

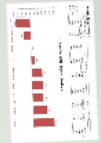
Starbucks: A Story of Growth

The Rise of Competitors Thecasesolutions.com

The "Starbucks Effect"

By 2006, there were approximately 24,000 specialty coffee establishments in the U.S.

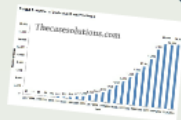
60% were independently owned and operated



Selling Through Mass Distribution Channels

- In 1996, Starbucks started a wave of growth by:
 - Selling Starbucks products through mass distribution channels
 - Dramatically expanding its retail footprint
- New partnerships with Pepsi-Cola North America and Dreyer's Ice Cream

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Financial Crisis

- In 2008, finances declined to the worst they had ever been in company history.
- Schultz returned as CEO
- They were forced to close 1,000 stores.
- Came up with a strategy to reduce operating cost.

New Growth Initiatives

- In 2010, Publicly announced intent to terminate its 12 year exclusive relationship with Kraft
- This gave Starbucks the chance to have complete control over promoting instant coffee
- Released Starbucks VIA in 2009
- VIA was only sold in company stores at first, they then expanded distribution to 37,000 grocery, mass merchandise and drug store outlets in the U.S.
- Sales topped \$235 million after the first year

Coffee Equipment Company

- After Schultz returned as CEO, he started using a machine in stores called the Clover
- He then acquired the company that created it, Coffee Equipment Company (CEC)
- "The message of confidence that Clover's acquisition would send to partners, customers and shareholders, reassuring everyone that Starbucks was once again committed to decisiveness and coffee innovation"

- Single serve brewing machines started to become widely available in 2005
- Consumers liked how fast and convenient the machines were
- In 2011, Starbucks signed an agreement with Green Mountain Coffee Roasters to sell K-cup versions of Starbucks coffee and tea

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- Founded in 1971 in Seattle, Washington
- Was created with the aim to roast and sell great coffee
- By 1982, 5 retail outlets
- Acquired by Giornale in 1987 and recreated existing stores with the Starbucks name
- 1996, had more than 1,000 stores and their famous logo was created. Targeted wealthy and highly educated professional workers.

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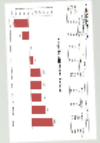
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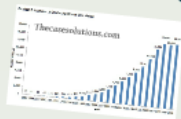
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Partnerships & Licensing Agreements

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-In 1998, they created a long-term and exclusive licensing agreement with Kraft Foods.

- Distribution
- Marketing
- Advertising
- Promotions

-Beginning in 1995, Starbucks expanded product distribution through various licensing agreements

Expanding Retail Stores

Schultz understood that customers don't always know what they want or need

The expansion of the company required operational changes

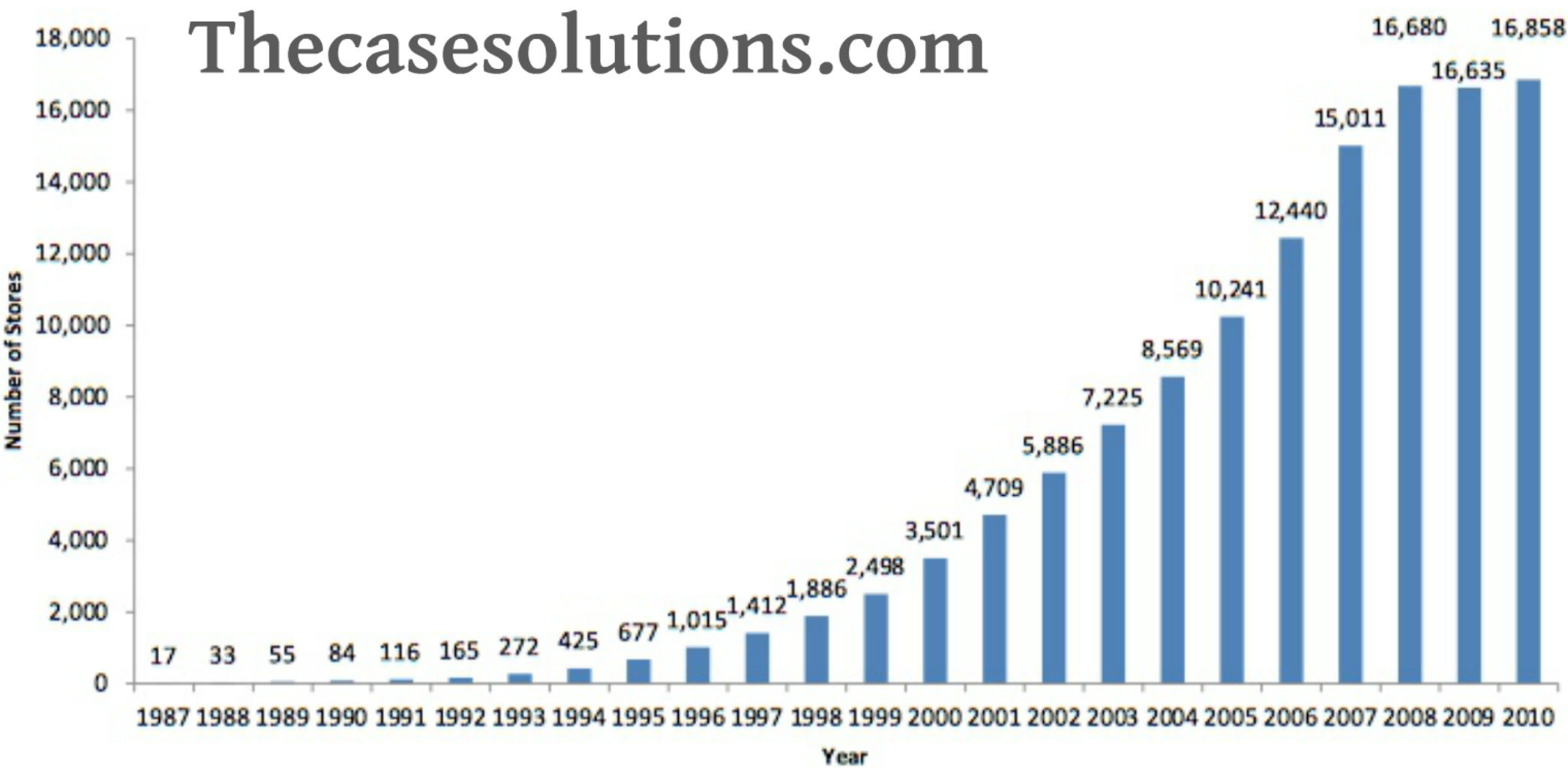
Growth exposed weaknesses in operations and supply chain management

- In 2008, a store only had a 35% chance of getting what it asked for on time and intact

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Exhibit 2: Number of Starbucks Stores Worldwide

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The Rise of Competitors

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- 60% were independently owned and operated