

Starbucks

*Moving Onward*

Matt Gardner

COMM 3520

Utah Valley University

### Abstract

The ensuing case study will identify the problems currently facing Starbucks, and outline a plan on behalf of Starbucks that will allow the company to regenerate and revive itself as the leading destination for all coffee connoisseurs around the world. Background information will provide vital information that will pinpoint the major complications and problems that prompted Starbucks to waiver with its continual growth and expansion. Even more, the study will feature firm goals and objectives that will be backed up by strategies and tactics that can help Starbucks regain their footing in this industry. Other tools such as calendaring and budgeting will ensure that the plan will be implemented appropriately, timely, efficiently, and within a prescribed budget. In addition, the case will use communication confirmation and evaluation methods to conduct a post-mortem on the identified plan and enable learning from the experience.

## Starbucks

The purpose of this paper is to highlight in detail the existing state of Starbucks juxtaposed with the current deteriorating market situation and the average market shares. This case will display a plan that will recapture company values, customer excitement, product innovation, raise revenues, and increase stock share value and equity. Specifically the plan will evaluate the background of the company along with external factors. Furthermore, primary and secondary research has been assembled stipulating Starbucks' existing condition.

### **Background**

#### **Primary Research**

The primary research was based on two parts. First, a visit to a local Starbucks in order to personally observe whether or not Starbucks was able to carry out the effective emotional experience that Starbucks considers part of their brand. This mainly consists of making their customers feel at home with exceptional customer service and new communal spaces. The second part of the primary research was observation of the customers at the Starbucks to see how they felt about their personal experiences dealing with Starbucks' customer service and the store environment.

These first-hand experiences at Starbucks may prove as valuable as other Starbucks customers. Thoughts and reactions of Starbucks were exactly what was anticipated. Right when people stepping foot into Starbucks they were greeted by a certain type of customer – namely young adults who appeared to be intentionally ignoring anyone and everyone around them, absorbed in their own lives.

Everyone seemed to be affected more by other customers' behaviors rather than the establishment itself. People were supposed to be enveloped by all the wafting coffee bean

aromas, friendly customer service, and a unique store design, instead the customer appeared not to notice the smell of coffee and there wasn't any visual friendly customer service. Instead, it was with trepidation that people approached the front counter after seeing a student attempt to ask the very questions I was intending to ask. The cashier appeared to be a bit disinterested, even annoyed, by the questions, so I ended up just sitting down to observe others. Watching the customers go through the line it was striking how quick the line was moving, noticing that this came at the expense of the lack of interaction between the customers and baristas.

There was a long communal table that occupied the main space of the store that created an interesting phenomenon. Instead of bringing people together, people seemed to be extra uncomfortable, and it seemed to be making it hard for people to look around. If a person decided to look up they would be looking at the other person square in the face. Perhaps that is why costumers were acting a bit cut off and distant. Starbucks' aim of trying to get people to feel that they are part of community ironically appeared to create social awkwardness instead.

Starbucks' goal in creating the new store design concepts backfired. Granted, it may have to do with the community here that is ultra-reserved. Starbucks should pay close attention to what certain communities like and don't like in terms of seating arrangements. On a final note regarding customer experience, Starbucks should cater more to certain community ideals. Orem is the prime example – a high percentage of citizens in Orem do not drink coffee, therefore, it seems that Starbucks could see a potential revenue boost if they would serve specific products that suit the community better, e.g. new creative forms of Hot Chocolate. People would be more apt to go to Starbucks if they had a wider variety of non-coffee beverages.

Upon listening to three other customers' experiences at Starbucks. The first customer spoke specifically about how displeased he was with the customer service provided by

Starbucks. He mentioned that when he asked one of the Starbucks employees about some general questions, that Starbucks employee said that he/she didn't have the time to answer any of his questions.

The second customer alluded to the same feelings mentioned above about the communal seating arrangement. She personally felt that communal sitting only makes it more obvious that people don't want to talk to others they don't know, no matter the seating arrangement.

The final customer spoke about going to a different Starbucks located in American Fork. She felt that the Starbucks experience largely depends on which store you go to. Her experience in American Fork mirrored more on the side of Starbucks' vision – great customer service, friendly environment, and high quality coffee.

Based on these four individual observations and experiences from Starbucks, three main ideas are revealed. First, a positive or negative experience at Starbucks may be directly tied to the way they choose to design their seating arrangements. Therefore, it is imperative to know your customer in each geographical demographic. Second, customer service is and will always need constant upkeep in maintaining customer satisfaction. Third, like unto the first, focus on community demographics, specifically community requests such as Orem not drinking much coffee compared to other cities around the world, and therefore create new and exciting non-coffee drinks.

## **Secondary Research**

**The External Environment:** 2008 was a jarring year economically – many banks, businesses, and individuals around the nation began to feel the real strain of the global financial meltdown which didn't come at a cheap cost, and caused everyone to tighten down on spending. Personal earnings were lost, and the subprime mortgage debacle came bursting out of its seams

causing the Federal government to bailout the government-sponsored entities Freddie Mac and Fannie Mae to the tune of \$200 billion dollars. Even more, the investment bank Lehman Brothers went bankrupt and American International Group (AIG) required a bailout by the Federal Government, A positive upside of 2008 was the continuance of high- tech internet companies that have continued to strengthen with the likes of the blogosphere and social media outlets like Facebook and Twitter. In addition, the presidential elections were alive and well between Illinois Senator Barack Obama and Arizona Senator John McCain. Senator Obama won the election becoming the first black president of the United States of America.

