



STARBUCKS

CASE STUDY

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400 MILLION+

cups of coffee are consumed daily in the U.S.

WHERE IT ALL BEGAN...





DECODING THE 5 C'S



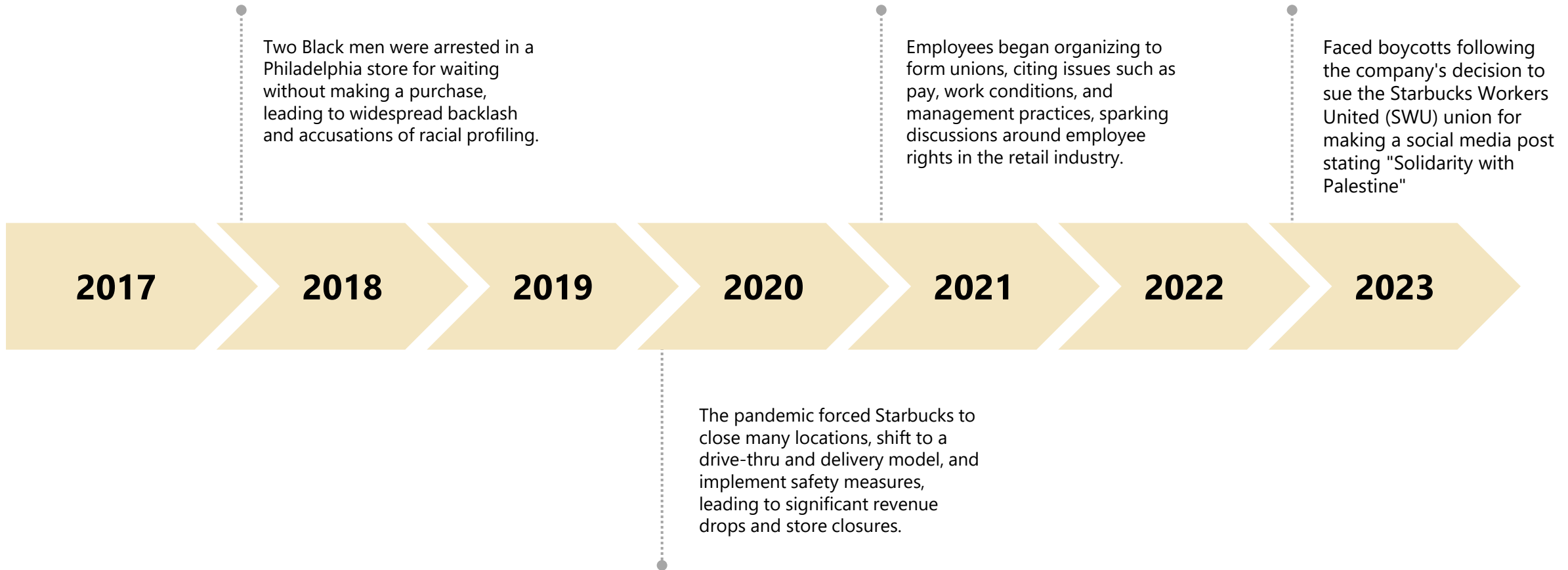
Company	Customer	Collaboration	Competitor	Context
<p>Strengths:</p> <ul style="list-style-type: none">• Strong brand recognition• Global presence• Premium product offering• Loyalty program• Customer centric customized menu <p>Weakness:</p> <ul style="list-style-type: none">• Premium pricing• Maintaining consistency across stores <p>Opportunities:</p> <ul style="list-style-type: none">• Non coffee related segments• Adoption of latest technology for customer engagement <p>Threats:</p> <ul style="list-style-type: none">• Local coffee shops• Changing customer preferences	<p>Demographics:</p> <ul style="list-style-type: none">• Urban professionals, students and coffee lovers• Age 18 to 45 <p>Behavior:</p> <ul style="list-style-type: none">• Convenience• Quality• Customization <p>Needs:</p> <ul style="list-style-type: none">• Consistency in product quality• Fast service• Sustainable, ethically sourced products	<p>Suppliers:</p> <ul style="list-style-type: none">• Coffee farms worldwide: Beans are sourced globally through its ethical sourcing program (C.A.F.E program)• Dairy products suppliers• Packaging companies• Bakery items <p>Partners:</p> <ul style="list-style-type: none">• Various food and beverage companies like PepsiCo, Nestle• UberEats• Bank of America• Tech giants like Apple, Amazon, Microsoft• Retailers	<p>Direct Competitors:</p> <ul style="list-style-type: none">• Dunkin' donuts• Costa coffee• Peet's coffee <p>Indirect Competitors:</p> <ul style="list-style-type: none">• Local coffee shops• Fast food outlets• Home brewing options <p>Competitive Advantage:</p> <ul style="list-style-type: none">• Premium brand• Loyal customer base• Superior customer experience• Store ambience	<ul style="list-style-type: none">• Political: Global trade policies and political instability in coffee-producing regions impact sourcing and operations• Economic: Economic downturns and currency fluctuations affect profitability and coffee pricing• Social: Changing consumer preferences towards health and local tastes influence product offerings• Technological: Leveraging mobile payments, digital marketing and supply chain automation• Environmental: Sustainability initiatives and climate change• Legal: Compliance with labor laws, food safety regulations and IP protection



