



Stanford eCorner

Subtle Notes of Coffee and Philosophy [Entire Talk]

James Freeman, *Blue Bottle Coffee*

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James Freeman, the soft-spoken founder and CEO of Blue Bottle Coffee, shares his entrepreneurial journey from the farmers' market where he learned commerce in its purest form, to opening cafes across the country. Freeman explains how customer experience is part of a product and shares the inspiration he draws from philosophy, literature and other cultures.



Transcript

Thank you so much. That's so nice. Hi, there. Thanks for coming. It's nice of you to come. And thanks for that nice introduction. We have 22 shops now. So San Francisco, L.A., New York, Tokyo, half a dozen in most. Sorry-- if I stand here, I can see my slides, I can see my notes, I have my remote control behind the podium-- makes me a little more comfortable. So before we start, I thought it would be helpful to give you a little idea of what I thought we should go over today.

I think we should talk a little bit about how Blue Bottle Coffee started, but not too much. A little bit about what I did before that. Not too much. I want to tour-- we'll have a lightning round of slides touring all of our shops, and so that might be fun. Maybe-- I know that the word "case studies"-- I'm familiar with that word. We might have a couple of those. I know that people talk about those two words a lot. And talk about constraints on our growth-- a few things like that. Talk about the product, which is so important. Maybe the most important thing.

The people who make it. There will be a few slides. I'm getting better at PowerPoint, but I'm not that great at it. I was thinking on the ride down about John Cage. Merce Cunningham. Has anybody studied John Cage? Merce Cunningham? Very good. John Cage is a composer. Merce Cunningham is a choreographer. And they would work on pieces that were to be performed together, but they would never put them together until the actual performance. They'd work on them separately.

The music and the dancing would be constructed separately, and then they'd just put them together. I thought it would be such an interesting way of thinking about PowerPoint. I would love to see a presentation where the slides were totally divorced from the content of the speech, and you, the audience, would have to kind of project your own meaning into these divergent things. So it might be a little bit like that. So here we go. Yeah. So, using the word "slides"-- I usually use the word "slides" to refer to playground equipment. So that's kind of where I stand with that. So that's a coffee roaster. It's a Probat coffee roaster.

It's illustrated by Michelle Ott, who used to be our production artist at Blue Bottle Coffee. I started Blue Bottle in 2003. And before that, I was a clarinet player-- I was a classical musician. And that didn't prepare me very well for business. Or did it? And so that's what we'll talk about now. So as a classical musician, as a clarinetist, I basically, from age 12 to age 34, all day, every day, thought about my art. So I thought about getting better at the clarinet. You know, I made a living. I was decent at it. I kind of got the jobs that I didn't want to get, and didn't get the jobs I really wanted.

But it's hard to make a living. And I did some interesting music. I had a dream of how I wanted to sound, but it was very hard to achieve that dream. It was this dysmorphic, sort of a sonic equivalent of anorexia nervosa. I could never really appreciate the work I'd done, or how I'd done it. And the longer that I played, sort of the more lost I became. I had this yearning to make beautiful art, and nothing ever seemed to be beautiful enough. It was a hard way to live. But I had a nerdy little hobby. I would roast coffee on a perforated baking sheet in my oven.

And it was a very, sort of, crude way of roasting coffee. But I loved it so much. It's-- it, you know, obviously filled the kitchen with smoke, and made my ex-wife, who was an opera singer at the time, very angry with me. But I got this idea of coffee being a fresh food. I was a farmers market shopper, and I didn't see coffee being treated in the same very personal way, very fresh way, that these great farmers that I would patronize treated their products. And I thought that was odd. At the time I was doing this-- it was in the mid-'90s, I'm afraid to say. It was a long time ago. You literally couldn't find a coffee produced commercially that had a roast date on it. The major coffee roasters weren't talking about freshness in the way that I really believed was important with coffee.

Because I would drink the coffee I roasted at home. They want it tasted a certain way-- day two, day three-- it had an arc-- it would peak a few days later, and then decline. And that was so exciting for me. That was very compelling for me. And I couldn't understand why the coffee that I liked so much that I roasted at home, I couldn't have that experience of drinking it somewhere else. And so, you know, this idea of being so miserable at what you're doing that you have to find a change-- you have to change something-- that's where the idea of stopping playing the clarinet after so many years and going into coffee-- chasing this nerdy little dream that became more and more crystallized in my mind. Because the farmers market is a great way of under-- if you don't really know business, it's a great way of understanding commerce at a very basic level. You can-- I mean, what do you do? You show up once a week. You give somebody money for something. They give you this thing.

