

A close-up photograph of a tall glass filled with golden beer and a thick, white head of foam. The glass sits on a light-colored wooden tray. The background is a warm, blurred orange-brown color.

NOON SERVING

by Carol Tice

How Seattle's business innovation shaped the city - and the world.

One of Seattle's earliest businesses was equipping 1880s miners headed up to the Klondike. Looking at the record number of construction cranes dotting downtown Seattle today, it's clear the gold rush is on again - but now, people come to stay.

The city's key industries are diverse, from aviation to retail to technology. But all the top companies share a proven success formula: offer useful products people need, treat workers well and add a twist of innovation. "They are not inventors, but perfectors," says Leonard Garfield, executive director of Seattle's Museum of History and Industry (MOHAI).

Seattle businesses attract creatives with an irresistible combination of great jobs, outdoor amenities and a progressive workplace culture that now includes a \$15-an-hour minimum wage. Great companies are the driving engine that grew Seattle into a booming creative mecca, and their forward-thinking CEOs - especially Microsoft's Bill Gates and Amazon's Jeff Bezos - are the city's rock stars.

Business innovation arrived in three waves: early successes that launched 80 years ago or more; innovators of the 1980s; and disruptors of the internet age. Here's a look at how the most important Seattle companies grew, and how they continue to shape the city's future.

The builders

Before The Boeing Co, company historian Michael Lombardi notes, Seattle was a logging hamlet. William E Boeing changed that when he founded his commercial aircraft company here in 1916, just two years after the first ever commercial flight.

"Seattle and Boeing grew up together," Lombardi says. As Boeing's fortunes rose and fell, so did the city's.

During the early 1970s, Boeing saw a big government contract end, and Seattle unemployment shot to 17%. One wag posted a billboard that read, "Will the last person leaving Seattle - turn out the lights."

Boeing bounced back, thanks to its diversity. While most aircraft firms specialize in commercial planes, spacecraft or military projects, Boeing pursues all three, Lombardi notes. As China and other Asian nations visited to purchase planes, Seattle became a more international city. Today, Boeing has roughly 80,000 local employees, and the 20 to 50-year production timeframe for airplane models means Boeing brings economic stability to the region, he notes.

Another constant presence is 116-year-old Nordstrom. The chain grew to nearly 350 stores by making shopping special, with live piano music, in-store restaurants and legendary sales staff, who meticulously note and remember customers' preferences.

"Nordstrom made Seattle the customer-service capital of the United States," says Robert Spector, a longtime local business observer who has authored books on Amazon and Nordstrom, including The



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Nordstrom Way to Customer Experience Excellence (Wiley Sept 2017).

Ever an innovator, Nordstrom jumped into e-commerce ahead of competitors, in 1998. Last year, the company brought its store experience and website together with a Reserve & Try feature, which lets customers choose items online to try on at their local store.

A top Seattle style-setter, Nordstrom added more than a dozen exclusive labels to its remodeled downtown flagship store last year, including Louis Vuitton and Beyoncé’s Ivy Park. Nordstrom is one of the last department store brands to retain leaders from the founding family, notes author Spector. He says their success stems from the Nordstroms’ habit of making each new generation start on the sales floor.

While Nordstrom gave Seattle fashion flair, REI served rugged outdoor explorers. Founded in 1938, the company’s flagship store on Seattle’s Capitol Hill was a popular early tourist attraction for its then-rare selection of affordable mountaineering gear, says Alex Thompson, REI’s vice-president for brand stewardship and impact.

Today, REI doesn’t just sell gear – it’s about getting people outside, offering more than 250,000 outdoor classes annually, Thompson notes. The company’s new Force of Nature initiative facilitates women-led outdoor events, and is prompting gear-

makers to design with women in mind.

With its co-op ownership model and commitment to sustainability, REI is about more than profits. An example: after opening a zero water and energy-use distribution center in the Arizona desert last year, the company made the plans public, so others could use them. Spreading the gospel, many former REI execs now lead other Seattle outdoor organizations such as The Mountaineers, while former chief executive officer Sally Jewell served as Secretary of the US Department of the Interior.

“There’s a strong correlation between working at REI and going off to do great things,” says Thompson.

The innovators

Seattle’s over-dependence on Boeing jobs ended in the 1980s, after Bill Gates and Paul Allen brought their software startup to town. When Microsoft Windows was introduced in 1983, it became an instant hit, ushering in the age of the personal computer. In 1986, the company settled into its Redmond campus, which now employs more than 46,000 people. Along the way, the ‘Microsoft effect’ brought affluence to the Eastside, which grew its own downtown in Bellevue.

“When I arrived in Seattle in the late 1970s, before Microsoft took off, it was still just a big town,”

says Spector. “Now it’s a medium-sized city.”