**The Industry:** With success comes competition, and by 2008 the coffee industry became inundated with a plethora of coffee shops that were unabashedly targeting Starbucks customers. “Multinational corporations to independent coffeehouses – swept into the marketplace and targeted Starbucks” (Schultz, introduction). Indeed, coffee is a driving global industry which has many lives invested into pushing the coffee bean as “one of the world’s most valuable ‘soft’ commodities and among the largest food import in many developed counties” (Chaddad and Boland, 2009, p. 654). Furthermore, Starbucks chooses to use a certain type of coffee bean called Arabica over Robusta. The Arabica coffee bean is commonly accepted to be of higher quality, “Arabica coffee beans are used for higher-grade coffee and account for 60% of total world production” (Chaddad and Boland, 2009, p. 654). Starbucks is aware and troubled that farmers are often caught between a rock and a hard place, and many coffee farmers do not see the fruit of their labor. “Too often the money that the consumer spends to buy coffee never even makes it to the farmer, but rather gets unfairly distributed among a thicket of middlemen” (Schultz and Gordon, 2011, p. 288). Starbucks has joined forces with the likes of Fairtrade and Conservational to better care for Starbucks farmers.

**The Client:** Howard Schultz is a byproduct of the American dream. Schultz grew up in New York City and upon completing his college degree in Marketing he accepted a job offer back in 1982 for a company named Starbucks located in Seattle, Washington. Starbucks started back in 1971 and in 1987 Starbucks was on the market looking to sell its company. Schultz, with the aid of a few investors, helped in purchasing Starbucks and renamed it to Il Giornale. Shortly after, Schultz renamed it back Starbucks.

Over a decade Schultz managed to take Starbucks from being an 11 store/100 employee company to what it is today, “Starbucks has more than \$10 billion in annual revenue and serves nearly 60 million visitors – a week in 16,000 stores in 54 countries. More than 200,000 people whom we call partners, represents Starbucks” ” (Schultz and Gordon, 2011, p. 288).. Starbucks is the first company to ever offer its employees, “both comprehensive healthcare coverage as well as equity in the form of stock options to part-time workers” (Schultz and Gordon, 2011, p. xviii).

**The Product, Service, or Issue:** Starbucks’ real go-to product and service is directly tied back to the year 1982 when Schultz experienced firsthand what coffee was all about in Milan, Italy. Coffee is a craftsmanship combined with theater to create a feeling of community. This craftsmanship begins with the coffee bean known as Arabica combined with a commitment to high standards of ethics within the field of coffee manufacturing from start to finish. Starbucks has joined the likes of Conservation International, Fairtrade, and C.A.F.E to ensure that the highest forms of ethical standards are being practiced within the Starbucks workplace. Other products that Starbucks sells are Frappuccino’s, muffins, sandwiches, fruit, and tea. Moreover Starbucks offers free Internet access, books, CD’S, DVD’S and music apps.

**Promotion:** Starbucks has an annual promotion code that allows customers to get a 10% discount of their next purchase by signing up for the Starbucks store newsletter that keeps

customers up on the latest Starbucks drinks, including any news or events that Starbucks may be a part of. Starbucks also has created a card loyalty program that gives customers the opportunity to earn points that allows them to get a free drink of coffee and a meal. The points are earned by purchasing Starbucks products. Furthermore, Starbucks regularly will do promotions on their Twitter feed. For example, the public can go and download songs that go to charity such as AIDS victims.

**Market Share/Situation:** Starbucks is one of the leading competitors in the coffee industry that aims to seek to increase its overall market share. However, with the economy taking a turn for the worse combined with steep competition, Starbucks faces many challenges. In particular, the likes of Dunkin' Donuts, McDonalds, and local coffee shops attempt to steer the competition away from Starbucks. Currently Starbucks' average customers have dropped from, "460 in 2005 to 400 in 2007" (Forbes, 2010, para. 3). Overall, "Starbucks market share still holds strong despite a lagging economy and stiffer competition. Currently Starbucks maintains, around 33% of the market share for coffee in the US" (O'Farrell & Media, 2013. Para 1).

**Competition:** Mainstream stores such as McDonald's, Krispy Kreme, Dunkin' Donuts, and Caribou Coffee are the stiffest competitors that Starbucks faces. Meanwhile, McDonald's is gearing up to introduce their latest and newest coffee invention known as the McCafe' (Klyaman, 2009, para. 7). Moreover, supply companies also compete against Starbucks, such as Kraft, Nestle, Proctor and Gamble, and Sarah Lee, who combined together are purchasing, "about half of total world production and dominate coffee retail markets" (Chaddad and Boland, 2009, p. 656).

**SWOT Analysis:**

Strengths	Weaknesses
-----------	------------

<ul style="list-style-type: none"> <li>• First-class coffee</li> <li>• Ecologically consciences</li> <li>• Employee benefits</li> <li>• Universally recognized</li> </ul>	<ul style="list-style-type: none"> <li>• Flooded store expansion</li> <li>• Decrease in emotional connection</li> <li>• Upper management friction</li> <li>• Outmoded POS system</li> </ul>
<p style="text-align: center;"><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>• Calculated store growth</li> <li>• New product platforms</li> <li>• Emotional attachment with customers</li> <li>• Leader in ethical farming sourcing</li> </ul>	<p style="text-align: center;"><b>Threats</b></p> <ul style="list-style-type: none"> <li>• US/Global Market</li> <li>• Energy price increases</li> <li>• Product costs higher</li> <li>• Sustainable economic model</li> </ul>

*Figure 1: SWOT Analysis*

**Profile of Potential Public:**

Based on Primary observational research and Secondary research, Starbucks' largest target markets are young adults that are around 20-27 years of age. Also, investors will play a key role in aiding the overall market. During my observational research about 80% of all Starbucks' customers were young adults. However, I noticed those outside the early twenty year age mark were middle-aged women, and potentially, this is a market that could be taken more seriously. Also, studies are finding more and more teenagers are showing up and buying Starbucks products (Linn, 2007).

**Resources:** One of Starbucks' largest assets is its leadership in charting new paths that benefit both customers and the environment. Starbucks created C.A.F.E Practices purposely to show that they were committed to insuring that Starbucks would maintain the highest ethical standards within the coffee bean supply industry. Starbucks is dedicated to its surrounding environment by passionately implementing high energy efficient stores around the world

(Gordon & Schultz, 2011, p. 203). This becomes advantageous to everyone when considering that Starbucks has, “more than 18,000 store in 62 countries” (Starbucks: Heritage, 2013, para 7).

