

Thank You





**Starbucks Coffee
Company:
Transformation and
Renewal**

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History



- In 1971, Gerald Baldwin, Gordon Bowker, and Ziev Siegl opened a small coffee shop in Seattle's Pike Place Market

- Their goal was that Starbucks would be people's third destination spot: home, work, and Starbucks where people can relax and enjoy a cup of coffee

- Coffee fanatic Howard Schultz convinced Starbucks founders to sell him the company a few years later

- "By 2002, Schultz had unequivocally established Starbucks as the dominant specialty-coffee brand in North America."

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Summary

- Three components to Starbucks' branding strategy: the gourmet imported coffee, "customer intimacy," universal atmosphere
- Stores are located in busy places like retail centers, office buildings, and university campuses
- "Just say yes" policy
- The two main components of the growth of Starbucks are retail expansion (16 weeks to build and begin operating a new store) and product innovation (new product developed every 12-18 months)
- Starbucks doesn't have one customer profile but appeals to all sorts of customers
- The Starbucks stored-value card (SVC), also known as a gift card, was launched in 2001 and has been a huge success



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Dilemmas and Issues

- Not always meeting customers' expectations regarding customer satisfaction
- Service speed should be under three-minutes



- There is barely any money spent on advertising and not even a marketing department forcing every department to add marketing responsibilities
- “Lost the connection between satisfying our customers and growing the business” - Day
- By opening stores so close to each other, Starbucks is constantly cannibalizing other stores but sometimes can be a benefit

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Stakeholders



Both the
company as a
whole and
shareholders are
at risk

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Threat of New Entrants

- Even though costs of coffee are high, the quality is appealing to customers
- Even if another coffee shop opened up, there are so many Starbucks in high traffic places that the little coffee shop is not a threat

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- Starbucks is so successful that they do not even need to spend money on advertising

Power of Buyers

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- In 2002, 62% of all Starbucks transactions were from customers that visit 8+ times/month and has only increased since then
- Wide customer base - not just for a specific type of person but for everyone of all ages

Threat of Substitutes

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- While there are many substitute products for Starbucks coffee, so many people enjoy Starbucks and continue to visit Starbucks. Revenue continues to increase, therefore the desire for Starbucks is much larger than for substitute products