**Marketing Strategy Case Studies**

**The Starbucks Experience**

Support Materials

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The purpose of these support materials is to provide a range of information and basis for discussion/activity. Please select, add to/edit the material as required.

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**Synopsis**

Starbucks is the archetypal success story of the American capitalist dream. From humble beginnings in 1971 as a Seattle coffee store, it’s now a multinational with over 21,000 outlets in 63 countries. Its brand is universally known.

**HOW DID THEY DO IT?** Starbucks’ success owes a lot to the vision of its guiding light, CEO Howard Schultz, who preaches an almost evangelical brand of caring capitalism, at the same time focusing relentlessly on the customer experience. Overseas expansion, acquisition, partnerships, brand-stretching, social media, and new channel development have been key planks of the Starbucks strategy. A key goal has been to go ‘beyond coffee’, to diversify into new areas. They put a lot of stress on caring for their staff and the in-store atmosphere. They want customers to feel it’s “their Starbucks”.

**GOOD CITIZEN?** CEO Howard Schultz talks about creating “a philosophically different business” but is it really? Critics point to low pay and scheduling pressures for staff, tax avoidance and, above all, the pittance developing world farmers receive for the coffee beans.

Worksheet

*[please edit this to suit your needs; Answers At The End]*

**A. Play the introduction and the first section*.* Stop at the section *Specialty Coffee* then answer the following questions.**

1. Give some basic facts about Starbucks.

2. What’s the medical consensus on the health effects of coffee?

3. When was London’s first coffee house opened?

4. What famous London institution started life as a coffee house?

5. Why has coffee “a dark history”?

6. What is the estimate of how much goes to a coffee farmer for every £1 spent in Starbucks?

**B. Play the section *Specialty Coffee*** (stop at section *Building The Brand*) **then answer the following questions.**

1. What was the mainstream coffee product in the 60s and 70s?

2. What year was Starbucks founded? What were they selling?

3. Who was the person who transformed Starbucks into the business it is today?

4. What was his prime influence in shaping Starbucks?

5. In 1987 there were………. Starbucks stores. 10 years later there were………

6. When did Starbucks come to the UK?

**C**. **Play the section *Building The Brand*** (stop at the section *Design & Atmosphere*) **then answer the following questions.**

1. What more do Starbucks sell than coffee and food?

2. What does it consist of, apart from the products they sell?

3. What is the barista’s key task (as far as customers)?

4. Who, in Schultz’s view, is the most important person to hire (more important than Marketing Director)

**D**. **Play the section *Design & Atmosphere*** (stop at the section *Beyond Coffee*) **then answer the following question.**

1. How did Starbucks try to seem ‘small’ to customers?

**E**. **Play the section *Beyond Coffee*** (stop at the section *Channel Development*) **then answer the following questions.**

1. What was a key part of Starbucks’ growth strategy?

2. Name the other key strategy and what it means.

3. Name two ways Starbucks tried to move into selling new products

4. Why did Starbucks drop the word ‘coffee’ from its logo?

**F**. **Play the section *Channel Development*** (stop at the section *Smart Marketing*) **then answer the following questions.**

1. What do we mean by Starbucks’ ‘channel development’?

2. Name some of Starbucks’ other channels

3. How does Schultz see the future for channel development?

**G**. **Play the section *Smart Marketing*** (stop at the section *Cult Of The Entrepreneur*) **then answer the following questions.**

1. What form of marketing did ‘The Starbucks Experience’ best lend itself to?

2. What other ‘word of mouth’ type media do they find successful now?

3. What is the name for the internet forum they created to get customer feedback?

**H**. **Play the sections *Cult Of The Entrepreneur* and *Good Citizen?*** (play to the end of the film) **then answer the following questions.**

1. Schultz took a back seat in…….. He returned in…..

2. What kind of business has Schultz said he want to build?

3. When and why was the Starbucks Workers Union formed?

4. What was the criticism against Starbucks in UK?

5. Name other criticisms made of Starbucks

**General Questions & Discussion Topics**

1. Having watched the film are you more, or less, likely to go into a Starbucks?

2. Is Starbucks ‘a philosophically different company’? If not, what would a truly philosophically different company look like?

3. Is there a conflict between pursuing growth and good citizenship?

4. What are the dangers and rewards of ‘brand stretching’? Think of other brands that have been ‘stretched’.

5. How important is design and atmosphere in a coffee bar? What other factors bring the customers in?

6. Starbucks now has competitors on the High Street. Identify as many competitors as you can, analyse how their offer compares to Starbucks’.

7. Think about and analyse the options for Starbucks in terms of future marketing strategy. How can it keep its position as the world’s biggest coffee house chain?