You know, the producer goes back to where they produce it, they farm it, they make it. And they repeat it the next week. They bring it back. You bring back some more money. You know, it's like, you don't need to go to business school to, kind of, understand how that works. So that's what I did. In 2003 I signed a lease-- 186 square feet in the Temescal District, on 51st and Telegraph behind the restaurant Dona Tomas-- a former potting shed. And I got a little roaster that roasted about 7 pounds-- 3 kilograms. And I started doing it. And I didn't realize until I started that really, I should have had more money.

Two credit cards-- two musician's credit cards-- weren't technically enough. You know, there are a lot of things I should have known. But I'm glad I didn't. It's good not to know things sometimes. But what did I do-- I'm going to skip-- oof-- this one, 2002. So that's how many square feet. That's how many kilograms at once I could roast. And that's where I did it. That little potting shed. And you know, what I loved about coffee is, I had this-- such attachment and dedication to the profound as a musician.

As a musician we're constantly being shown the work of the West's great geniuses. That we are exposed to the profound our whole careers. And that's a lot of pressure. You know? The profound is a lot of pressure. And what I realized, that freed me in my life in coffee was, it didn't have to be profound. It just had to be really, really good. And really, really good is rare in the coffee business. It was at that time, and it's still quite rare now, even though it's a little less rare than it used to be. But this being freed from the shackles of perfection was very liberating for me. And I realized that there were certain habits I had as a musician that actually were very helpful for me in coffee.

People think that what musicians do is, they put on their tuxedo and they go on stage and they play their concert and go home. But actually, most of the time what musicians do is, they sit in a room by themselves, with their instrument, doing the same thing over and over and over again, all day, every day, for many, many years in a row. And the task of a musician is to be slightly better at the end of the day than you were at the beginning. This notion of repeating to perfect. Repeating-- repeating, repeating-- to perfect. That was the standard that a musician had. Other internalized standards were, you know, I had the ability to imagine sensory outcomes. As a musician, you're constantly thinking about this sensory experience that you want to provide to somebody. To your audience. And as a musician, you're thinking about service-- being in service to the composer.

Being in service to your audience. So those attributes of being in service, imagining sensory outcomes, of repeating to perfect, actually are very helpful to me, even now. I mean, what do you do when you roast a batch of coffee at 17 minutes? So you can be bored if you're roasting all day for 13 to 17 minutes per batch, or you can be fascinated. Or you can try to make every single batch slightly better than the one before. You can imagine a sensory outcome by cupping the coffee at the roaster. You can imagine sensory outcomes in terms of presenting them to guests. You can be in service of the coffee growers. You can be in service to the people that come into your cafes. You can be in service to the people that are serving our coffee. So all of those attributes actually kind of came in handy.

Surprisingly so. The one thing that I loved about the farmers market is, you go to see Farmer Little at the Ferry Plaza Saturday Market, and he has the best potatoes, and he's got a 10 by 10 easy up, and he has his potatoes under them. You go to see Farmer Olson when it's clementine season, and he's got the best clementines. He's got a 10 by 10 easy up, and he sells them under them. Hamada Farms, it's the same. There's not a lot of marketing budget if you're at the farmers market. There's not a lot of branding that goes on. What are they focused on-- wholly, and primarily-- and that is their product. Their product is absolutely primary. And that was a great lesson for me.

That's how I felt about our coffee. That's how I still feel about our coffee-- is, that experience of drinking our coffee is absolutely primary. There's nothing more important than giving people that experience. Everything else, you know-- sure, we

have to think about how the logo looks, and what color the walls should be, and that kind of thing. But everything is about removing obstacles. Everything in terms of design, branding-- that word-- everything is about removing obstacles to that primary experience of giving people this product. So on that sobering note, I thought we'd take a little tour of our cafes. Have a little break. A little louder, please. Oh, sorry.

OK. Yes, I will. I'm not a mumbler. I'm more of a ponderer, I think. But I'll try my best. So this is a kiosk-- we'll talk about that more. It's-- oh, it's in a garage in Hayes Valley in San Francisco. A little kiosk. That's our shop in Mint Plaza. We'll talk about that more.

In San Francisco. Also open on a piece-mealing alleyway. That's the Ferry Building. It's a busy place. That's our roastery in Oakland. That's our shop on 18th and Florida in San Francisco. That's Webster Street-- W. C. Morse building, upper Broadway-- Oakland's first truck showroom. That is the most beautiful courtyard on University Avenue.