Financial Insights: Key trends and variances



A TIMELINE OF TRIALS: KEY EVENTS



HOW STARBUCKS SECRETLY OPERATES LIKE A BANK



As of 2022, Starbucks has

\$1.7 Billion in customer deposits.

HOW?

Through Starbucks Rewards Program

Customers load prepaid funds into their Starbucks accounts or gift cards to earn points and make purchases.

WHAT?

- **Interest-Free Loan:**

Unlike banks, Starbucks does not pay interest on these deposits, effectively receiving a zero-interest loan from customers.

- **Breakage Profit:**

Starbucks earns from unused gift card balances (breakage), totaling \$164.5 million in 2021, around 10% of stored value balances.

- **Guaranteed Revenue:**

Once customers load funds into their accounts, they can only withdraw coffee, locking in future revenue for Starbucks.

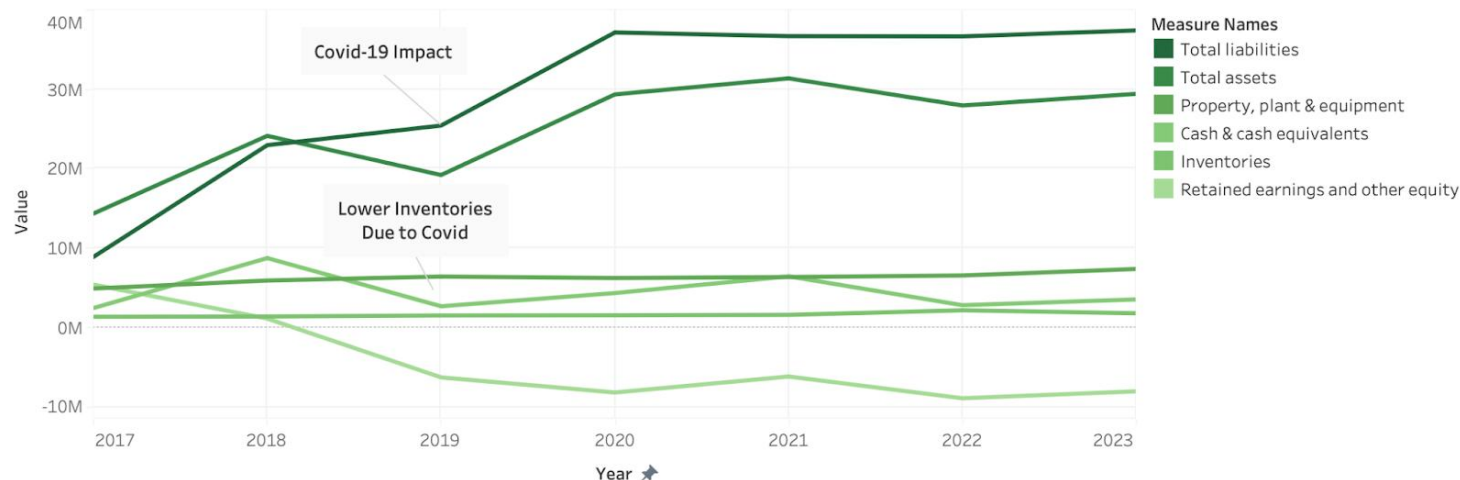
- **Untapped Potential:**

Starbucks could leverage these deposits for investments, higher interest income.





ASSET ANALYSIS



1. Cash & Cash Equivalents jumped from \$2.46 billion in 2017 to \$8.76 billion in 2018.

- Proceeds from Nestlé Deal
- Operational Changes and Global Expansion
- Sale of Tazo Brand

2. Cash & Cash Equivalents dropped from \$8.76 billion in 2018 to \$2.69 billion in 2019.

- Share repurchase programs and dividends
- Aimed to return approximately \$25 billion to shareholders by fiscal year 2020.

