

Conversation between Complex Data and Home Universe

Complex Data [CD]: So, it sounds like Home Universe has been using Data Churn for a while now. Is that correct?

Home Universe [HU]: That is correct. We have a few licenses that we bought 3–4 years ago, and our team has been using the tool to analyse data and generate insights.

CD: What is your experience/feedback on Data Churn Tool?

HU: It is a difficult tool to use, I must admit, but the team has learnt how to make the most of it.

CD: What measures you took to extract full value out of the tool and to address the operational difficulty?

HU: It does not affect us much. We have trained a team of five people on how to use Data Churn effectively.

CD: Has your resource allocation to execute Data Churn tool ever failed?

HU: Not much. The requests pile up only when one of the five members quits our organization, and we are waiting for a new member to be trained on Data Churn.

CD: What causes the Data Churn team to quit the team?

HU: Yes, our team members certainly do not like using Data Churn and tend to quit within 12– 18 months.

CD: What is the cost and timeframe of hiring/replacing a team member?

HU: It takes 4–6 weeks of training for a new team member to use Data Churn competently. So, that is at least 1.5 months of salary incurred as training cost. In addition to that, we also make a separate payment for the new team member to complete certain training projects, certifications and quizzes provided by Data Churn, which costs about a month's salary of a team member. So yes, our training cost is quite high. And so far in this year, we have trained six new members because of employee attrition.

CD: What support do you get from the company providing Data Churn solution?

HU: Data Churn offers services as well, wherein they provide us one of their trained employees as an additional team member when one of our team members leaves and we are in the process of training a new one. But they charge really high rates for it, which is about three times what we pay our team members. So, we either use that option to handle heavy workloads when we are short-handed, or we pay overtime for the existing trained team members.

CD: Does paying overtime helps finishing heavy workloads and reduce cost?

HD: Yes, our overtime pay rate is double the normal salary. But even with overtime pay, the existing team members are not willing to do the extra work, which leads to further attrition.

CD: Got it. But when you employ contractors from Data Churn, who do not know your data as well as your team members, does that not affect the quality of the work?

HU: Absolutely, data knowledge is key to our work. So, when we employ Data Churn contractors, the quality of their analysis and insights is not as good as what our team members would produce because the former do not have in-depth knowledge of our data. Because of this, our existing team members need to review their work, which leads to duplication of effort.

CD: Is the quality of the work impacted?

HU: Tell me about it! I keep getting escalations every other day from the heads of various departments that my team is not functioning optimally. I wish I could get some peace of mind at times. Data Churn is certainly not helping our case!

CD: Are you missing the project deadlines?

HU: It definitely does. Our business is becoming more and more data driven, and all the departments are highly reliant on us to provide on-time quality insights. Else, their decisions are delayed or are sub-optimal. Just last week, the Head of Marketing was on my case on the phone, talking about how their marketing campaign was delayed by more than two weeks during the peak season because my team could not share insights on which stores are to be targeted for the campaign.

CD: It sounds like Data Churn is causing employee attrition, high training costs, high overtime costs, high contractor costs, low-quality output, duplication of effort and delays, thus affecting critical business decisions. Is that a fair summary?

HU: Looks like Data Churn is indeed a pain in the neck!

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Questions on Product

Q1: What is the core product of Starbucks?

A1: The core product offered by Starbucks is 'Starbucks lifestyle'. A sophisticated community.

Q2: What are the actual and augmented products of Starbucks?

A2: Actual Products: Coffee, tea, sandwiches, desserts, equipment required for making beverages, comfortable layout of the store, Starbucks brand.

Augmented Products: Free wi-fi, in store availability of music downloads, Starbucks card.

Q3: What are the various product categories offered by Starbucks?

A3: There are two main categories:

1. **Convenient Products:** Frequently purchased and require minimum effort to be purchased.
2. **Staple Products:** Regular frequency of purchase.

Q4: How has Starbucks adapted its product offering to suit the Indian market?

A4: --- Starbucks has launched the India Estate Blend- a country specific product developed with Tata Coffee.

--- They have also launched Indian Espresso Roast, which is sourced locally in agreement with Tata Coffee.