That's our Palo Alto shop. I love that courtyard. Parenthetically, that style of architecture sprung from the 1915 Pan-Pacific Exhibition. It's very interesting history, if you see the Spanish style buildings around town. That's Market Square. Sansome, in the financial district. The old Standard Oil HQ. And that's San Francisco. Then we opened in New York. We'll have more to talk about New York.

That's our roastery. That's in Chelsea. Rockefeller Center. The High Line. Hell's Kitchen. Cobble Hill. Bryant Park. And that's in Los Angeles. That's the roastery there. Arts District.

Abbot Kinney. Beverly Grove. Echo Park. Soon to open in Culver City. And that's Tokyo. Kiyosumi Shirakawa, where the roastery is. Aoyama. And soon to open in Shinjuku. So that's what we've done so far. It's taken 13 years to get that many.

This time next year, we'll have, maybe instead of 22, we'll have 35. That's a fast lightning round. The existing models when I was starting coffee-- there were basically two of them. This is the Peet's location in Walnut and Vine. All the signs and symbols were around buying beans more than drinks. Very, very darkly roasted coffee, scooped out of bins. You know, it was very much about dark roasted coffee. Not so much the flavors of the origin, but the flavors of the roast. There's an art to that, and I'm not disparaging that model. I just wasn't interested in that.

I was interesting in more origin tastes, and I was interested in more layers and differentiation of the tastes of the coffee. The other existing model was sort of this Italian-based-- that's Cafe Trieste-- Italian-based cafe that was kind of messy. When I was starting in coffee, there were-- and there are still many, many cafes like this-- that are just sort of messy. They have, like, a-- they're more places to rent space. They have couches, and messy bulletin boards, and distractions from the coffee, rather than focusing on the coffee. They've got muffins wrapped in plastic. They've got all kinds of-- they've got 20 different fonts on display. You know, that's definitely a model. But I feel like what I was interested in was the product first, and what my task at Blue Bottle-- and our team's task at Blue Bottle-- is, is to focus on removing those distractions. To give people this primary experience of tasting this delicious thing in the best way we can possibly present it.

So when I opened, we did the farmers market, and that got very busy, and it was very fun, very stripped down, you know, no electricity, no running water. So definitely art was about constraints in that way. And so case study number one, I guess you could say, was our kiosk in Hayes Valley. In 2005-- January 23, 2005-- we opened in Hayes Valley. And at the time, that alleyway was a dead-end alleyway that smelled like pee. It was not the most hospitable place to be, but I knew-- the friend of mine owned that building, and I didn't have enough money to open a cafe. And he said, "Wolfe, why don't we do something in my garage?" And I said, "Sure." And that's what we did. And it was very odd. It's still a little bit odd now, but it was a very odd place to open a cafe. But I think about the beginner's luck that that represented.

Had I had more money, I would have felt the pressure to open a more traditional-seeming cafe. But this way, because the architecture was so different-- the way that it subverted the expectations of the guests in an interesting way-- I think it made them more receptive to having a radically different approach to making coffee. We ground everything to order, and prepared all the brewed coffee to order. We didn't have it in urns. We had a six drink menu. No sizes. No flavors. Every milk drink was steamed to order, with latte art on the top. It was very, very different. Had I done market research, I would have asked people questions like, "Oh, do you want to buy a coffee that's roasted lighter than the coffee you say you like? Do you want to pay a little bit more for coffee? Do you want to wait a little bit longer for coffee? Do you want to have fewer choices among drinks, or sizes, or flavors?" And, you know, I would've heard no, no, no, no, no, and no.

But fortunately, I didn't even know what market research was. So we just did what we thought was the most delicious thing we could possibly do. And it worked. It was not so busy at first, but it totally worked. We had the first PID-powered machine in California. PID stands for Proportional Integrated Derivative. It's a way of regulating boiler temperatures to a very, very fine tolerance. And so we were focused on accuracy and consistency. Right now it's much more common to have those machines out now, but at the time it was a little bit of a Frankenstein machine. This guy I knew from the farmers market-- like, he was a

scientist or something-- installed it.

So the fact that the surroundings changed people's expectations for-- and made them more receptive to the coffee we were getting, the products that we wanted to put in their hands-- that was a great lesson for me. People now talk about, like, "Oh, the coffee market's so saturated-- saturated market." And they were talking about it then, too. I love that it's kind of a liquid metaphor, too. Saturated market. But, you know, saturated then, it's saturated now, but it's also-- what else is it saturated with? It's saturated with interest. It's saturated with passion. It's saturated with people trying to do great work. It's saturated with customers. You know, saturated with attention. And also saturated with a lot of models that aren't really executing super well.