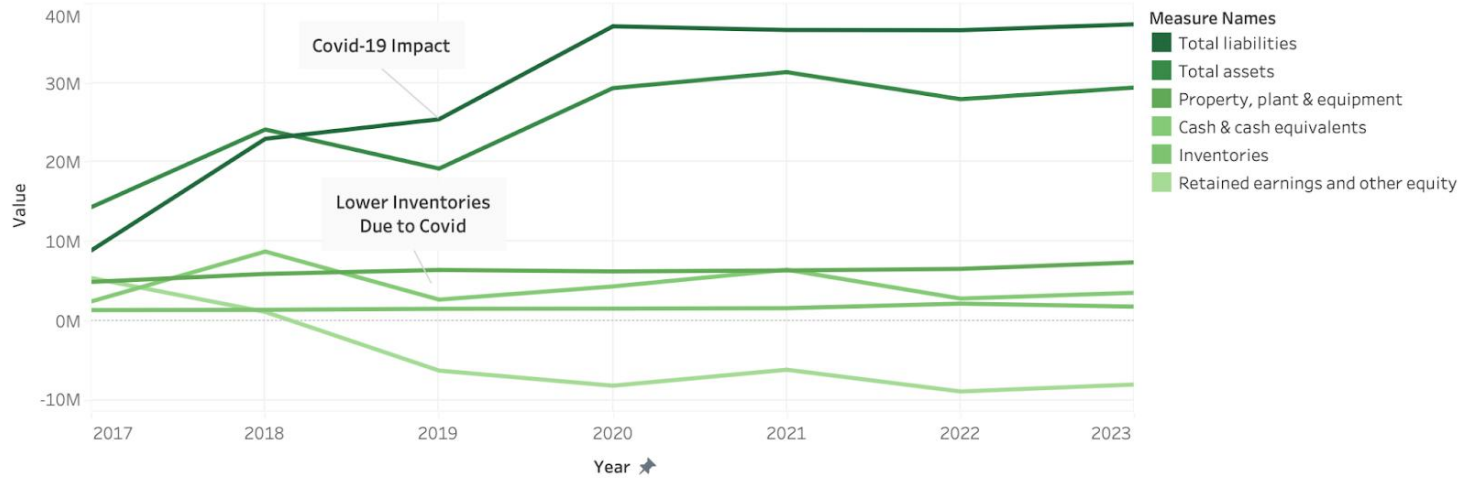
3. Other Non-Current Assets rose sharply from \$2.25 billion in 2019 to \$10.49 billion in 2020

Recognition of Operating Lease Right-of-Use Assets and liabilities on balance sheets

<i>(in thousands)</i>	2023	2022	2021	2020	2019	2018	2017
Cash & cash equivalents	3,551,500	2,818,400	6,455,700	4,350,900	2,686,600	8,756,300	2,462,300
Short-term investments	401,500	364,500	162,200	281,200	70,500	181,500	228,600
Accounts receivable	1,184,100	1,175,500	940,000	883,400	879,200	693,100	870,400
Inventories	1,806,400	2,176,600	1,603,900	1,551,400	1,529,400	1,400,500	1,364,000
Other current assets	359,900	483,700	594,600	739,500	488,200	1,462,800	358,100
Total current assets	7,303,400	7,018,700	9,756,400	7,806,400	5,653,900	12,494,200	5,283,400
Long-term investments	247,400	562,200	550,200	684,800	616,000	602,400	1,023,900
Property, plant & equipment	7,387,100	6,560,500	6,369,500	6,241,400	6,431,700	5,929,100	4,919,500
Goodwill & other intangible assets	3,338,800	3,439,400	4,027,200	4,149,300	4,272,600	4,583,800	1,980,600
Other non-current assets	11,168,800	10,397,600	10,689,300	10,492,600	2,245,400	546,900	1,158,200
Total assets	29,445,500	27,978,400	31,392,600	29,374,500	19,219,600	24,156,400	14,365,600



LIABILITIES ANALYSIS



1. Other Long-term Liabilities - sharp rise from \$1.43 billion in 2018 to \$8.47 billion in 2019.

- Adoption of the new accounting standard ASC 842, which requires companies to recognize operating lease liabilities on their balance sheets