### **Situation Analysis**

The hostile economy is directly affecting the sustainability of Starbucks’ economic model. With a combined drop of customer business along with declining market shares which are dwindling rapidly, Starbucks could potentially be forced into bankruptcy. Meanwhile, Starbucks is continuing to expand by building more Starbucks locations which are not on a pace that is sustainable within the current rocky economic environment.

Furthermore, the inner structure of Starbucks’ Point of Sales (POS) system is severely outdated and needs a complete overhaul in order to keep business operating smoothly. Even more, the POS system is requiring over-extended training time by the staff. The system is not error-free which causes havoc on the employer, and in turn it directly affects potential earning power. Combine all of these challenges and you have a recipe for disaster waiting to erupt.

### **Core Problem**

Starbucks growing too rapidly, and this combined with falling market shares, loss of customer traffic, and an unstable economic market will result in bankruptcy on behalf Starbucks. In turn this will cause a ripple effect on thousands of Starbucks employees across the globe.

### **Action Planning**

#### **Goal**

The main goal is to reclaim customer service by enhancing store atmosphere, increasing market share and overcoming vulnerable global market.

#### **Objective**

- Being the undisputable coffee authority by retraining all employee Baristas in the art of coffee and espresso drinks by December 31<sup>st</sup>, 2008 (Gordon and Schultz, p. 319, 2011).
- Re-establishing emotional response from customers with new and improved social programs that will address the needs and wants of customers by December 1, 2010 (Gordon and Schultz, p. 320, 2011)
- Expand internationally beginning December, 31, 2013 while insuring that each Starbucks connects with every community that it's found in (Gordon and Schultz, p. 321, 2011).
- Continue to lead in ethical coffee practices and sustainability by increasing coffee purchases under the partnerships of Fairtrade and Conservation International by 5% by the end of (2015) (Gordon and Schultz, p. 323, 2011).
- Supply a new sustainable economic blueprint by decreasing \$400 million in business costs and new store technology by November, (2015) (Gordon and Schultz, p. 324-25, 2011).

## **Key Publics**

### **Young Adult Consumers**

Starbucks continues to see increases in young adult consumption rates. These consumers can be separated in to three clusters. First are teenagers ages (13-17). Second, young adults that are form the ages of (18-24). Third, adults (25-40). Specifically, young adults ages (18-24) account up to 49 % of overall business sales and they are currently growing 3 percent annually (O'Farrell, 2013). In addition Starbucks' young adult consumers have remarked that they value Starbucks as a status symbol and equate Starbucks as hip due to its contemporary designs (O'Farrell, 2013). Even-more, Starbucks, "appeals to this consumer directly through introducing technology as soon as it comes available" (O'Farrell, 2013). Third party

influential and opinion leaders primarily consist of celebrities, friends and family. Each of them is able to affect these young adult consumers through word of mouth or social media sites. The objectives that they will help us in achieving are:

- Enlarge brand recognition on internet social media sites by December 31<sup>st</sup> (2015)
- Provide greater attention on ethical coffee practices by growing our acquiring Fairtrade coffee from 77 percent to 81 percent and increase volunteer hours up to 200,000 by December 31<sup>st</sup> (2015) (Gordon and Schultz, p. 323, 2011).
- Amplify universal presence by December 2015 and create each store to become the central tenet of each neighborhood (Gordon and Schultz, p 321-322, 2011).

### **Coffee Cultivators**

Starbucks is committed to ethical coffee practices. Specifically Starbucks has made a deliberate decision to partner with Fairtrade, Conservational International including Starbucks' very own C.A.F.E. Practices that are designed to insure the highest ethical coffee practices. Generally, most coffee farmers around the world live in poverty conditions. Yearly incomes for these "family farmers" average around \$500- \$1000. Moreover, estimates indicate that there are little over 25 million farmers in over 50 countries that harvest coffee around the world (Global Exchange, 2013). These farmers are motivated to make enough earnings to provide for their families and to avoid hunger even starvation. Third party influential and opinion leaders could be family, friends, colleagues and associates.

- Develop in becoming the chief leader in ethical coffee practices by increasing in procuring Fairtrade coffee from 77 percent to 81 percent by December of 2015 (Gordon and Schultz, p. 323, 2011).
- Aid in increasing coffee production by 10% by December of (2015)

- Improve farmer potential earnings by 5% by December of (2015)

### **Starbucks Investors**

Primary Starbucks investors are interested in creating a profitable financial return. These investors are 35 years of age or younger (USA Today, 2013). Recently many investors and other Wall-Street advisors have grown worried about Starbucks fiscal situation due to Starbucks' announcement of declining customer business and lower profit margins. (Gordon and Schultz, p. 41, 2011). Many investors are suspect about whether if Starbucks has finally hit its market ceiling potential. Starbucks needs to change their current investors mind including the general market. Third party and opinion leaders would comprise of shareholders, Wall Street experts, and political leaders. Each party will aid in the succeeding objectives:

- Intensify worldwide presence by December of (2015) including creating each Starbucks in becoming the local gathering spot of each neighborhood. (Gordon and Schultz, p. 321-322, 2011).
- Provide a supportable economic model by cutting \$400 million in permanent costs and refurbishing supply chain to attain 90 percent accuracy (Gordon and Schultz, p. 324, 2011).
- Remain as the unquestionable coffee expert by reeducating all internal baristas with our Espresso Excellence Training by December of 2008(Gordon and Schultz, p. 319, 2011).

### **Starbuck Partners**

Are those who work inside the company that either work in cooperate level or who are employees at the local level. Back in 2008, Starbucks had 16,680 stores worldwide and 11,567 stores in the U.S.A. (Statistic Brain, 2013). Each local store has three kinds of workers. First,

baristas, second, supervisors and third, store managers. The average salary for a barista is a little below \$9 dollars and store managers is around \$45,000 a year (Glassdoor, 2013).