--- Starbucks has also introduced other Indian beverages like Chai Tea Latte and food offerings like Kathi Wrap etc.

--- Also at few places the design of the store stood out as a local theme.

Q5: How has Starbucks introduced healthy products in its range?

A5: In order to respond to the increasing preferences of the customers towards a healthier lifestyles, Starbucks introduced their healthy food offering options. They also

took a step further by mentioning the calories and the nutritional values of the beverages and other food offerings in their menu.

Q6: Mention an innovation by Starbucks with regard to an existing product.

A6: Starbucks has introduced several new coffee flavours and styles as it is their main selling product.

Q7: What are some partnerships that Starbucks has entered, from the point of view of product?

A7: --- Starbucks has partnered with Apple Inc. for selling music as a part of coffeehouse experience.

--- Starbucks and Kraft Foods entered into a partnership to sell Starbucks products in grocery stores owned by latter.

--- Starbucks partnered with Pepsi Co. to sell Starbucks products in various Latin American countries.

Questions on Price

Q1: What is the most expensive coffee that Starbucks in CP sells?

A1: Caramel Praline Latte – Venti. This costs Rs. 365.

Q2: What is the least expensive coffee that Starbucks in CP sells?

A2: Café Americano – Short. This costs Rs. 175.

Q3: Which of the following pricing strategies does Starbucks follow? Justify your answer.

- Economy pricing strategy
- Penetration pricing strategy
- Skimming pricing strategy
- Premium pricing strategy

A3: Starbucks follows a premium pricing strategy since it has priced its products higher than its other competition in order to cultivate a sense that they offer a higher product quality.

Questions on Place

Q1: How many cities in India have at least one Starbucks store?

A1: There are 22 cities having at least one Starbucks outlet.

Q2: What is the total number of Starbucks stores in India?

A2: As of April 2021, Starbucks operates 219 outlets in 24 cities in India.

Q3: Which cities in India tend to have a Starbucks store? Why?

A3: Mostly the tourist spots in India tend to have a Starbucks store to attract the foreign customer base as well for better sales.

Q4: Mention an innovation by Starbucks with regard to its store strategy.

A4: Starbucks has tried to derive the culture of the particular place where their stores are. For ex: The flagship store in Hyderabad is designed with the elements of Hyderabadi pearls.

Q5: What are some partnerships that Starbucks has entered, from the point of view of the place?

A5: Starbucks signed a deal with PepsiCo to market and distribute products in several Latin American countries.

Starbucks also entered into a 50-50 partnership with Tata Coffee in order to launch Starbucks products in India.

Questions on Promotion

Q1: What is the primary means of promotion for Starbucks?

A1: Starbucks became popular primarily through word-of-mouth marketing. The company also advertises its products through television, print media, and the Internet. Sales promotions are used in Starbucks Rewards, which is a program involving freebies that customers can avail after purchasing a certain amount of the company's products. This part of Starbucks Corporation's marketing mix shows the core significance of word-of-mouth

marketing and advertising.

Q2: How does Starbucks go about executing its primary means of promotion?

A2: In the marketing mix, word-of-mouth usually focuses on providing the best customer experience in order to encourage people to spread positive words about the business.

The company uses the Internet and media to promote the Starbucks brand.

Q3: What is meant by 'Third Place' in the context of the marketing strategy of Starbucks?

A3: In the context of marketing strategy of Starbucks, 'third place' refers to a space or a place away from office or home. Here you can connect and be the best version of yourselves.

Starbucks wants their customers to come for coffee, stay for warmth and return for human connection.

Q4: What is meant by 'Fourth Place' in the context of the marketing strategy of Starbucks?

A4: Starbucks follows a principle of human connections. They enable this principle in their digital communications as well. For Starbucks, 'fourth place' is Digital, after home, work and coffee house. They do this by building online communities through storytelling and two way connections through Facebook, Twitter, SMS etc

Questions on People

Q1: What are the primary target customer segments for Starbucks?

A1: At Starbucks, the demographics focus mainly on the age group between 25 and 40 years with high incomes. In general, the target group is Generation Y born between 1977 and 2000. They also focus on the upper-middle class segment that generally have college education.