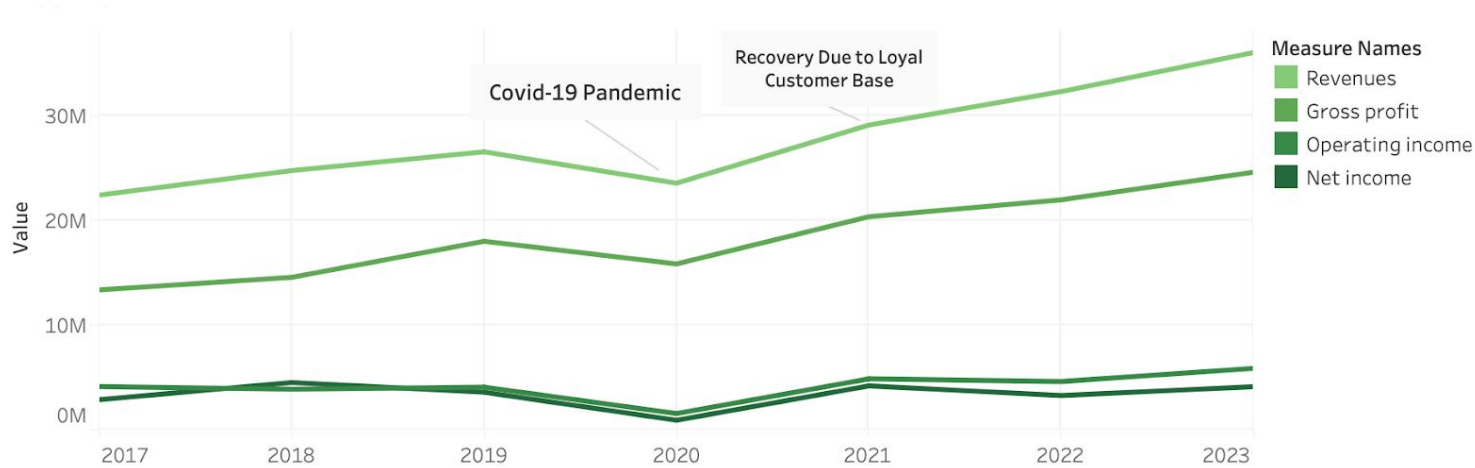
2. Short-term Debt increased from \$998.9 million in 2021 to \$1.92 billion in 2022.

- Increased short-term debt to enhance liquidity and financial flexibility because of Covid-19

<i>(in thousands)</i>	2023	2022	2021	2020	2019	2018	2017
Accounts payable	1,544,300	1,441,400	1,211,600	997,900	1,189,700	1,179,300	782,500
Deferred revenue	1,933,700	1,641,900	1,596,100	1,456,500	1,269,000	1,642,900	1,288,500
Short-term debt	1,852,100	1,924,000	998,900	1,688,700	-	349,900	-
Other current liabilities	4,015,200	4,144,500	4,344,800	3,203,700	3,710,000	2,512,100	2,149,700
Total current liabilities	9,345,300	9,151,800	8,151,400	7,346,800	6,168,700	5,684,200	4,220,700
Long-term debt	13,547,600	13,119,900	13,616,900	14,659,600	11,167,000	9,090,200	3,932,600
Deferred revenue	6,101,800	6,279,700	6,463,000	6,598,500	6,744,400	6,775,700	-
Other long-term liabilities	8,438,600	8,125,700	8,475,800	8,569,000	1,370,500	1,430,500	755,300
Total liabilities	37,433,300	36,677,100	36,707,100	37,173,900	25,450,600	22,980,600	8,908,600



INCOME STATEMENT ANALYSIS



1. Decline in Net income by 9.7%

- Store closures and reduced foot traffic due to the impact of Covid-19
- Limited capacity and operational disruptions.
- Drop in revenues