So I don't know if there's a generalization that's safe to draw, but I've always, you know, haven't been too bothered about this idea. Saturated market. Here's a story. I was there. Long ago, I would roast coffee and I would bring it over to the kiosk. And I dropped off coffee one afternoon, and I was kind of hanging out in the back, and a couple came. And it wasn't very busy. There wasn't a line. And there's a man and woman, and they were standing-- and the guy, like, looked at the woman he was with. And there's-- you know, there's a pause.

And he said, "I like this place." He was looking around, and his person he was there, like, looked at him, and was, like, "Why?" And he thought for a minute, and he said, "I don't know." And that's so memorable to me. Like, so did that creation of the ineffable. He couldn't put his finger on it. He couldn't say why he wanted to be there, why he liked to be there. That was a very powerful lesson for me. There are so many businesses now that, like, to try to beat you over the head with their message, their brand story. But I think if we leave enough space, people can feel like they can relax and not be-- they're not being lectured at. They can think about it. They can pause. They don't have to be told what to think and how to feel.

I like that. So case study number one. In 2008-- well, to back up, I had a friend, I have a friend, his name is Jay Gummi. He works in Japanese coffee industry for a big company called UCC. I met him at farmers market long ago. And he started telling me-- filling my head with the way that people make coffee in Japan, and the style and the culture of certain places that make coffee in Japan. There's a very old fashioned fusty, dowdy type of coffee house called the Kissaten, and he was talking to me about that. And in 2008, I finally went there. And I went to this place-- I went to a bunch of old-fashioned places-- the Kissaten. And I was totally blown away with just how they did it.

You know, the perfection-- it wasn't my taste, exactly, but the perfection with which they were able to execute their vision, and the very personal vision that they had in these Kissatens, was remarkably inspiring. It was stunning. And the connections with my former life. You know, they had absolutely mastered repetition to perfection. They had absolutely mastered imagining a sensory outcome and duplicating it. It was coherent. It was just this rarefied excellence. There's this word called kodawari, that's a beautiful word, that sort of means the imprint of the founder, the maestro-- whatever you want to call him-- permeates the space. And this idea of kodawari was very strong in these places, and very inspiring to me. Anybody studying Jean-Paul Sartre? Very good.

You're studying? Very good. You're setting a good example. He's a philosopher. I think it's out of his book Nausea. He has a line, "Everything has been figured out, except how to live." Which I think is very inspiring. But the Kissaten, being at the Kissaten, gave me a little glimpse of maybe how to live. It felt like serving coffee was a moral act. It felt like a deep-seated sense of responsibility to the product, and the guest. And the service felt the same as I felt, like, in service to a composer felt. In service to this vision that they had.

So I felt at home in these places. It was very strange to be 6,000 miles away and to feel at home. I'll tell you one story about Hato, this place. Other places do it, too. You see that wall of cups behind the gentlemen there. If you sit at the bar and you order something, first thing he does after he understands the order, he'll look at the wall of cups. He'll look. He'll be, like, "Hm. Hm." And it took me a few times going there to figure out, like, what was he doing? There's 150 cups. Just grab a cup, man.

But he was figuring out, like, in that moment, for my order, for this guest, what is the best possible cup to use in this context? What is the cup that I need to have my coffee in, but don't realize it yet? What is the cup that's going to enhance my experience? And that pause-- I've always loved that pause. It's not very efficient. It is not very efficient. But it's really indelible. It's really, really indelible. And this dedication to experience is something that we talk about a lot at Blue Bottle. Before we talk more about experience, I'd like to talk to you about this idea of-- excuse me-- three words. I was pressed to come up with a mission statement around 2008, and I was resistant. And I had a deadline. I had to go to this meeting, I had to unveil this mission statement-- and I couldn't do it.

I was practicing my excuses, actually, on the way to this meeting. It was, like, well, I was really busy, or I had to do this, or this broke, or this failed. And then I realized that if we just got really, really good at three things, three words-- if we could remember three words-- that would take us a really, really long way. And the three words that I came up with in 2008 are-- oh, they're syncing up-- Deliciousness, Hospitality, and Sustainability. There's other words that we use now, too, at Blue Bottle

Coffee, but those are the heart. Those are the ones. Anybody that works for us, we say that one time, and they remember it forever. They're important lessons. It's not always in that order, but usually in that order. So I like the three words.

