

## **Case Application Planning – Starbucks Planning**

All managers plan. The planning they do may be extensive or it may be limited. It might be for the next week or month, or it might be for the next couple of years. It might cover a work group or it might cover an entire division or the entire organization. No matter what type or extent of planning a manager does, the important thing is that planning takes place. Without planning, there would be nothing for managers to organize, lead, or control.

Based on Starbucks' numerous achievements, there's no doubt that managers have done their planning. Let's take a look.

### **Company Goals**

In 2016, Starbucks had over 31,000 stores in more than 70 countries. The company continues to add stores, planning for 30,000 worldwide by 2019. Of the planned expansion, 2,500 new stores will be added in China. Starbucks successfully opened a new type of store in Seattle that combines a roastery along with a café. It is set to open a similar facility in New York City, which will be the company's largest store yet at 20,000 square feet. CEO Howard Schultz said, "In New York, we want to take elements from what we originally created and build something even bigger and bolder, celebrating coffee and craft in a completely unique and differentiated way."<sup>1</sup> Starbucks' financial goals are ambitious, including revenue growth of 10 percent to 13 percent and \$30 billion in annual revenue by 2019. In addition to the quantitative/fiscal goals, Starbucks focuses on continuing to develop new coffee/tea/juice/bakery products in multiple forms and staying true to its global social responsibilities. Starbucks' ambition is to rank among the world's most admired brands and enduring companies through its "laser focus on disciplined execution and robust innovation" and to maintain Starbucks' standing as one of the most recognized brands in the world.

### **Company Strategies**

Starbucks has been called the most dynamic retail brand over the last two decades. It has been able to rise above the commodity nature of its product and become a global brand leader by reinventing the coffee experience. Over 60 million times a week, a customer receives a product (hot drink, chilled drink, food, etc.) from a Starbucks partner. It's a reflection of the success that Howard Schultz has had in creating something that never really existed in the United States—café life. And in so doing, he created a cultural phenomenon. Starbucks is changing what we eat and drink. It's shaping how we spend our time and money.



During a presentation at the Starbucks biennial investor conference, CEO Howard Schultz stands before a large photograph of the first Starbucks Reserve Roastery & Tasting Room. With the first store opened in Seattle, the Roastery is an innovative concept that integrates coffee roasting, coffee education, a café, a restaurant, and a retail store that features the Starbucks small-lot Reserve coffee line. Starbucks' expansion plan to open 100 more Roastery stores throughout the world will help the company achieve its financial goal of reaching \$30 billion in annual revenue by 2019.  
Source: Ted S. Warren/AP Photo

Starbucks has found a way to appeal to practically every customer demographic, as its customers cover a broad base. It's not just the affluent or the urban professionals and it's not just the intellectuals or the creative types who frequent Starbucks. You'll find soccer moms, construction workers, bank tellers, and office assistants at Starbucks. And despite the high price of its products, customers pay it because they think it's worth it. What they get for that price is some of the finest

coffee available commercially, custom preparation, and, of course, that Starbucks ambiance—the comfy chairs, the music, the aromas, the hissing steam from the espresso machine—all invoking that warm feeling of community and connection that Schultz experienced on his first business trip to Italy and knew instinctively could work elsewhere.

As the world's number one specialty coffee retailer, Starbucks' portfolio includes goods and services under its flagship Starbucks brand and the Teavana, Tazo Tea, Seattle's Best Coffee, Starbucks VIA, Starbucks Refreshers, Evolution Fresh, La Boulange, and Verismo brands. Recent product introductions include a Cherry Blossom Frappuccino®, a single-origin coffee from Indonesia, and a Chocolate Cookie Dough Cake Pop.

Here's something you might be surprised at. You can expect to get carded at your neighborhood Starbucks soon. What? Starbucks is making a more intentional move into wine and beer sales. The company tested the concept at a single Seattle store in 2010 and now offers alcohol at 26 locations, where store sales have shown a significant increase during the time of day when alcohol is offered. The "Starbucks' Evenings" concept offers selected adult beverages (beer and wine...tailored to regional taste preferences) and an expanded food menu after 4 p.m. So, the plan is to roll out Starbucks' Evenings to thousands of stores over the next several years.