8. Think about and analyse whether the ‘names on cups’ initiative has worked well or not for Starbucks.

9. Analyse the effect and effectiveness of the Starbucks mission statement. How could it be improved or rewritten?

## *“…to inspire and nurture the human spirit – one person, one cup and one neighbourhood at a time.”*

Background Information & Links

Marketing/Building The Business

# Starbucks CEO Howard Schultz on Globalizing Coffee and Changing the World

[**https://www.youtube.com/watch?v=nxzNMSwCKzs**](https://www.youtube.com/watch?v=nxzNMSwCKzs)

# I Dreamed Big Dreams (Howard Schultz)

[**https://www.youtube.com/watch?v=60S6L20AlbM**](https://www.youtube.com/watch?v=60S6L20AlbM)

# Howard Schultz: 6 Habits of True Strategic Thinkers | Inc. Magazine

[**https://www.youtube.com/watch?v=Q5Djl9\_Xc3w**](https://www.youtube.com/watch?v=Q5Djl9_Xc3w)

Schultz talks about the “courage” of doing instant coffee thing.

# Starbucks' CEO Talks Business

<https://www.youtube.com/watch?v=83yInyY1KLs>

Schultz talks “love” and “profit not everything” (to get the right people you need humanity) 7.48

# Starbucks CEO on opening in India

# (also comments on tax avoidance issue)

<https://www.youtube.com/watch?v=gGl-kr7LXf0>

Dangers of stretching the brand:

<https://thebrandbuilder.wordpress.com/2011/01/10/starbucks-managing-a-brands-expansion-part-2/>

<http://www.marketingweek.com/2014/10/31/starbucks-to-put-ecommerce-on-steroids-with-mobile-delivery-service/>

<http://www.marketingweek.co.uk/sectors/food-and-drink/news/starbucks-to-bring-wireless-charging-to-europe/4010819.article>

‘Strategic mistakes’:

<http://www.forbes.com/sites/panosmourdoukoutas/2014/05/19/is-starbucks-about-to-make-another-strategic-mistake/>

General marketing strategy:

<http://thelincolnite.co.uk/2014/06/key-elements-starbucks-marketing-strategy/>

<http://www.forbes.com/sites/walterloeb/2013/01/31/starbucks-global-coffee-giant-has-new-growth-plans/>

Social media:

<http://www.digitalsparkmarketing.com/creative-marketing/social-media/starbucks-marketing/>

Design

<http://www.fastcodesign.com/3034441/starbucks-secrets-to-make-every-store-feel-unique#1>

Healthy Options

<https://eatingrules.com/starbucks-food-healthy-options/>

<http://realfoodfamily.com/homesteading/travel/beware-of-starbucks-refreshers/>

Charity/Community Initiatives

<http://www.marketingweek.co.uk/news/starbucks-joins-homeless-charity-initiative/4006246.article>

Tax avoidance

<http://www.waronwant.org/media/avoiding-avoidance-government-tax-plans-wont-tackle-amazon-google-starbucks>

How Starbucks defends attacks on tax avoidance:

<http://www.starbucks.co.uk/our-commitment>

Ethics/Fair Trade

# 2009: ethical points, Fair Trade, environment: again: “Scale for good”

# What Goes Into Making a Starbucks Coffee?

# <https://www.youtube.com/watch?v=DHKtKF-e42M&list=PL17809C8492698B5A&index=4>

# 2009: ethical points, Fair Trade, environment: again: “Scale for good”

Criticism of Starbucks

<http://sweatfreehouston.wordpress.com/tag/corporate-social-responsibility/>

Starbucks is likely the most skilled green washing multi-national corporation in the world. They do as little as possible when it comes to treating coffee farmers justly but they blow the tiny bit of their responsible behavior all over the place and pretend they care about their suppliers when in actuality they are nothing better than slave drivers.

Criticism of staff pay and benefits:

Starbucks in India:

<http://www.mirror.co.uk/news/world-news/starbucks-paying-staff-25p-an-hour-1429212>

# Darkest Starbucks Secrets

<https://www.youtube.com/watch?v=1gBM4ciJ5Oc>

good for info on some critic points

# Starbucks Barista Confronts CEO with Hard Truths

[**https://www.youtube.com/watch?v=yvz5axPwIPs**](https://www.youtube.com/watch?v=yvz5axPwIPs)

For illustrating worker discontent.