We talk a lot about-- oh, and then-- and then, being so inspired by Japanese coffee gear, Japanese modes of preparation, I found a great lease in Mint Plaza in 2008, and in a beautiful building in a horrible, horrible block that's since come up. This gorgeous building. And that was the place where I was able to really explore a lot of my ideas about these Japanese coffee techniques. I didn't want to make it Kissaten, but I wanted to make something that was our expression of it. That was our homage to these ideas about serving Japanese coffee as perfectly as possible. So that's Mint Plaza. Hopefully some of you will drop by. So we talk a lot about experience at Blue Bottle, and the more I do this, the more I realize that this taste of this coffee is negated-- it's meaningless-- if people don't have a good time when they're doing it. That part of our product is the experience that people have while they are drinking it, or before, or after. So thinking very deeply about removing obstacles, about having a great experience, making it clear, making it legible.

I think experience of the totality of sensory and emotional data, both unconscious and conscious that we absorb-- you know, it's the taste of the drink, the sound the stereo makes. It's the anxiety of seeing a word you've never-- that you might not know how to pronounce-- on a menu. Playlists. You know, what obstacles have we removed from people's paths so we don't have to have them think about it? We don't have to trouble them with it. Those-- is it-- is there sincere human interaction? Sincere, warm, helpful human interaction, at every place before people actually need it? Those are the types of experiences we think about that are part of our product. And that's the thing that, as we grow, we have to be very, very assiduous in making sure we're not just maintaining certain standards, but they're improving. There's this word "maintain"-- I used to get asked it a lot. Fortunately, I haven't been asked it in a while. How are you going to maintain your standards as you grow? And there is no "maintain." You can't, like, hold on to this thing. You have to improve as you grow, in order for this whole thing to make sense.

We have to have this idea that we're getting better and better, and we're adding more things. We're being on a wider stage, but we're improving as we go. Because otherwise, that's a horrible way to live. Right? Thinking about, like, oh, remember how great our coffee was in 2014? Oh, yeah, that was really great. Nobody wants to live like that. And I choose not to live like that. So everything we do at Blue Bottle is with the assumption that we can improve the experience and the coffee that people have, as we add cafes. As we add employees. As we add guests. As we add coffee growers.

And then there's moments. Moments, I feel like, are subunits of experience. Moments accrete to form these experiences. It sounds kind of weird. It's a future memory on display when we're thinking about cafe design. I think about, like, little moments that people might have. And there's this philosopher, Henri Bergson. Show of hands? You're my new best friend, Jennifer. That wrote a book called *Mind and Matter* that talks about memory in that way. We don't have to go into that, necessarily.

But it was very interesting for me to see how that is connected. That you can plan, you can premeditate a beautiful experience for someone, and they can have that experience without actually participating in it. If you see a little nook-- you're in line, you see a little nook, you see a cozy place, you see somebody eating an affogato or something delicious, you can have that moment of having a memory of that experience in the future, and that creates a desire. And so this idea from Henri Bergson has been very interesting-- important to me when we're talking about cafe design. To let people see and plan for something beautiful in their future, as well as have something in the present moment. And there's things that we want to get out of people's way. You know, I'm going to have that slide. You know, that's what we're trying to weed away from people's experience. You know, that is a sad face emoticon right there. You know, you've got, like, an empty sugar container.

You've got drips. You've got a dirty glass on the condiment counter. And those are the things-- even if you don't notice it, even if you don't take sugar in your coffee-- you're going to project that moment into your future, too. It's, like, oh-- maybe not consciously. Maybe only subconsciously. But you're going to see that, and you're going to see a lack. It's, like, "Oh, if they can't keep their sugar filled, what else can't they do?" If I'm noticing that, what else is lacking that I'm not noticing? So I stress a little bit about moments like that. We have our successes and our failures, and nobody's perfect, but it's moments like these that I'm working very hard with my team at Blue Bottle to try to weed out. So that's the future. You know, we're working on different ways of experiencing our coffee.

Ways of removing barriers to enjoying this experience of our coffee. This is a shop we're opening in Berkeley, on Shattuck and University. A very busy corner. And what we're experimenting with is this notion of gathering. A counter as a barrier. So how do you remove those barriers? How do you let people interact as they choose with a barista? Sometimes people just want to say the word "coffee" and have somebody make something delicious. Other times, people want to enjoy the process. People want to have a moment of seeing somebody else enjoy the process, and projecting themselves into that future, that possible future for them. So the more we think about experiences, the more I feel like the act of designing a cafe is to strip away-- to remove everything extraneous. To remove barriers from these experiences and moments.