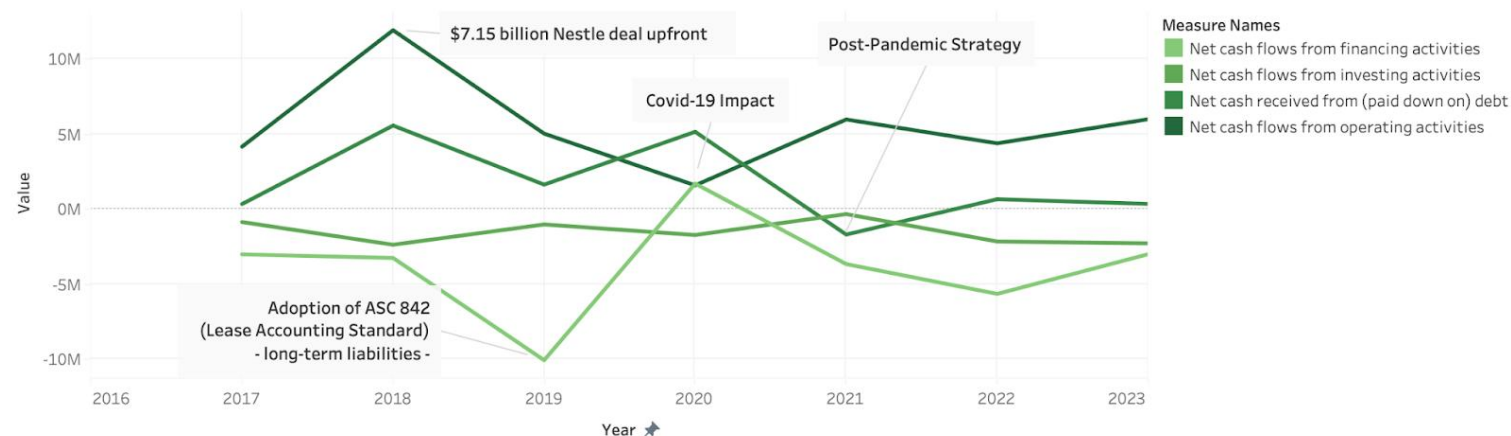
2. Recovery due to loyal customer base

- Growth in foot traffic, digital orders and loyalty program members.
- Net income rose by 10.6% within one year due to sales rebound.

(in thousands)	2023	2022	2021	2020	2019	2018	2017
Revenues	35,975,000	32,250,300	29,060,600	23,518,000	26,508,600	24,719,500	22,386,800
Cost of goods sold	11,409,100	10,317,400	8,738,700	7,694,900	8,526,900	10,174,500	9,038,200
Gross profit	24,565,900	21,932,900	20,321,900	15,823,100	17,981,700	14,545,000	13,348,600
Selling, general, and administrative expenses	18,695,100	17,315,100	15,449,800	14,261,400	13,903,800	10,661,700	9,213,900
Operating income	5,870,800	4,617,800	4,872,100	1,561,700	4,077,900	3,883,300	4,134,700
Interest expense (income)	468,900	385,900	(484,800)	397,300	(388,300)	(1,896,700)	(182,800)
Income tax expense	1,277,200	948,500	1,156,600	239,700	871,600	1,262,000	1,432,600
Net income	4,124,700	3,283,400	4,200,300	924,700	3,594,600	4,518,000	2,884,900

CASH FLOW ANALYSIS

Cash Flow



1. Net Cash Flows from Operating Activities \$1,597,800 (down from \$5,989,100 in 2021)

- Store closures and reduced foot traffic at stores due to the impact of Covid-19

2. Net Cash flows from financing activities has a steep incline to 1,713,300 (from outflow of (10,056,900) in 2019)

- Adoption of the new accounting standard ASC 842, which requires companies to recognize operating lease liabilities on their balance sheets

(in thousands)	2023	2022	2021	2020	2019	2018	2017
Net cash flows from operating activities	6,008,700	4,397,300	5,989,100	1,597,800	5,047,000	11,937,800	4,174,300
Net cash received (paid) from investments	8,900	(238,000)	56,700	(183,500)	167,700	312,400	529,700
Cash paid for acquisitions	-	-	-	-	-	(1,311,300)	-
Cash paid for property, plant & equipment	(2,333,600)	(1,841,300)	(1,470,000)	(1,483,600)	(1,806,600)	(1,976,400)	(1,519,400)
Net cash received from divestiture of certain operations	-	-	1,175,000	-	-	-	-
Other investing activities	53,900	(67,000)	(81,200)	(44,400)	628,100	613,800	139,700
Net cash flows from investing activities	(2,270,800)	(2,146,300)	(319,500)	(1,711,500)	(1,010,800)	(2,361,500)	(850,000)
Net cash received from (paid down on) debt	358,600	673,100	(1,681,200)	5,166,500	1,646,000	5,584,100	350,200
Cash proceeds from issuance of common stock	167,400	101,600	246,200	298,800	409,800	153,900	150,800
Cash dividends paid	(2,431,800)	(2,263,300)	(2,119,000)	(1,923,500)	(1,761,300)	(1,743,400)	(1,450,400)
Cash paid to repurchase common stock	(984,400)	(4,013,000)	-	(1,698,900)	(10,222,300)	(7,133,500)	(2,042,500)
Other financing activities	(100,400)	(136,400)	(97,000)	(129,600)	(129,100)	(103,900)	(9,700)
Net cash flows from financing activities	(2,990,600)	(5,638,000)	(3,651,000)	1,713,300	(10,056,900)	(3,242,800)	(3,001,600)



Marketing Strategy Review: Starbucks' 4P's in Action



4 P ANALYSIS

Product

Product Range

- Wide variety of coffee drinks, teas, snacks, seasonal items and branded merchandise.