Starbucks Sugar Content

<http://www.theguardian.com/business/2016/feb/17/cafe-chains-selling-drinks-25-teaspoons-sugar-starbucks-costa-coffee>

<http://www.bbc.co.uk/news/uk-35599402>

Starbucks Sexism In Saudi Arabia

<http://www.bbc.co.uk/news/blogs-trending-35588987>

Starbucks In Italy

<http://www.theguardian.com/business/2016/feb/29/taking-the-plunger-starbucks-to-open-first-store-in-italy>

<http://www.bbc.co.uk/news/magazine-35728428>

**Answers**

Worksheet

*[please edit this to suit your needs; Answers At The End]*

**A. Play the introduction and the first section*.* Stop at the section *Specialty Coffee* then answer the following questions.**

1. Give some basic facts about Starbucks.

World’s largest coffee chain. Over 21,000 outlets in 63 countries. Employs over 160,000 people, average age 25. 50 million customers a week. Over 87,000 drink combinations. Since 1987 opened 2 stores a day on average. 2.3 billion paper cups a year, over 93 million gallons of milk (that would fill 155 Olympic swimming pools). Sales (2014) $15 billion.

2. What’s the medical consensus on the health effects of coffee?

A mildly addictive drug, stimulant to the nervous system, not proven to be harmful.

3. When was London’s first coffee house opened?

1652

4. What famous London institution started life as a coffee house?

Lloyds Insurance Company

5. Why has coffee a “dark history”?

It was a major crop worked by African slaves, transported to the Americas from the 16th to the 19th century.

6. What is the estimate of how much goes to a coffee farmer for every £1 spent in Starbucks?

Less than 1p.

**B. Play the section *Specialty Coffee*** (stop at section *Building The Brand*) **then answer the following questions.**

1. What was the mainstream coffee product in the 60s and 70s?

Instant coffee

2. What year was Starbucks founded? What were they selling?

1971, coffee beans

3. Who was the person who transformed Starbucks into the business it is today?

Howard Schultz

4. What was his prime influence in shaping Starbucks?

The Italian coffee house culture

5. In 1987 there were…17…….Starbucks stores. 10 years later there were……1400.

6. When did Starbucks come to the UK?

1998

**C**. **Play the section *Building The Brand*** (stop at the section *Design & Atmosphere*) **then answer the following questions.**

1. What more do Starbucks sell than coffee and food?

‘The Starbucks Experience’

2. What does it consist of, apart from the products they sell?

The service, the atmosphere (or ambience)

3. What is the barista’s key task (as far as customers)?

To ‘surprise and delight’, to exceed customer expectations

4. Who, in Schultz’s view, is the most important person to hire (more important than Marketing Director)

Head Of Human Resources

**D**. **Play the section *Design & Atmosphere*** (stop at the section *Beyond Coffee*) **then answer the following question.**

1. How did Starbucks try to seem ‘small’ to customers?

They gave local design teams more scope to design stores, make every store unique, reflecting local cultures: ‘mass customization’

**E**. **Play the section *Beyond Coffee*** (stop at the section *Channel Development*) **then answer the following questions.**

1. What was a key part of Starbucks’ growth strategy?

Expansion overseas: sell the same products to new people

2. Name the other key strategy and what it means.

‘Brand stretching’: sell more products to the *same* customers

3. Name two ways Starbucks tried to move into selling new products

Acquisitions and partnerships

4. Why did Starbucks drop the word ‘coffee’ from its logo?

To fulfil the new strategy: ‘beyond coffee’: selling a wide range of other products and services.

**F**. **Play the section *Channel Development*** (stop at the section *Smart Marketing*) **then answer the following questions.**

1. What do we mean by Starbucks’ ‘channel development’?

Selling products outside its conventional outlets, the stores.

2. Name some of Starbucks’ other channels

College campuses, hotels, trains, supermarkets, internet, smartphones.

3. How does Schultz see the future for channel development?

A rapid migration away from ‘bricks and mortar’ commerce to mobile phone purchases.

**G**. **Play the section *Smart Marketing*** (stop at the section *Cult Of The Entrepreneur*) **then answer the following questions.**

1. What form of marketing did ‘The Starbucks Experience’ best lend itself to?

Word of mouth

2. What other ‘word of mouth’ type media do they find successful now?

Social media

3. What is the name for the internet forum they created to get customer feedback?

My Starbucks Idea

**H**. **Play the sections *Cult Of The Entrepreneur* and *Good Citizen?*** (play to the end of the film) **then answer the following questions.**

1. Shultz took a back seat in……. 2000. He returned in….. 2008

2. What kind of business has Schultz said he want to build?

A ‘philosophically different business, benevolent employer and member of the community – building the kind of company our parents never got to work for’.

3. When and why was the Starbucks Workers Union formed?

In 2004, to address complaints of low pay and lack of benefits

4. What was the criticism against Starbucks in UK?

They paid UK zero corporation tax.

5. Name other criticisms made of Starbucks

Health concerns over food, monopolising market, forcing smaller coffee houses off the high streets. Quality of coffee, exploiting the coffee farmers.

**ENDS**