And you can do it yourself. A gentlemen I work with, a very inspiring gentleman I work with-- his name's Arion, and he's our head of store design. When I met him, he gave me a little graph like this. It's called an Emotional Journey map. It's quite

common. It blew my mind, but it's quite common in the design field. This was a little-- I didn't write down the cafe, right? Oh, good, OK. This is a cafe up in Sonoma County that I went to. And all it is is sort of-- it's a subjective emotional map of how I'm feeling at certain points. And if you do this enough times-- I have, like, a little note-taker on my phone, and I do this every so often, still.

You know, it was a bummer of a time. I didn't get my toast. I started out so great, there were cute dogs in front-- you know. But you do this enough times and you realize, everybody does this when they walk into a place. That you do this every time you, like, catch the bus, or you wait for an appointment, you know. There's this emotional journey, this turbulence. Maybe it's on a small scale. You know, at the end of the day, me not getting my toast wasn't that shattering for me. But it was very illuminating for me to do this, and I encourage you to do this yourself if you're interested in any form of retail, any form of experiential pursuits, I encourage you to do this and just see where you are. It was very interesting for me.

You can do it in a large scale, like this, when you go have some retail experience. And then when we were getting our new serviceware made, there's actually a little journey that I projected into the future of guests' experience when we were having it made. The emotional journey that I was thinking of was three steps with this new serviceware. You'll see it in Palo Alto, if you see it. So the first is, if you see the serviceware from a distance, it just looks like white cups, you know. No big deal. White cups. You get closer, and you realize that they're not perfect circles. There's an organic shape to them. They're a little bit more huggable.

They're a little bit more-- you can be-- show more affection to them, I guess. They encourage that, I think-- those organic shapes. What you don't know is that these cups were made for us by a company called Kinto, and the proportion of the cups was exactly to our order. So each cup, to the milliliter, is exactly the volume that we have asked them to make. And so the experience you don't understand when you're interacting with those cups is that the proportions are exactly as we want them. And then the final step is, obviously the cup goes on a saucer, and then you're drinking your cup and you don't see the logo anywhere else. You don't see Blue Bottle-- look over here! We're not grabbing people's attention. But we're allowing them to notice, and hopefully be charmed by, this moment of seeing the logo under the cup, where it belongs. Coffee should be primary. The logo should be underneath.

And so even for something as simple as thinking about serviceware, you can think about so much emotional turbulence, so much journeying, so many stories. I'm wondering if you think it's very exhausting to live with me? Actually, yes. Yes. It is. So that's the end of that experiential part. We walked away from 20% of our revenues last year. Ooh, that got your attention. We used to do coffee wholesale for many coffee companies-- especially very good ones-- that can be 70%, 80% of their revenue. It was never huge for us. It was 20%.

But 20% is not nothing. And I remember this moment-- I was in Los Angeles. I'd stopped at a very good coffee place in Silver Lake, owned and operated by a very good roastery. Had a nice time. Walking back to the car, like, two blocks away, and I see a gelateria. And they say, you know, "Proudly serving this coffee roaster's coffee." And they misspelled the name of the coffee roaster. And, like, their sign was right across the street and down. And to me, that really summed up the perils of trusting somebody else to care about your product. Nobody loves your coffee more than you do. That's just the way it is.

And so with wholesale, I was feeling more and more out of control about the experience that we were giving people. People start with the best of intentions. Nobody signs up with a coffee roaster with the intention, oh, we're going to serve your coffee horribly. You know. Nobody has that intention, but that's how it works out, because if you stop caring just for a little, little bit, then all hell breaks loose sometimes. And you get stuff like this. We confiscated that from a wholesale account. And people just freelance your logo, and anyway, it seems to be much more shocking to me than to you. But trust me, it was a horrible sign that we did not want out in the world. So we made a decision, a tough decision to walk away from wholesale-- walk away from 20% of our revenue in the service of our future guests.

In the service of the growers of our coffee. In the service of the people who are producing our coffee at our roasteries-- in our four roasteries. So we don't do that anymore. And it's been great. It's allowed me to focus. That made my life a little happier. It's been great for everybody who works at Blue Bottle to just focus in. It's been a real point of pride with people who have been around the coffee industry for a long time, and know the perils of coffee roasting for wholesale. It's been a real point of pride that we don't do that. Has anybody ever read *The Myth of Sisyphus*, by Camus? Very good.

Hands are shooting up left and right. And that's kind of like-- that's kind of what it's like in wholesale-- coffee wholesale. You know, the boulder always crashes down. And, you know, you train people, you hope for the best, but at the end of the day, the boulder always crashes down. Camus' point was that Sisyphus was basically a very happy man because he knew what the task ahead was. But for me, it's like, I could never-- I could never really get there. So let's see. I don't want to talk forever. So we had a couple acquisitions, we've had a couple funding rounds. Just to go over those closely.