Customization

- Innovation in beverage personalization and introduction of healthier options

Quality

- Focus on premium products and ethical sourcing

Premium Pricing Strategy

- Premium quality with unique coffee experience.
- Different pricing tiers for various products and sizes
- Products higher than other competitors focusing on offering the ultimate Starbucks experience

Discounts and promotions

- Rewards programs, pricing tiers to accommodate different consumer segments

Price

Place

Global Presence

- Strategic location of stores in high-traffic and convenient areas.
- More than 30,000 stores in 85 countries around the world.

Online and mobile ordering

- 21% to 30% of the transactions made through mobile orders

Strong Focus on Marketing and Brand Promotion

- Successful Marketing Campaigns driving user engagement
- Active social media marketing and personalized email promotions.

Rewards Loyalty Program

- Driving repeat purchases and increasing digital engagement

Promotion





There are
38,137
Starbucks stores
across the world.

United States:
16,482

Outside the US
21,655



Starbucks Across the Globe

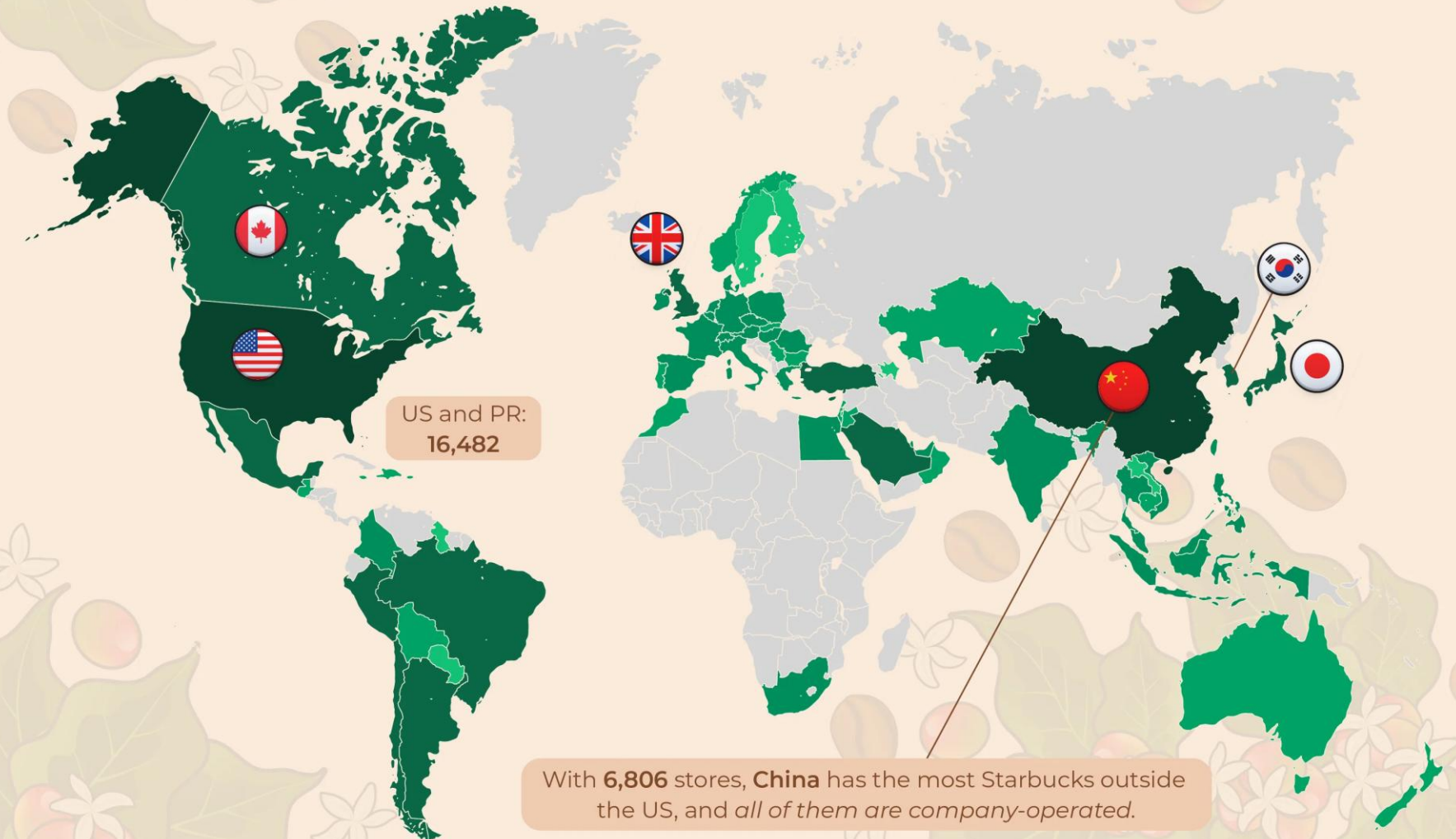
You'll see a Starbucks store in **85 out of 195** countries.