The primary reasons for that work at Starbucks are outstanding health benefits and money particularly a store manager. Any worker at Starbucks who works more than 20 hours or more a week will receive, “full health-care benefits and equity in the form of stock options” (Gordon and Shultz, p. 13, 2001). Third party influentials consist of coworkers, friends, classmates and family. Starbucks partners will help achieve the objectives of:

- Increase global presence by December 2013 and make each store is a part of the community and neighborhood. (Gordon and Shultz, p. 321-323, 2011).
- Be the unquestionable coffee authority by retraining all baristas in Espresso Excellence Training by December 31, 2008 (Gordon and Shultz, p. 319, 2011).
- Become primary leader in ethical coffee by increasing the purchase of Fairtrade coffee from 77 percent to 81 percent including 186,000 hours of volunteer work in communities around the globe by December (2015) (Gordon and Schultz, p. 323, 2011).

## Messages

### Starbucks Young Adult Customers

**Primary Message:** Come and join the fun at Starbucks by energizing your passion of coffee and community.

#### **Secondary Messages:**

- The premier class of Arabia beans (Gordon and Schultz, p. 83, 2011).
- Appreciate the warm and revitalizing tastes of fresh coffee (Gordon and Schultz, p. 10, 2011).
- Go back to your “third place” (Gordon and Schultz, p. 13, 2011).

**Coffee Cultivators**

**Primary Message:** We invite coffee growers to partner with us by making Starbucks the worlds frontrunner of ethical sourced coffee beans.

**Secondary Messages:**

- Lessening costs and growing yields for farmers (Gordon and Schultz, p. 290, 2011).
- Increasing assets and investments in Fairtrade coffee beans (Gordon and Schultz, p. 289, 2011).
- Philanthropic projects for farmers

**Starbucks Investors:**

**Primary Message:** We ask or your confidence and trust in Starbucks as we execute the necessary modifications to better handle the current market state and institute long-term progression.

**Secondary Messages:**

- Those people who took advantage of the opportunity “to finance” will have significant returns” (Gordon and Schultz, p. 236, 2011).
- Recreate economical sustainability and competitiveness.
- “Maintaining our premium and offering value” (Gordon and Schulz, p. 235, 2011).

**Objective 1** Develop back into being the undisputable coffee authority by re-instructing all employee Baristas in the art of coffee and espresso drinks by December 31<sup>st</sup>, 2008 (Gordon and Schultz, p. 319, 2011).

**Key Public** Customers, partner and investors

**Strategy 1** Return back to Starbucks' core values by retraining baristas in the art of customer service.

**Tactics**

- Start a training seminar named Express Excellence Training for 135,000 baristas in 7,100 U.S stores (Gordon and Schultz, p. 4, 2011)
- Have an annual and semi-annual Express Excellence Training every six months that will increase employee involvement
- New Point of Sales Operation that is a part of the training seminar
- Trainings will be over the internet via Skype
- Introduce new espresso machines e.g. Mastrena espresso machine and the Clover coffee machine

**Objective 2** Re-igniting emotional response from customers with new and improved social programs that will address the needs and wants of customers by December 1, 2015 (Gordon and Schultz, p. 320, 2011).

**Key Public** Starbucks customers

**Strategy 1** Enlarge overall promotion deals along with a wider social media presence re-igniting the emotional attachment with our customers.

**Tactics**

- Create Starbucks' Loyalty Program beginning December 2011 that will give customers a free drink and meal (Gordon, p. 320, 2011)
- Implement monthly promotion deals on Starbucks corporate website
- Create a phone app for the Loyalty Program instead of using the Loyalty card

- Include promotions on social media outlets using Twitter and Facebook

**Strategy 2** Moderately use interactive social media sites to communicate with Starbucks customers to improve emotional connection with Starbucks.

### **Tactics**

- Create Starbucks Digital Network and implement Wi-Fi into all U.S stores by the fall of 2010 (Gordon and Schultz, p. 214, 2011)
- Begin a Starbucks team that handles ideas and complaints on social media sites by December 2012

**Objective 3** Expand internationally beginning December 31, 2013 while ensuring that each Starbucks connects with every community that it's found in (Gordon and Schultz, p. 321, 2011).

**Key Public Partners**, investors and customers.

**Strategy 1** Re-organize Starbucks' upper management that will enable Starbucks to grow internationally.

### **Tactics**

- Re-hire Howard Schulz as CEO of Starbucks
- Hire John Culver as president of Starbucks Coffee International govern Starbucks global expansion (Gordon and Schultz, p. 322, 2011)
- Obtain land in China to build and expand Starbucks' brand
- Build six new stores in China by 2015

**Objective 4** Continue to lead in ethical coffee practices and sustainability by increasing coffee purchases under the partnerships of Fairtrade and Conservation International by 5% by the end of 2015 (Gordon and Schultz, p. 323, 2011).

**Key public** Customers, partners and growers

**Strategy 1** Reach out and educate each of our partners, growers and customers about Starbucks' plan to increase better ethical coffee practices.

**Tactics**

- Create support center for farmers in each of the countries that Starbucks works with
- Connect with Fairtrade and Conservation International to intensify ethical sourced coffee using Starbucks, (Gordon and Schultz, p. 204, 2011)
- Select celebrities to create ethical coffee awareness at Leadership Conference, (Gordon and Schultz, p. 204, 2011)

**Objective 5** Supply a new sustainable economic blueprint by decreasing \$400 million in business expenses by November 2009 (Gordon and Schultz, p. 324-25, 2011).