So the history of that. In 2008, there was a small minority investment, and I worked with a very smart, insightful gentleman

named John Eastburn that worked for Colbert Ventures. That was a little bit of my graduate school, I guess you could say. I was introduced to Colbert Ventures by a nonprofit-- an Oakland nonprofit that I have a lot of affection for, called Inner City Advisers. They match up growing businesses with pro bono business advice. Literally, when I met with Inner City Advisers the first time, I did not know what P&L stood for. Profit and loss. Very good. And then there was a larger round in 2012. That's where I met my business partner, Bryan Meehan, who's now the executive chair of Blue Bottle Coffee.

Also, a Stanford graduate-- business school graduate-- David Bowman, who is now the CFO and COO-- he's got a lot of letters, David does. And so that has really helped us. Helped me kind of step back from the financial part, from the fund raising part, from the "stuff I won't do" part, and concentrate on things like spending a lot of time on serviceware, spending a lot of time on store design, spending a lot of time on how the coffee tastes. Really focusing. Because the one thing is, I take this very personally, as you might have noticed, because it's personal. I started it in 186 square feet, and I basically did everything. I designed a lot of the shops. I still have a lot of input in the design of the shops. I remember-- my son used to-- my son Dasheill is 12-- and he used to come with me. He used to tag along.

And, you know, just, like, little things. Like, those are the approved plans from our roastery in 2009. There's this health inspector in Alameda county-- I won't say his name, although I am tempted to-- and it was just so grueling, it was so brutal. I had to call in every favor, everything I could do to get those plans passed. So when we got those plans passed and we could-- had permission to build our roastery, it was an amazing moment. And so my family has shared in those moments from the very beginning. And even though we have 22 now-- we might have 35 this time next year-- it feels no less personal. And so on that note, I want to talk about constraints on our growth. There's a composer named Brian Eno. He has a great line.

"Any constraint is part of the skeleton that you build the composition on, including your own incompetence." And that really struck me when I read that. I think he's very smart, and a good writer. And the first 10 years of Blue Bottle, the formative first decade, you could say, we're really built around my own incompetence. My failings around not being capable of making certain compromises, not being too devoted to efficiency, the quirks of my taste, the insistence on finding an underlining narrative around everything we were doing. About having a deeply personal level of control over, hopefully, what is a charmingly didactic tone of voice-- all of these eccentricities and missteps kind of became sort of our founding path. And they filled our shops. They made us interesting to guests. And so the question, you know, we're facing, I'm facing, and those of us at Blue Bottle who are working on growth are facing, is, like, how do you scale incompetence? How do you scale inefficiency? You know? That's a real challenge for me. As we add smart, accomplished, pedigreed, experienced people to our growing business, there's a temptation to do the things that smart, accomplished, pedigreed, experienced people do them. Which is to say, not the way I'm used to doing them.

And so that's my quandary. How do I make a case for the illogical? How do I advocate? How do I be an advocate for the incompetence that got me here talking to you at Stanford University, without fatally hampering the financial or operational success of our business? Charting a path forward that improves the experience of our future guests, but still keeps this idea that everything is not perfect in terms of the functioning of the business. That it should not be perfect. That perfect is-- that sheen of perfection-- is one step away from premeditation. Which is one step away from staleness. And so, yeah, our guests are counting on us to be better and better every year. And how do we do it? That's the question. I'm not sure. I do know that doors open for us. They have for the last 13 years, and probably for the next 13, I happily suspect.

But I have gotten used to solutions presenting themselves at just the right time. Doors open at just the right time. There's an author I love. His name is Marcel Proust. He wrote a novel, a very long novel, called In Search of Lost Time. Jennifer-- hands up? Yes. You know that? Very good. Anybody else? Show of hands? Hm. Anyway, in the second volume there's a great passage that really gave me hope when I came across it. It's-- speaking of doors opening-- it's-- the passage goes, "But sometimes illumination comes to the rescue at the very moment when all seems lost.

We have knocked on every door and they open on nothing, until, at last, we stumble unconsciously against the only one through which we can enter the kingdom we have sought in vain for 100 years. And it opens." And that image really stuck with me. And, so hopefully, with all of our team's help, and a little bit of help from Mr. Marcel Proust, we will continue to figure out how to scale incompetence in an interesting way. Thank you. All right. There's questions and answers. Yes-- first hand shoots up. How about you? So first of all, I really like your coffee. Thank you.