Number of Starbucks Store

1



16,449



Marketing Campaigns: Wins



TWEET-A-COFFEE

Tweet-a-Coffee' campaign let people give a \$5 gift card to a friend just by putting both '@tweetacoffee' and a friend's handle in a tweet

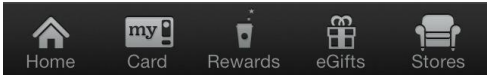
In two months, more than 27,000 users had tweeted a coffee. It was calculated that the promotion brought around \$180,000 worth of coffee



Now you can send a coffee via Twitter

Tweet a \$5 Starbucks Card eGift to your favorite blogger, your number one follower, your yoga teacher. It's a fun way to say "you're awesome..this Starbucks is on me."

[See how easy it is](#)



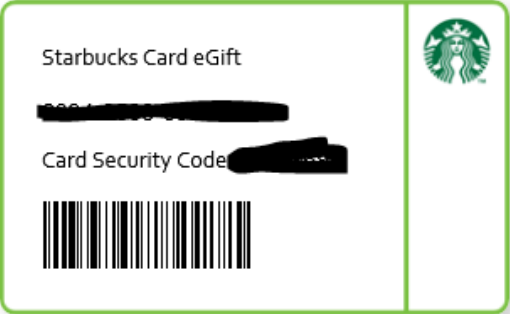
Drink Up!
You just received a \$5.00 USD Starbucks Card eGift



Kelley Myers sent you a \$5.00 USD Starbucks Card eGift. Enjoying your eGift is easy. Just choose one of the following options:

Save my eGift for later, enter email address below.

Send



Transfer to my Starbucks Card

or

Print my eGift

MEET ME AT STARBUCKS

The company launched the "Meet Me at Starbucks" social media campaign in 2014.

In two months, more than 27,000 users had tweeted a coffee. It was calculated that the promotion brought around \$180,000 worth of coffee



Starbucks

October 10, 2014 · 🌐

Like Page

Presenting the #HowWeMet portrait series, on Starbucks Instagram.



#HowWeMet

As part of a recent global photo shoot, we asked photographers in 8 countries to capture images of people and their friends, colleagues, significant others, and uncover their stories through a simple question: "How did you meet?"

INSTAGRAM

Like · Comment · Share

Starbucks and 21,664 others like this.

Top Comments ▾

348 shares

TAYLOR'S LATTE

Starbucks officially teamed up with Taylor Swift for the re-release of her album Red.

Starbucks provided the fans with the opportunity to order a "Taylor's Latte" or a "Taylor's Version" drink from Starbucks and get the singer-songwriter's favorite drink: a Grande Caramel Nonfat Latte.





STARBUCKS
TAYLOR'S VERSION

ITS A LOVE STORY. STARBUCKS AND TAYLOR SWIFT ARE TEAMING UP

DISPONIBLE EN
ESTADOS UNIDOS
CANADA
MEXICO
ARGENTINA
BRASIL
FILIPINAS



CARAMEL LIGHT LATTE (VERSION DE TAYLOR)

ALTO \$55 GRANDE \$66 VENTI \$73

CARAMEL LIGHT LATTE HELADO
(VERSION DE TAYLOR)

ALTO \$55 GRANDE \$66 VENTI \$73





love, Taylor

IG: DE TAYLORS VERSION
FB: LTP

Marketing Campaigns: Misses





#RACETOGETHER

Following the killing of unarmed black men, Starbucks CEO Howard Schultz teamed up with USA Today to kick off a national conversation about race.

Each cup had the #Racetogether written on it to encourage customers to talk about these issues with the barista.

What went wrong?

People pointed out the hypocrisy of white executives asking baristas (many of whom were of color) to initiate conversations about race with customers

The campaign hit a backlash on social media and was terminated in six days.





#SPREADTHECHEER

The #SpreadTheCheer social media campaign was introduced in time for Christmas.

They broadcasted #SpreadTheCheer tweets live on the wall of the ice rink at the National History Museum.

What went wrong?

The timing was absolutely off. They've introduced the campaign after they had cut wages for some employees and apparently had not been paying the corporation tax in England in full.

Hashtag was hijacked by angry users and used to confront the company on taxes, maternal leave, wages, and whatnot.



Kate Talbot @ktalbot21 · Dec 15, 2012

Oh dear, Starbucks have a screen showing their #spreadthecheer tweets at the National History Museum...