**Key Public** Investors and partners

**Strategy 1** By non-interactive approaches notify the press and media of temporary store closings

**Tactics**

- Decide which stores will be closed down
- Craft company message that will be emailed to Starbucks' associates (Gordon and Schultz, p. 157, 2011)
- Close 600 stores and jettison 12,000 worker positions (Gordon and Schultz, p. 156, 2011)

**Strategy 2** By highly interactive means update employees of coming store closings and layoffs.

**Tactics**

- Offer employee support specialists to help address any employee issues (Gordon and Schultz, p. 157, 2011)
- Arrange for company meeting to inform about company closures and layoffs (Gordon and Schultz, p. 320, 2011)

Starbucks Calendar		2008											
		January	February	March	April	May	June	July	August	September	October	November	December
<b>Key Public</b>	<b>Starbucks Young Adult Consumers</b>												
<b>Strategy 1</b>	<b>Communicate with customers through social media</b>												
<b>Tactics</b>	Create loyalty program that will begin December 2011												
	Implement monthly promotional deals on Starbucks' website					←-----	-----	-----→					
	Create an app for the Loyalty Program to replace the Loyalty Card												
	Include promotions on social media outlets using Twitter and Facebook				←-----→		←-----→		←-----→			←-----→	
<b>Strategy 2</b>	<b>Use social media to improve emotional connection with Starbucks</b>												
<b>Tactics</b>	Create Starbucks Digital Network and implement Wi-Fi into all U.S. stores by fall of 2010												
	Create Starbucks team that handles ideas and complaints on social media by December 2012												
<b>Key Public</b>	<b>Coffee Cultivators</b>												
<b>Strategy 1</b>	<b>Educate about Starbucks' plan to increase better ethical coffee practices</b>												
<b>Tactics</b>	Create support center for farmers in each of the countries that Starbucks works with												
	Connect with Fairtrade and Conservation International to intensify ethically sourced coffee	←-----	-----→										
	Select celebrities to create ethical coffee awareness at Leadership Conferences								←-----→				
<b>Key Public</b>	<b>Starbucks Investors</b>												
<b>Strategy 1</b>	<b>Re-organize Starbucks' upper management</b>												
<b>Tactics</b>	Re-hire Howard Schulz as CEO of Starbucks												
	Hire John Culver as president to govern global expansion												
	Obtain land in China to build and expand Starbucks' brand												
	Build six new stores in China by 2015												
<b>Strategy 2</b>	<b>Educate about Starbucks' plan to increase better ethical coffee practices</b>												
<b>Tactics</b>	Create support center for farmers in each of the countries that Starbucks works with												
	Connect with Fairtrade and Conservation International to intensify ethically sourced coffee	←-----	-----→										
	Select celebrities to create ethical coffee awareness at Leadership Conferences								←-----→				
<b>Strategy 3</b>	<b>Notify the press and media of temporary store closings</b>												
<b>Tactics</b>	Decide which stores will be closed down							←-----→					
	Craft company message that will be emailed to Starbucks' associates								←-----→				
	Close 600 stores and jettison 12,000 worker positions								←-----→				
<b>Strategy 4</b>	<b>Update employees of coming store closings and layoffs</b>												
<b>Tactics</b>	Offer employee support specialists to help address any employee issues								←-----	-----	-----→		
	Arrange for company meeting to inform about company closures and layoffs								←-----	-----	-----→		
<b>Key Public</b>	<b>Starbucks Partners</b>												
<b>Strategy 1</b>	<b>Retrain the baristas in the Espresso Excellence Training</b>												
<b>Tactics</b>	Implement the Espresso Excellence Training to retrain the 135,000 baristas in 7,100 US stores			←-----→									
	Continue leadership conferences and open forums to increase employee participation				←-----→						←-----→		
	Introduce new Point of Sale system		←-----→										
	Introduce the Mastrena espresso machine	←-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
	Introduce the Clover coffee machine	←-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
<b>Strategy 2</b>	<b>Re-organize Starbucks' upper management</b>												
<b>Tactics</b>	Re-hire Howard Schulz as CEO of Starbucks												
	Hire John Culver as president to govern global expansion												
	Obtain land in China to build and expand Starbucks' brand												
	Build six new stores in China by 2015												
<b>Strategy 3</b>	<b>Educate about Starbucks' plan to increase better ethical coffee practices</b>												
<b>Tactics</b>	Create support center for farmers in each of the countries that Starbucks works with												
	Connect with Fairtrade and Conservation International to intensify ethically sourced coffee	←-----	-----→										
	Select celebrities to create ethical coffee awareness at Leadership Conferences								←-----→				
<b>Strategy 4</b>	<b>Notify the press and media of temporary store closings</b>												
<b>Tactics</b>	Decide which stores will be closed down							←-----→					
	Craft company message that will be emailed to Starbucks' associates								←-----→				
	Close 600 stores and jettison 12,000 worker positions								←-----→				
<b>Strategy 5</b>	<b>Update employees of coming store closings and layoffs</b>												
<b>Tactics</b>	Offer employee support specialists to help address any employee issues								←-----	-----	-----→		
	Arrange for company meeting to inform about company closures and layoffs								←-----	-----	-----→		