[INAUDIBLE] So I was wondering, you know, the first time [INAUDIBLE] coffee I wanted to go back to your website and write a review about the coffee, on the website-- rate the coffee, so that others can see how I felt about the coffee, and then read somebody else's comment about it. Hey, I like Twinkle, you know, I liked Three Africans, right? So when I went to your website, there was no way, because you really emphasize on product and [INAUDIBLE], right? Right. There was no way for me to, like, actually figure out how to direct [INAUDIBLE] that your website, that how can somebody else talk about that Three Africans, or Twinkle, or, you know, Beta Blanco [INAUDIBLE] right? So what's the plan? How do you incorporate that kind of experience? Because that would directly feed you what people are thinking about the coffee. Are they going to Yelp and writing about it, right? Oh, Yelp. Don't get me started. Yeah. You have any plans of doing that? Could you repeat the-- Yeah, yeah. It's

a very interesting question. So we have a gentleman who's very interested and passionate about our coffee, which I think is really lovely. And he was saying, why don't we have a mechanism on our website whereby he can write a review of that coffee, or others can? Or he can read the reviews written by others.

[INAUDIBLE] rate your coffee. Oh, rate them. Yes. Multiple ways [INAUDIBLE]. What's the plan? Mm-- what do you think? No. I'm deeply, deeply interested that you have a great experience with your coffee. If you do not, and you email support and you say, "Ah, this Twinkle thing, I hated it." They're going to apologize, and they're going to get some coffee to you that they think you're going to like. And that, to me, is critical, the-- this exchange. The cacophony of online reviewing? That seems like something that I don't really understand, or-- frankly, I would die a little bit if, like, I saw, like, these streams of reviews that we couldn't control, or edit. Obviously I want to make everybody happy.

But I want people to talk to us about it. So that's just my cultural issue with that idea of online reviews. It's not disparaging your need for that, and, you know, that is a miss, that we can't provide that for you. But I don't think, in terms of engineering resources, that that would be the top of our list, to do that. Sorry. Try a couple more. Yep. Yes-- anybody else? I just want-- I don't want to, like, have all the fronts. OK. But I will.

OK-- you. Yes. OK. So you were talking about how you don't do wholesale coffee anymore. No, we don't. Or yes, I was. This way I can, like, walk over to our Y2E2 and I can make a little, like, [INAUDIBLE] coffee [INAUDIBLE]. Right. So since the surrounding experience is such an integral part of your coffee philosophy, how do you reconcile yourself to have already made coffees, or, like, venues that might not be like Blue Bottle? Oh, yeah. So the question is, we have these very cute little cartons of our New Orleans-style iced coffee that are in many, many Whole Foods and other places, and cafeterias, and we're soon to release a black coffee.

So for me, the critical distinction is, we're not trusting anybody to make that coffee. We're not asking anybody, here are the rules for preparing it. You have to stick to the rules. What we're doing is, we're saying, this is a product we totally believe that's just as delicious as what we get in our shops. And why shouldn't you go to Whole Foods and buy it, so you can have an awesome trip to the beach? You know, it's a way of scaling exactly our intentions. Obviously we have to trust that the checker at Whole Foods is going to be nice to you-- you know, there are things that are out of our control. But the primary participation in the product is, in fact, 100% under our control, provided they get it to you during the date that they should get it, and they don't leave it in the hot sun-- you know, like, all those basic things that we can trust Whole Foods to take advantage of. So in my mind, it's a very critical distinction between trusting somebody else to make something for a guest under our flag, or a product that we have absolute control over. Last question? Or is-- Yeah. One more.

OK. You've been very persistent. All right. Very few companies have the attention to detail in terms of the product that you do. And I was wondering what you think might inspire more companies to try and have that same pride in their product that you do? I feel like everybody-- Could you just repeat that-- Oh, sorry, sorry, sorry, thank you. Yeah. So you very nicely mentioning that he thought we had a lot of attention to detail, and that-- and if I'm understand your question correctly, why do you think others don't have as much? I don't think anybody admits, like, ah, I don't care about the details. You know? And in point of fact, that slide that I showed to you shows you that we are not in control of everything I would like to be in control of, in terms of that dirty cup and the sugar being out. Although we try our best. So I think everybody tries hard to have attention over details.

Everybody says it's important. But do you invest in it? Do you have processes in place to execute it? I think that's the critical difference, is the investment and the energy. I don't think it's about the intention. OK. Thank you very much, James. Thank you.