One thing this chilly city loves is coffee. Howard Schultz saw Seattle’s potential for an Italian-style coffeehouse scene and bought the original Starbucks store in Seattle’s Pike Place Market in 1987. Suddenly, Seattleites couldn’t get to work without a \$5 latte.

“I think the brilliance of Howard Schultz,” says MOHAI’s Garfield, “was that he took a prosaic item – regular coffee – and made it an essential luxury, and something that people are passionate about.”

While Starbucks exported Seattle coffee culture to more than 22,000 locations around the globe, the company also raised the bar on employee benefits. The chain offered full health benefits to part-timers in 1988, and added college scholarships in 2015. From recycled cups to ethically sourced beans, Starbucks strives to do well by doing good.

The disruptors

As the 21st century neared, a new breed of entrepreneurs arrived in Seattle. Leading the charge was former Wall Street internet project manager Jeff Bezos, who thought consumers would buy products on the internet.

From its first book sale in 1995, Amazon.com touched off an online shopping revolution. Locally, Microsoft executive Rich Barton would follow suit,



Clockwise: the Starbucks Roastery in Seattle, Seattle's Museum of History and Industry, an REI outdoor class and Microsoft's Pride Parade in Seattle

spinning travel-booking website Expedia out of Microsoft in 1999, and co-founding real-estate site Zillow in 2006.

Amazon would also foster a new, results-oriented corporate culture that became the norm for local tech startups. Sure, kayak to work, bring your dog, and work when you want - as long as your projects get done. "My team set their own schedule," says corporate communications manager Sam Kennedy.

It must be working: today, while many traditional retailers struggle, Amazon is hiring 100,000 more workers nationally. Locally, its hiring boom is single-handedly spiking home prices.

As Microsoft reshaped Seattle's Eastside, so Amazon's sprawling campus is transforming the once-industrial South Lake Union neighborhood north-east of downtown. Google is building a major branch office nearby, and restaurants, condos and shops have sprouted.

In all, Seattle's companies bring the practical, progressive lifestyle not just to the city but to the world, says MOHAI's Garfield. Visitors fly home in Boeing planes, on which they're served Starbucks coffee. Often, they're wearing Nordstrom dresses or hauling an REI backpack, while they shop on Amazon or use Microsoft Office on their laptops.

"Every iconic Seattle company is about our lifestyle, ethic and culture," he says. "It's hard to think of another US city where you can say that."



The first ever Starbucks store at Pike Place Market in downtown Seattle and (inset) Starbucks co-founder Zev Siegl



AIM FOR THE STARS

Starbucks co-founder Zev Siegl on giving the world a caffeine kick.

If it wasn't for a particularly bad cup of coffee in Seattle in 1970, the founders of Starbucks might not have added it to their list of entrepreneurial ideas as they brainstormed new careers. Since then, the company has grown to 25,000 locations worldwide. The Drum's Lisa Lacy recently caught up with one of the brand's co-founders, keynote presenter and mentor Zev Siegl, to find out how Starbucks evolved from a single coffee bar in Seattle - and why the city was the perfect place to start one of the world's biggest brands.

On the origins...

"In 1970, the co-founders were friends who were not completely happy with the work they had in their lives. We'd have lunch and talk about the possibility of starting a company. One day, we were talking over lunch and had a particularly bad cup of coffee and we started talking about how it just doesn't have to be this bad. During that conversation, it came out that two of us had purchased gourmet coffee in other parts of the country just to see what good coffee tasted like. My personal policy is that any business idea you can think of is the perfect idea until you find out why it's not, so that's how we operated. It started just like all of our great ideas - we started researching and never found out why coffee wouldn't work."

On the branding...

"The logo was developed by a wonderful guy named Terry Heckler, who still has an agency in Seattle called Heckler Associates. He and his team came up with the twin-tailed siren from ancient times and it was reputed to have enormous powers of attraction - more than a single-tailed siren - and it made a wonderful image.

"Even when Starbucks was a local company in Seattle, one partner, Gordon Bowker, was the genius behind the management of the brand. From the first day, Gordon, along with Terry Heckler, made sure we managed the brand very carefully. At the time it was a little company in Seattle with six stores, but we were running it like it was GM."

On Seattle...

"Seattle is a great place to try to get a company going, whether it's based there or serving a global market. There are so many support systems - government programs that provide counseling, angel groups and also the VC community. There's just a cauldron of interest in startups. If you're at a party with some people you don't know in the Seattle area, what do you do? You say, 'Well, I'm starting a tech company that will do X, Y, Z,' and everyone is fascinated to find out about it. If you do that in DC, they think you're crazy."