Starbucks' loyalty program continues to distinguish it from competitors, and it is an integral part of the company's growth strategy. Its My Starbucks Rewards™ has almost 12 million active members with more than \$4 billion loaded onto the cards. And the company has made a huge investment in mobile payments, accounting for more than four million transactions every week in the United States. Its Starbucks Card apps for Android phones and iPhones have been hugely popular. The company also announced enhancements to its loyalty program by offering a new prepaid Starbucks Card. Cardholders can use the card anywhere Visa cards are accepted, and earn two "stars" for every dollar spent, which they can redeem for beverage or food items at any Starbucks store. In addition to building customer loyalty, the company states that expanding the program "is just the beginning of Starbucks opening up its digital ecosystem as well as extending its payment platform."

Starbucks' primary competition comes from quickservice restaurants and specialty coffee shops. McDonalds, for one, has invested heavily in its McCafé concept, which offers coffee, real fruit

smoothies, shakes, and frappés. And there are numerous specialty coffee shops, but most of these tend to be in local markets only.

### **Discussion Questions**

1. Make a list of Starbucks' goals. Describe what type of goal each is. Then, describe how that stated goal might affect how the following employees do their job: (a) a part-time store employee—a barista—in Omaha; (b) a quality assurance technician at the company's roasting plant in Amsterdam; (c) a regional sales manager; (d) the executive vice president of global supply chain operations; and (e) the CEO.
2. Discuss the types of growth strategies that Starbucks has used. Be specific.
3. What competitive advantages do you think Starbucks has? What will it have to do to maintain those advantages?
4. Do you think the Starbucks brand can become too saturated—that is, extended to too many different products? Why or why not?
5. What companies might be good benchmarks for Starbucks? Why? What companies might want to benchmark Starbucks? Why?
6. Describe how the following Starbucks managers might use forecasting, budgeting, and scheduling (be specific): (a) a retail store manager; (b) a regional marketing manager; (c) the manager for global development; and (d) the CEO.
7. Describe Howard Schultz as a strategic leader.
8. Is Starbucks “living” its mission? (You can find the company mission on its website at [www.starbucks.com](http://www.starbucks.com).) Discuss.

### **Notes for the Case**

Information from Starbucks Corporation 2015 Annual Report, [www.investor.starbucks.com](http://www.investor.starbucks.com), April 2016; J. Jargon, “Starbucks to Expand Customer Rewards Program Beyond Its Coffee Shops,” *The Wall Street Journal* online, [www.wsj.com](http://www.wsj.com), March 23, 2016; A. Medhani, “‘Evenings’ at Starbucks: Coffee Shop to Sell Wine, Craft Beer, Small Plates,” *USA Today* online, [www.usatoday.com](http://www.usatoday.com), August 18, 2015; L. Burkitt, “Starbucks to Add Thousands of Stores in China,” *The Wall Street Journal* online, [www.wsj.com](http://www.wsj.com), January 12, 2016; L. Patton, “Starbucks Plans to Open Biggest Store in Its History in New York,” *The Wall Street Journal* online, [www.wsj.com](http://www.wsj.com), April 6, 2016; R. Dooley, “Will Starbucks Alcohol ‘Infect’ Other Products?”

www.forbes.com, April 9, 2014; V. Wong, "What to Expect from Starbucks' New Booze Menu," www.businessweek.com, March 20, 2014; C. Cain Miller, "Starbucks and Square to Team Up," New York Times online, www.nytimes.com, August 8, 2012; R. Ahmed, "Tata Setting Up Starbucks Coffee Roasting Facility," www.online.wsj.com, July 26, 2012; B. Horovitz, "Starbucks Rolling Out Pop with Pep," USA Today, March 22, 2012, p. 1B; Starbucks News Release, "Starbucks Spotlights Connection Between Record Performance, Shareholder Value, and Company Values at Annual Meeting of Shareholders," news.starbucks.com, March 21, 2012; D. A. Kaplan, "Strong Coffee," Fortune, December 12, 2011, pp. 100–116; J. A. Cooke, Editor, "From Bean to Cup How Starbucks Transformed Its Supply Chain," www.supplychainquarterly.com, Quarter 4, 2010; R. Ruggless, "Starbucks Exec: Security from Employee Theft Important When Implementing Gift Card Strategies," Nation's Restaurant News, December 12, 2005, p. 24; and R. Ruggless, "Transaction Monitoring Boosts Safety, Perks Up Coffee Chain Profits," Nation's Restaurant News, November 28, 2005, p. 35. 1 L. Patton, "Starbucks Plans to Open Biggest Store in Its History in New York," The Wall Street Journal online, www.wsj.com, April 6, 2016.