

The Emperor of Espresso

Andrea Illy of Italy's illycaffè has a fanatical devotion to quality and a passion for expanding the company's coffee brand across the globe.

by Sharon Shinn

It wouldn't be surprising to learn that espresso, not blood, runs in Andrea Illy's veins. In 2005, the chairman and chief executive officer of illycaffè, based in Trieste, Italy, took over operations in the company that his family has run for three generations. His degree in chemistry, earned from the University of Trieste, enabled him to develop an almost clinical appreciation of the makeup of the coffee bean. In 1995, he co-wrote *Espresso Coffee: The Science of Quality* with a handful of other specialists. In short, coffee is at the center of his professional life.

That life has been as rich and satisfying as the perfectly brewed cup. While he spent some time at Nestlé, Illy has been part of his family's operation since 1990, first working as a quality control supervisor, then as managing director, before ultimately taking the top spot. Quality remains one of his primary focuses, and the company is legendary for putting coffee beans through more than 100 tests before determining they are good enough for the company brand. Illy's grandfather invented the first automatic espresso machine, and the company still looks for ways to improve brewing methods. Illy's obsession with quality has helped earn the company outside validations, including the Qualité France label, as well as ISO 9001 and 14001 certifications.

While the quest for perfection in a demitasse cup is not conducive to rapid global growth, illycaffè has been gradually finding its aromatic way to different parts of the world. The brand can now be found in nearly 150 countries and is continuing to expand. Recently, illy espresso bars went up in China, where tea has long been a staple beverage, and in the U.S., where Starbucks is a powerful competitor. Even in markets such as these, Illy hopes to lure customers intrigued by the illycaffè ambience and the pure indulgent flavor of the illycaffè brew.

Realizing that a business education would prepare him for global expansion, in 1993 Illy attended the master executive program at the Bocconi Business School in Milan. He also has important yet simple lessons to share with business students to help them prepare for their own careers: Commit yourself to a unique product, always care about quality, and never stop learning.



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You're a third-generation business owner and coffee purveyor, running the business that your grandfather started. What still works the way it did when your grandfather started the company? What doesn't?

The philosophy is the same, and so are the mission and the passion. The company was founded on the idea that we would produce the best coffee in the world, and we have always tried to do it. That obsession is still the same.

What is changing, of course, is the level of technology, the number of people involved, the competition, and the size of the business.

Something else that remains the same is the involvement of the family in the business. Your father is honorary chairman, and your brother and sister are on the company board. What would you tell business students who are planning to take over the reins at their own family businesses?

A family business has three advantages. First, there is the transfer of know-how from parent to child. Second, there are the strong values that family members usually embody. And third, in order to make the family business long-lasting, there are long-term goals.

What I did was practice for the job I have now. I worked directly in various operations, I ran projects, and I got to know people. And I've done my part to transfer knowledge to the next generation by writing a book on the chemistry of coffee.

No doubt you learned a great deal simply by being part of the family business for so long, but you also attended an executive education program at Bocconi Business School. Why did you find it helpful to learn the more theoretical aspects of business?

I think there are two types of managers: those who are basically theoretical, and those who are basically pragmatic, who gather knowledge through day-to-day experience. Mixing the two approaches provides a good balance. I always attempt to apply the theories I've learned to practical situations. As often as I can, I take business school courses, and when that's not possible, I read books.

What can business schools offer to executives at your level?

More and more, business schools are organizing themselves around thematic programs. For instance, in Italy there is a trend for business schools to offer courses on a very specific topic, such as the food business. Usually these programs

significantly adapt general management principles to the specific sector, which I think is very good.

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Business schools are very focused on globalization, which is one of illycaffè's strengths. Since you've taken over the company, you've expanded the brand to more than 100 countries. What market was the most challenging?

Japan! There is a lot of protocol in Japan. There are many countries where you really need to know the business etiquette, but that is particularly true in Japan.

What advice would you give to students who will be taking jobs with companies operating in other parts of the world?

You need to be very open-minded about other cultures. If you draw too much on your strong European or American culture, you may find yourself clashing with people in other countries. You really need to be a citizen of the world. You need to complement this mental attitude with a specific study of the anthropology and the traditions of the populations you will encounter in the new country.

In some countries, the people are definitely nationalist, and you are not respected unless you speak the local language. You should know enough of the language so that you can speak it for, let's say, 30 percent of your conversation. That is particularly true if you want to be successful in business in France or Germany. If you have to switch to English when the conversation is technical, you will be respected because you have at least tried to learn the language.

As you've expanded into the U.S. market, you've chosen to associate with elite retailers, such as Whole Foods and Williams-Sonoma. What advice would you give to business students who will be taking positions where they will be marketing elite and luxury items?

I prefer to talk about a high-end product instead of an elite or luxury product. "Luxury" might be confused with something that is opulent, whereas high-end products typically are of very high quality, resulting from a tradition with a certain savoir faire. These products also tend to be culturally hip and have an emotional connection with their consumers. So emotion, culture, tradition, and quality are the

four pillars of a high-end product. If you don't have all of these, it's better not to try to sell in this market.

In Italy, we also like to call this "altagamma"—in fact, I'm vice chairman of Altagamma, an association of Italian companies that operate in the high end of the market.

It would seem that this "altagamma" attitude is one of your greatest strengths as you position yourself against coffee giant Starbucks. Do you believe you're going after the same customers? And if you are, how do you differentiate illy and Starbucks in the minds of customers?

There's natural differentiation because illy is unique. Illy is the sole roaster in the world producing only one coffee blend—we are the specialists of espresso. We have been the missionaries of espresso around the world. In many cases, we were the first coffee producers to enter a market. We

in all the elements of the value chain. Another secret is innovation—this will be radical innovation if you're lucky, but it can also be incremental innovation that reinvents products that are already present in the market. You can also look at innovation in communication, in pricing strategy, or in distribution strategy.

But if you don't have a unique product to market, you have no chance of survival. A marketing expert, Jack Trout, wrote a book called *Differentiate or Die*. Differentiating is not even an option now. You *must* be unique.

Let's shift the focus a little to business school. With your background in chemistry and R&D, I'd think you would bring an unusual perspective to the business classroom. If you were teaching a course, what would you most want your students to learn from you?

My experiences. And maybe the way I model. Being a

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would be followed by our Italian colleagues, and then by local competitors. Eventually there would be an espresso market in countries where it was not present before.

Italy is considered—for good reason—the country of coffee, because coffee consumption started in Italy three and a half centuries ago. We are Italian, we are a family business, and we are small. I don't see any problems perceiving the difference between illy and Starbucks.

You've certainly managed to impress the business press with your ability to differentiate your product. You were named a Marketing Superstar by Advertising Age in 1996. What do you think are the secrets to great marketing?

Marketing is a word that is immense—it involves everything. It certainly envelops technology development, product development, and all of a company's values.

One secret to great marketing is consistency over time



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chemist, I am keen to create models, so whatever I learn, practical or theoretical, is converted into a model. Sometimes I take cross-models to make a supermodel, and this is a skill I think I can teach. The idea of modeling is something I try to transfer to my colleagues and my team.

When you're hiring recently graduated business students, what skills and strengths do you look for?

A passion to learn. Overextension as an attitude. Courage and loyalty. Also, of course, I want them to think about what it means to be a novelty. To be different. I want them to think outside of the box.

Finally, let's take a look ahead. What are your goals for the future?

To keep learning and to keep improving as a consequence of learning. I also want to maintain illycaffè as the leader of quality in coffee culture. ☑