**Starbucks Budget**

	Detail	Per Item Cost	Total Projected	Sponsored Credit	Actual Projected		
<b>Key Public Starbucks Young Adult Consumers</b>							
<b>Strategy 1</b>	<b>Communicate with customers through social media</b>						
<b>Tactics</b>	Create loyalty program that will begin December 2011	Research, man hours, implementation	\$ 2,000.00	\$ 2,000.00	\$ 2,000.00	\$ -	
	Implement monthly promotional deals on Starbucks' website	Research, man hours, implementation	\$ 2,000.00	\$ 2,000.00	\$ -	\$ 2,000.00	
	Create an app for the Loyalty Program to replace the Loyalty Card	Research, man hours, implementation	\$ 15,000.00	\$ 15,000.00	\$ -	\$ 15,000.00	
	Include promotions on social media outlets using Twitter and Facebook	Research, man hours, implementation	\$ 1,500.00	\$ 1,500.00	\$ -	\$ 1,500.00	
		<b>Strategy Subtotal</b>	<b>\$ 20,500</b>	<b>\$ 20,500</b>	<b>\$ 2,000</b>	<b>\$ 18,500</b>	
<b>Strategy 2</b>	<b>Use social media to improve emotional connection with Starbucks</b>						
<b>Tactics</b>	Create Starbucks Digital Network and implement Wi-Fi into all U.S. stores by fall of 2010	Implementation & materials	\$ 150,000.00	\$ 150,000.00	\$ 100,000.00	\$ 50,000.00	
	Create Starbucks team that handles ideas and complaints on social media by December 2012	Social Media department	\$ 80,000.00	\$ 80,000.00	\$ -	\$ 80,000.00	
		<b>Strategy Subtotal</b>	<b>\$ 230,000</b>	<b>\$ 230,000</b>	<b>\$ 100,000</b>	<b>\$ 130,000</b>	
		<b>Public Subtotal</b>	<b>\$ 250,500</b>	<b>\$ 250,500</b>	<b>\$ 102,000</b>	<b>\$ 148,500</b>	
<b>Key Public Coffee Cultivators</b>							
<b>Strategy 1</b>	<b>Educate about Starbucks' plan to increase better ethical coffee practices</b>						
<b>Tactics</b>	Create support center for farmers in each of the countries that Starbucks works with	Land, building, materials	\$ 200,000.00	\$ 200,000.00	\$ -	\$ 200,000.00	
	Connect with Fairtrade and Conservation International to intensify ethically sourced coffee	Set up meeting	\$ -	\$ -	\$ -	\$ -	
	Select celebrities to create ethical coffee awareness at Leadership Conferences	Set up meetings	\$ -	\$ -	\$ -	\$ -	
	Create pamphlets and other printed materials about ethical coffee practices	50,000 @ \$0.05 each	\$ 0.05	\$ 2,500.00	\$ -	\$ 2,500.00	
	Add a page to the Starbucks' Corporate website about ethical coffee practices	Social Media department	\$ -	\$ -	\$ -	\$ -	
		<b>Strategy Subtotal</b>	<b>\$ 200,000</b>	<b>\$ 202,500</b>	<b>\$ -</b>	<b>\$ 202,500</b>	
		<b>Public Subtotal</b>	<b>\$ 200,000</b>	<b>\$ 202,500</b>	<b>\$ -</b>	<b>\$ 202,500</b>	
<b>Key Public Starbucks Investors</b>							
<b>Strategy 1</b>	<b>Re-organize Starbucks' upper management</b>						
<b>Tactics</b>	Create press release telling of Howard Schulz's and John Culver's hire	PR department	\$ -	\$ -	\$ -	\$ -	
	Acquire land for expansion into China	3 plots of land @ \$130,000 each	\$ 130,000.00	\$ 390,000.00	\$ 350,000.00	\$ 40,000.00	
	Begin building in China	3 stores	\$ 300,000.00	\$ 900,000.00	\$ 800,000.00	\$ 100,000.00	
		<b>Strategy Subtotal</b>	<b>\$ 430,000</b>	<b>\$ 1,290,000</b>	<b>\$ 1,150,000</b>	<b>\$ 140,000</b>	
<b>Strategy 3</b>	<b>Notify the press and media of temporary store closings</b>						
<b>Tactics</b>	Decide which stores will be closed down	Research, man hours, implementation	\$ 2,000.00	\$ 2,000.00	\$ -	\$ 2,000.00	
	Craft company message that will be emailed to Starbucks' associates	PR/HR departments	\$ -	\$ -	\$ -	\$ -	
	Close 600 stores and jettison 12,000 worker positions		\$ -	\$ -	\$ -	\$ -	
		<b>Strategy Subtotal</b>	<b>\$ 2,000</b>	<b>\$ 2,000</b>	<b>\$ -</b>	<b>\$ 2,000</b>	
<b>Strategy 4</b>	<b>Update employees of coming store closings and layoffs</b>						
<b>Tactics</b>	Offer employee support specialists to help address any employee issues	Man hours	\$ 10,000.00	\$ 10,000.00	\$ -	\$ 10,000.00	
	Arrange for company meeting to inform about company closures and layoffs	PR/HR departments	\$ -	\$ -	\$ -	\$ -	
		<b>Strategy Subtotal</b>	<b>\$ 10,000</b>	<b>\$ 10,000</b>	<b>\$ -</b>	<b>\$ 10,000</b>	
		<b>Public Subtotal</b>	<b>\$ 442,000</b>	<b>\$ 1,302,000</b>	<b>\$ 1,150,000</b>	<b>\$ 152,000</b>	
<b>Key Public Starbucks Partners</b>							
<b>Strategy 1</b>	<b>Retrain the baristas in the Espresso Excellence Training</b>						
<b>Tactics</b>	Create training videos	7,100 @ \$0.35	\$ 0.35	\$ 2,485.00	\$ -	\$ 2,485.00	
	Production of training videos	Filming and production	\$ 5,000.00	\$ 5,000.00	\$ -	\$ 5,000.00	
	Hold Leadership Training Conference	3 days @ \$15,000 a night	\$ 15,000.00	\$ 45,000.00	\$ -	\$ 45,000.00	
	Create welcome bags for Leadership Training Conference attendees	10,000 @ \$12 a piece	\$ 12.00	\$ 120,000.00	\$ 120,000.00	\$ -	
	Tools for community service	\$1,000,000 worth of tools	\$ 1,000,000.00	\$ 1,000,000.00	\$ 850,000.00	\$ 150,000.00	
	Mastrena espresso machine	7,100 @ \$200 a machine	\$ 200.00	\$ 1,420,000.00	\$ 1,000,000.00	\$ 420,000.00	
	Clover coffee machine	100 @ \$300 a machine	\$ 300.00	\$ 30,000.00	\$ 30,000.00	\$ -	
	Update the Point of Sale system	Research, man hours, implementation	\$ 3,000.00	\$ 3,000.00	\$ 3,000.00	\$ -	
	Get 10,000 computers from Dell for the stores	10,000 @ \$150	\$ 150.00	\$ 1,500,000.00	\$ 1,500,000.00	\$ -	
		<b>Strategy Subtotal</b>	<b>\$ 1,023,662</b>	<b>\$ 4,125,485</b>	<b>\$ 3,503,000</b>	<b>\$ 622,485</b>	
		<b>Public Subtotal</b>	<b>\$ 1,023,662</b>	<b>\$ 4,125,485</b>	<b>\$ 3,503,000</b>	<b>\$ 622,485</b>	
			<b>CAMPAIGN TOTAL</b>	<b>\$ 1,916,162</b>	<b>\$ 5,880,485</b>	<b>\$ 4,755,000</b>	<b>\$ 1,125,485</b>