Q2: What is the connection between the target customer segments for Starbucks and its choice of price and place?

A2: Starbucks provides expensive products of high quality along with a personalised in-store experience by trained employees, for example, the name of the customer is written on the plastic cups. When targeting, Starbucks is situated between mass marketing and segment marketing; they are targeting a broader public; however, there are some criteria that the customers should have, such as higher incomes or a younger age.

Q3: What are Starbucks employees called?

A3: At Starbucks the employee are called Partners.

Q4: Mention an innovation by Starbucks with regard to its employee training.

A4: Starbucks is also well-known for its investment in employee training and development. The Barista Basics Training programme aims to provide new barista with the skills and the knowledge needed to work efficiently at the restaurant.

Questions on Physical Evidence

Q1: How does the Starbucks store layout contribute to its marketing strategy?

A1: There are a few major ways in which the store layout enhances the customers. They are as follows:

- Starbucks often advertises new products on its doors.
- Starbucks places its ordering counter toward the middle or back of the store to ensure that customers walk past the store's seating area.
- They use lightings to guide customers through the store.
- They have a thin strip of counter between the customers and their coffee machines making the order experience more inviting.

Q2: What is the Starbucks logo?

A2: Starbucks logo is a two-tailed mermaid or siren.

Q3: Has the Starbucks logo evolved over time?

A3: Yes Starbucks logo which was created in 1971 has evolved during the years.

Q4: Can the Starbucks app be considered part of physical evidence in the 7 Ps

framework? Justify your answer.

A4: Starbucks app acts more as a distribution channel rather than Physical Evidence. This is because the app provides a medium or a channel to the customers who are too busy to sit and have a beverage in Starbucks stores.

Questions on Process

Q1: What is the process improvement philosophy that Starbucks adopted a decade ago to improve its productivity?

A1: The strategy adopted by Starbucks is called the Lean strategy or Lean production. The basic idea behind this strategy is to increase customer value while eliminating any part of the process that does not directly result in or provide customer value.

Q2: What are some of the key metrics that Starbucks uses to measure in-store productivity?

A2: Some of the key metrics are as follows:

- Quality management. Making sure that the products are of premium quality.
- Location and strategy. Starbucks focuses on urban centers with large upper middle class population.
- Average order filling duration
- Equipment repair duration
- Weight of coffee beans processed per time.

5Ws + How analysis for the 6 entities in WalStore Operations

	Supplier	Warehouse Transporter	Warehouse	Warehouse -to-store transporter	Store	Customer
What?	<p>What kind products they supply?</p> <p>What are the types of contracts they have?</p>	<p>What are conditions involved</p> <p>in stopping the transportation?</p>	<p>What is the capacity of the warehouse storage?</p>	<p>What is your mode of transport?</p>	<p>What is the size of the buffer supply area?</p> <p>What will be the store timings?</p>	<p>What are the different products you are interested in this store ?</p> <p>What will be your visiting time?</p>
How?	<p>How do you measure your product quality?</p>	<p>How many transporters are involved ?</p>	<p>How Products are assembled in optimal way?</p>	<p>How are the schedules arrived at?</p>	<p>How many employees do you have?</p> <p>How often you run out of stock?</p>	<p>How is the store layout optimized?</p>
Who?	<p>Who are the other vendors you</p>	<p>Who are the transporters ?</p>		<p>Who loads/unloads the products?</p>		<p>Who visits the store from your family?</p>

	supply?					
When?		<p>When will you pick the products from suppliers?</p>	<p>When do the warehouses receive goods from the transporters ?</p>	<p>When do you transport to the store?</p>	<p>When will you stock the products to shelves from buffer supply?</p>	<p>When do they visit the store?</p>
Where?	<p>Where are the suppliers located?</p>		<p>Where are the Warehouses located?</p>		<p>Where are the stores located?</p>	

Which?		Which prominent routes are used by the transporters for navigating between the suppliers and the warehouses ?	Which process do you use in your operations?	Which prominent routes are used by the transporters for navigating between the Warehouses and the Store?		
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