12 719 139



MARKETING EFFECTIVENESS THROUGH TRENDS

1

Increasing Revenue & Gross Profit

Revenue increased from **\$22.4 billion** in 2017 to **\$36 billion** in 2023, suggesting that its pricing strategy has not deterred customers. The Gross Profit has steadily increased from **\$13.3 billion** in 2017 to **\$24.6 billion** in 2023 indicating strong demand and pricing power.

2

Increasing SG&A expenses

Increasing SG&A expenses (from **\$9.2 billion** in 2017 to **\$18.7 billion** in 2023) indicating rising costs related to maintaining the **brand image** and **product quality**. Consistent investment in SG&A (spending on **marketing**, **store experience**, and **digital channels**)

3

Operating Income

Operating income has fluctuated, peaking at **\$5.87 billion** in 2023. The significant dip in 2020 (**\$1.56 billion**). Rebound in 2021 and 2022 shows resilience through its digital and delivery channels.

RECOMMENDATIONS

1

Streamlining operational costs

Focus on streamlining operational costs while maintaining its brand's premium image. Identifying areas where efficiency can be improved (e.g., automation in stores or supply chain) could help control SG&A costs.

2

Offering localized menu items

Localized menu items that cater to regional preferences (e.g., tea-based products in China, spicy flavors in India, or local pastry offerings)

3

Local Partnerships

Local partnerships could help Starbucks integrate more seamlessly into emerging markets, leverage retail experience and established supply chain. Tata Starbucks in India has been a successful local partnership.

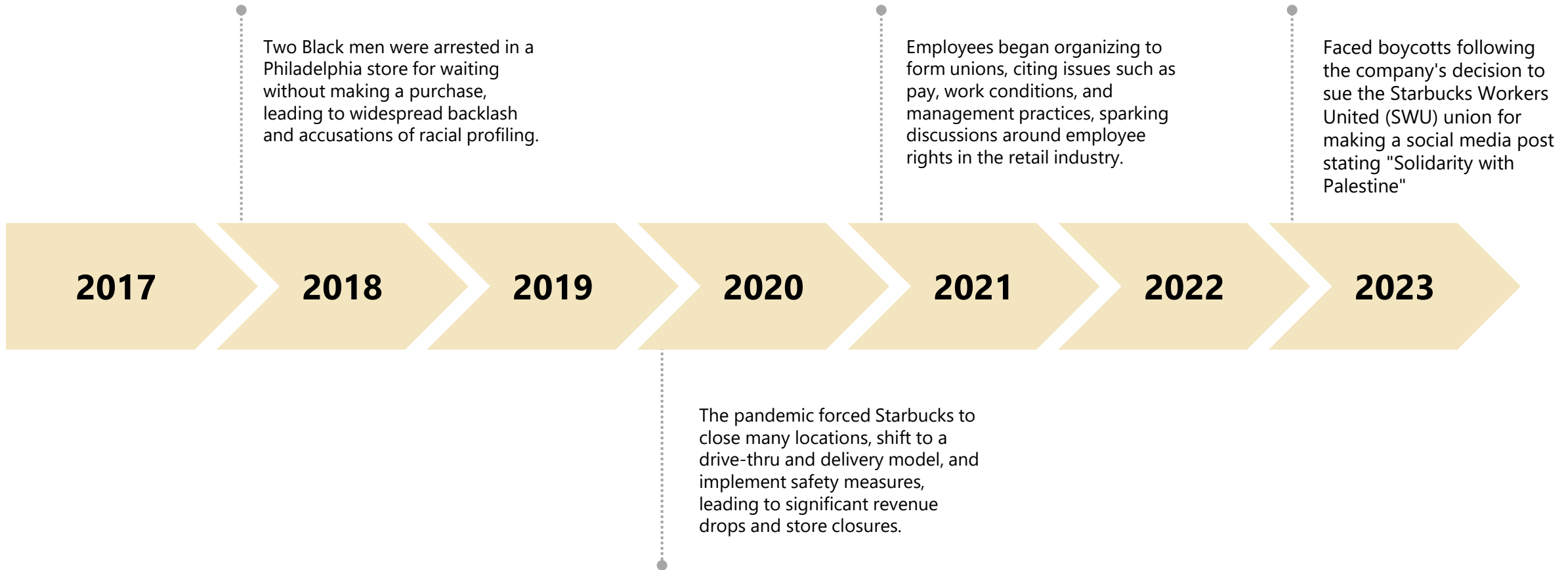




Challenges and Opportunities: Starbucks' Path to Growth



A TIMELINE OF TRIALS: KEY EVENTS





YOUR PRESENTERS: BREWING IDEAS TOGETHER





Thanks a Latte!