**Communication Confirmation**

Key Public	Self-Interests	Primary Message	Influentials	Objectives	Strategies	Tactics
Starbucks Young Adult Consumers	To consume excellent coffee and also the Starbucks status symbol	Come and join the fun at Starbucks by energizing your passion of coffee and community.	Celebrities, friends, and family	1. Develop back into being the undisputable coffee authority by reinstructing all employee Baristas in the art of coffee and espresso drinks by December 31st, 2008 (Gordan and Schultz, p. 319, 2011). 2. Re-igniting emotional response from customers with new and improved social programs that will address the needs and wants of customers by December 1, 2015 (Gordan and Schultz, p. 320, 2011). 3. Expand internationally beginning December 31, 2013 while ensuring that each Starbucks connects with every community that it's found in (Gordan and Schultz, p. 321, 2011).	~ Return back to Starbucks' core values by retraining baristas in the art of customer service ~ Enlarge overall promotion deals along with a wider social media presence re-igniting the emotional attachment with our customers. ~ Moderately use interactive social media sites to communicate with Starbucks customers to improve emotional connection with Starbucks. ~ Re-organize Starbucks' upper management that will enable Starbucks to grow internationally. ~ Research out and educate each of our partners, growers, and customers about Starbucks' plan to increase better ethical coffee practices.	~ Start a training seminar named Express Excellence Training for 135,000 baristas in 7,100 U.S. stores ~ Have an annual and semi-annual Express Excellence Training every six months that will increase employee involvement ~ New Point of Sales operation that is part of the training seminar ~ Trainings will be over the internet via Skype ~ Introduce new espresso machines e.g. Mastrena espresso machine and the Clover coffee machine ~ Create Starbucks' Loyalty Program beginning December 2011 that will give customers a free drink and meal ~ Implement mostly promotion deals on Starbucks corporate website ~ Create a phone app for the Loyalty Program instead of using the Loyalty card ~ Include promotions on social media outlets using Twitter and Facebook ~ Create Starbucks Digital Network and implement W-Fi into all U.S. stores by the fall of 2010 ~ Begin a Starbucks team that handles ideas and complaints on social media sites by December 2012 ~ Re-hire Howard Schulz as CEO of Starbucks ~ Hire John Culver as president of Starbucks Coffee International govern Starbucks global expansion ~ Obtain land in China to build and expand Starbucks' brand ~ Build six new stores in China by 2015 ~ Create support center for farmers in each of the countries that Starbucks works with ~ Connect with Fairtrade and Conservation International to intensify ethical sourced coffee using Starbucks ~ Select celebrities to create ethical coffee awareness at Leadership Conference ~ Decide which stores will be closed down ~ Craft company message that will be emailed to Starbucks' associates ~ Close 600 stores and jettison 12,000 worker positions ~ Offer employee support specialists to help address any employee issues ~ Arrange for company meeting to inform about company closures and layoffs
Coffee Cultivators	To earn enough to provide for their families.	We invite coffee growers to partner with us by making Starbucks the worlds frontrunner of ethical sourced coffee beans.	Family, friends, colleagues, and associates	4. Continue to lead in ethical coffee practices and sustainability by increasing coffee purchases under the partnerships of Fairtrade and Conservational International by 5% by the end of 2015 (Gordan and Schultz, p. 323, 2011).	~ By non-interactive approaches, notify the press and media of temporary store closings. ~ By highly interactive means, update employees of coming store closings and layoffs.	
Starbucks Investors	To create a profitable financial return.	We ask or your confidence and trust in Starbucks as we execute the necessary modifications to better handle the current market state and institute long-term progression.	Shareholders, Wall Street experts, and political experts	5. Supply a new sustainable economic blueprint by decreasing \$400 million in business expenses by November 2009 (Gordan and Schultz, p. 324-5), 2011).		
Starbucks Partners	To create a profitable financial return and provide for their families.	We ask or your confidence and trust in Starbucks as we execute the necessary modifications to better handle the current market state and institute long-term progression.	Coworkers, friends, and family			

## **Starbucks: Onward**

### **Evaluation**

#### **Evaluation Criteria**

- Became the undisputable coffee authority by retraining all employee Baristas in the art of coffee and espresso drinks by December 31<sup>st</sup>, 2008 (Gordon and Schultz, p. 319, 2011).
- Re-established an emotional response from customers with new and improved social programs that will address the needs and wants of customers by December 1, (2015) (Gordon and Schultz, p. 320, 2011).
- Expanded internationally beginning December, 31, 2013 while insuring that each Starbucks connects with every community that it's found in (Gordon and Schultz, p. 321, 2011).
- Have led to ethical coffee practices and sustainability by increasing coffee purchases under the partnerships of Fairtrade and Conservational International by 5% by the end of (2015) (Gordon and Schultz, p. 323, 2011).
- Supplied a new sustainable economic blueprint by decreasing \$400 million in business costs and new store technology by November (2015) (Gordon and Schultz, p. 324-25, 2011).

#### **Evaluation Tools**

Starbucks became the undisputable coffee authority by retraining all employee Baristas in the art of coffee and espresso drinks by December 31<sup>st</sup>, 2008 (Gordon and Schultz, p. 319, 2011).

- Starbucks executed the Express Excellence Training that reinstructed 135,000 baristas in 7,100 U.S stores (Gordon and Schultz, p. 4, 2011).

- Starbucks continued the annual and semi-annual Express Excellence Training every six months that has increased employee customer service.
- Implemented New Point of Sales Operation that remains an integral part of the training seminar.
- Trainings have been given over the internet via Skype that has trained over 100,000 baristas.
- Introduced 300 new espresso machines in the US which includes the Mastrena espresso machine and the Clover coffee machine, “giving customers an opportunity to enjoy the nuances of our traditional blends and the flavors of our exotic, smaller back Starbucks Reserve coffees, (Gordon and Shultz, p. 319, 2011).

Re-established an emotional response from customers with new and improved social programs that will address the needs and wants of customers by December 1, (2015) (Gordon and Schultz, p. 320, 2011).

