets in "transitional" neighborhoods such as the southern sector is on the rise – albeit slowly.

As gentrified tracts draw suburban coffee lovers like Mr. Cosens to homes closer to the heart of the city, and as competition heats up for the premium coffee dollar, observers predict that Starbucks will increasingly be heading to the 'hood.

"McDonald's and Dunkin' Donuts, they might be more aggressive in South Dallas," said Jim Murdoch, a professor of economics at the University of Texas at Dallas. McDonald's added premium coffee to its metro-area menus in March 2006.

And Dunkin' Donuts, which now sells a high-end brew, announced plans last month to open up to 125 D-FW restaurants over the next seven to 10 years.

Such incursions, said Dr. Murdoch, will probably prod Starbucks to compete.

"Starbucks would probably be aggressive in taking them on," said Dr. Murdoch, who has studied development in the southern sector.

The chain has 175 company-owned locations in the Dallas-Fort Worth area – 176 counting the Magic Johnson partnership. An additional 105 stores are run by licensees and are inside other venues, such as groceries and big-box stores.

That brings the Dallas-area total to more than 280, according to Ms. Magee. There are about 10,000 Starbucks nationwide.

Ms. Magee declined to give sales figures comparing the southern sector stores with their northern counterparts, or to say whether southern sales differed.

But Starbucks is hardly the only major retailer eschewing the city's southern side. Mr. Murdoch cites a 2006 study that showed a dearth of grocers as well.

"Retailers left South Dallas [due to their perceptions of] too much poverty, too many other social issues, and the perception that there is no money to be made," said Edward Rincon, president of the Dallas-based ethnic markets research firm Rincon & Associates. "They probably see very little profit potential."

But, he added, that's changing. "You're seeing more retailers moving to those areas now."

Pinnacle Park

A nascent restaurant quadrant – including a Starbucks – is developing at Interstate 30 and Cockrell Hill Road. The Starbucks opened in December 2005, following other pioneers near Oak Cliff's Pinnacle Park development, a retail draw in the southern sector launched in the late 1990s. The 900-acre site had been home to a cement plant.

Brinker International Inc. opened its 1,000th Chili's Grill & Bar outlet across the street from Pinnacle Park in 2004. Whataburger (also in 2004), Panda Express (February) and IHOP (another 2007 arrival) are other occupants near the heavily trafficked corner.

Meanwhile, Starbucks Corp. announced a kind of sea-to-sea blanketing last October. The company raised its long-term global expansion goal to 40,000 stores from 30,000, including up to 20,000 haunts in the U.S.

Some of those stores are likely to find their way to neighborhoods like Araceli Servin's.

Ms. Servin visits the Pinnacle Park Starbucks, three miles from her home near Illinois Avenue, two or three times a week.

"Before, I had to go to Duncanville," Ms. Servin said in an English/Spanish mix. "This is more close. ... I was a lot excited when it opened."

While polishing off a mocha drink in a tall paper cup, the woman said she suspected Starbucks might be hesitant to locate stores in areas "with Hispanic people."

"It's expensive," added her pal Rosario Benavides, "but I like it."

At \$3.45 for a grande (16-ounce) mocha or \$4.20 for a venti (20-ounce) frappuccino, Starbucks is not a blue-light special.

But, says stock analyst Sharon Zackfia, "It's the lowest-ticket luxury item on the planet."

> Ms. Zackfia, with investment house William Blair & Co., sees price as no major hindrance to the company's expansion into more diverse areas.

In fact, Starbucks said it has already broadened its customer base – with more Hispanics, women, and less affluent and less highly educated customers buying its coffee, according to Reuters.

Many of the Magic Johnson sites are in heavily black neighborhoods. Plus, places like the Pinnacle Park store are beginning to profit from suburban transplants such as Mr. Cosens.

"This area is just beginning to go through a rebirth," said Mr. Cosens, predicting that more Starbucks will come. "There are people that have moved here. I know they have a habit just like I do."

"The economics of an area do matter," said Joseph Michelli, author of *The Starbucks Experience*. "You have to have a sufficient number of people who can afford your product."

But, as Ms. Zackfia said: "There are very few people that can't afford a \$4 latte once in a while."

Staff writer Dave Levinthal contributed to this report.