- Created Starbucks’ Loyalty Program beginning December 2011 that remunerated over (7 million) customers with a free drink and meal (Gordon, p. 320, 2011).
- Implemented monthly promotion deals on Starbucks corporate website that has served more than 200,000 customers in the second quarter of 2010, (Schonher, 2010).
- Created a phone app for the Loyalty Program which customers downloaded more than 100,000 times included more than 74,000 reviewers (Itunes Preview, 2013).

- Starbucks included promotions on social media outlets using Twitter, YouTube and Facebook which added 405,000 responses on Facebook and 419,000 views on YouTube, during the presidential election (Gordon and Schultz, p. 214, 2011).
- Created Starbucks Digital Network that implemented Wi-Fi access in over 6,800 U.S stores by the fall of 2010 (Gordon and Schultz, p. 214, 2011).
- Started a Starbucks website team called MyStarbucksidea.com that continuous to handle and respond to customers' ideas and concerns that has had more than 100,000 ideas (Gordon and Schultz, p.320, 2011).

Expanded internationally beginning December, 31, 2013 that has each Starbucks connected with every community that it's found in ( Gordon and Schultz, p. 321, 2011).

- Re hired Howard Schulz as CEO of Starbucks.
- Hired John Culver as president of Starbucks Coffee International who propelled Starbucks' global expansion (Gordon and Schultz, p. 322, 2011).
- Obtained land in China that has expanded Starbucks' brand in Asia.
- Built six new stores in China by (2015) that's profiting in double digits (Gordon and Schultz, p. 322. 2011).

Have led to ethical coffee practices and sustainability by increasing coffee purchases under the partnerships of Fairtrade and Conservational International by 5% by the end of (2015) ( Gordon and Schultz, p. 323, 2011).

- Created support center for farmers in each of the countries that Starbucks works and partners with which has helped thousands of farmers with growing the highest quality coffee beans (Gordon and Schultz, p. 290 and 323, 2011).

- Connected with Fairtrade and Conservation International and has intensified ethical sourced coffee by purchasing up 81 percent of Fairtrade (Gordon and Schultz, p. 204, 2011).
- Selected celebrity Bono that created awareness regarding ethical coffee practices at the Leadership Conference (Gordon and Schultz, p. 204, 2011).

Supplied a new sustainable economic blueprint by decreasing \$400 million in business costs and new store technology by November (2015) Gordon and Schultz, p. 324-25, 2011).

- Decided what stores would be closed down.
- Crafted company message to Starbucks' associates worldwide (Gordon and Schultz, p. 157, 2011).
- Closed 600 stores and jettisoned 12,000 worker positions that saved \$580 million in costs (Gordon and Schultz, p. 156, 2011).
- Offered employee support specialists to help address any employee issues (Gordon and Schultz, p. 157, 2011).
- Expanded internationally beginning December, 31, 2013 that insured each Starbucks connected with every community (Gordon and Schultz, p. 321, 2011).

Starbucks' action planning that included multiple objectives, strategies and tactics contributed in abetting Starbucks from potential bankruptcy due to an unstable economic market and upper management friction. Starbucks saw a hefty drop in market shares down to \$7 a share and has since has risen to \$70 a share. Even more, Starbucks rehired David Schultz and refocused efforts by growing Starbucks' globally primarily in China which has rejuvenated Starbucks brand awareness. Furthermore, Starbucks has increased efforts in procuring Fairtrade who ethically moderates in ethically sourced coffee beans and has built support centers for coffee

grows around the world. Starbucks is stronger than ever despite a poor market and today continues to move forward.

## References

- Chaddad, F.R., & Boland, M. (2009). Strategy-Structure Alignment in the World Coffee Industry: The Case of Cooxupé. *Review of Agricultural Economics*, 31(3), 653-665.
- Glassdoor.com. *Starbucks Barista Hourly Pay*. Retrieved from [http://www.glassdoor.com/Hourly-Pay/Starbucks-Barista-Hourly-Pay-E2202\\_D\\_KO10,17.htm](http://www.glassdoor.com/Hourly-Pay/Starbucks-Barista-Hourly-Pay-E2202_D_KO10,17.htm)
- Itunes Preview. (2013). Starbucks. Retrieved from <https://itunes.apple.com/us/app/starbucks/id331177714>
- Klayman, B. (2009, May 27). McDonald's says McCafe launch off to good start. Retrieved from <http://www.reuters.com/article/2009/05/27/us-mcdonalds-idUSTRE54Q4L920090527>
- Krantz, Matt. (October 6, 2013). USA Today. Retrieved from <http://www.usatoday.com/story/money/business/2013/10/06/millennials-broker-stock-market/2806347/>
- Linn, A. (2007, September 10). *Starbucks rethinks stance on young customers*. Retrieved from [http://www.nbcnews.com/id/20608492/ns/business-consumer\\_news/t/starbucks-rethinks-stance-young-customers/#.UkECWWR8L2F](http://www.nbcnews.com/id/20608492/ns/business-consumer_news/t/starbucks-rethinks-stance-young-customers/#.UkECWWR8L2F)
- Media, D., & O'Farrell, R. (2013). *Who Is Starbucks' Target Audience?*. Retrieved from <http://smallbusiness.chron.com/starbucks-target-audience-10553.html>
- Schonher, E. (April 26, 2010). *Experts in Membership Marketing*. Retrieved from <http://expertsinmembershipmarketing.blogspot.com/2010/04/my-starbucks-reward-program-has-been.html>
- Schultz, H., & Gordon, J. (2011). Nimble. *Onward: how Starbucks fought for its life without losing its soul*. New York, NY: Rodale .:

Starbucks Coffee Company. (2013). *Starbucks: Our Heritage*. Retrieved from

<http://www.starbucks.com/about-us/our-heritage>

Statistic Brain (2013). *Starbucks Company Statistics*. Retrieved from

<http://www.statisticbrain.com/starbucks-company-statistics/>

Team Trefis. (2013). *Forbes.com*. Retrieved from

<http://www.forbes.com/sites/greatspeculations/2010/06/14/starbucks-looks-to-win-back-market-share-from-mickey-ds/>