

Misleading Graph #1: Starbucks Investor Presentation

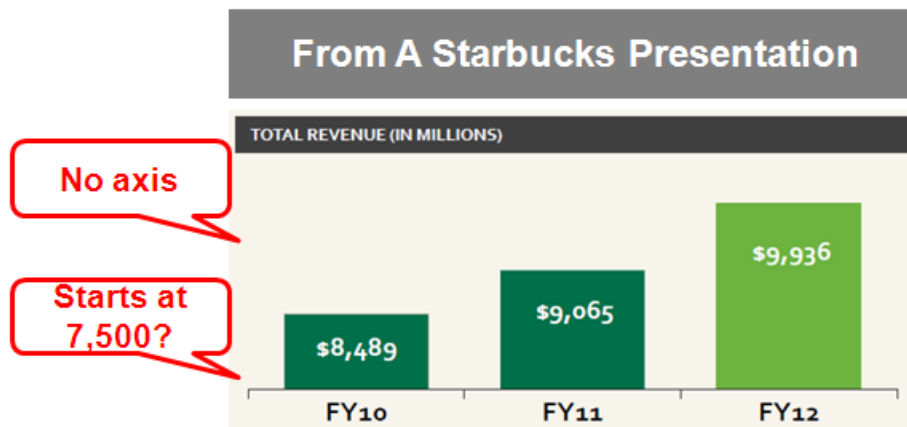
 consultantsmind.com/2012/12/18/misleading-charts

Consultant's Mind

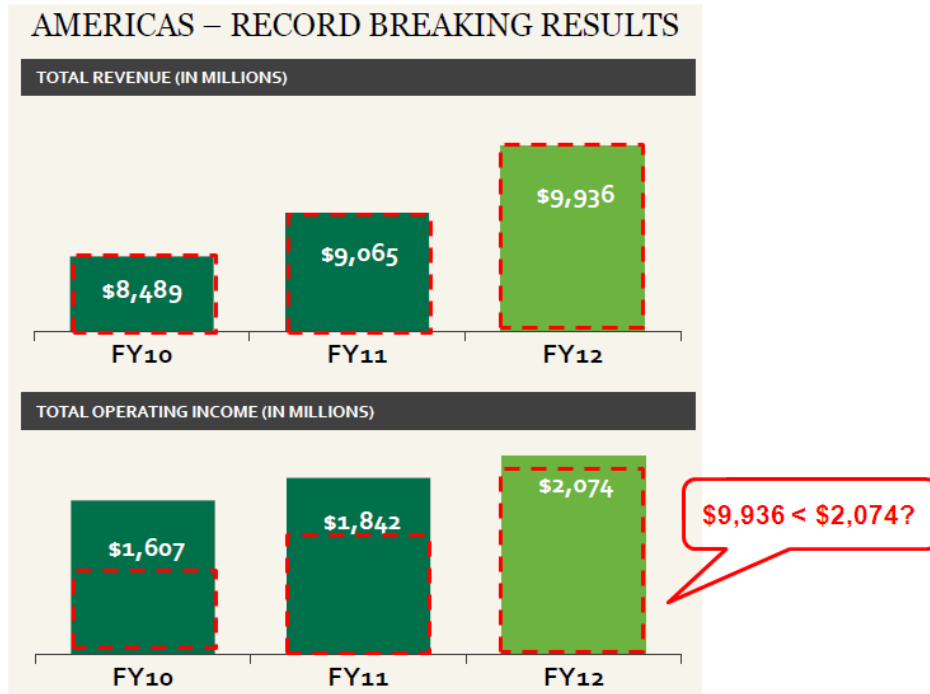
December 19, 2012

Charts can mislead. In most cases, it's accidental. Perhaps someone was over-eager to show good results, or maybe, just did a sloppy job of formatting. Whatever the cause, it's bad mojo to put together analyses or charts that mislead. Here are some bad examples from Starbucks' recently investor conference. You can see all the slides [here](#). After some time, you will see many misleading graphs.

#1. No axis label. This is no-no. A chart without a labeled X&Y axis is like a car without an odometer. Not a good idea.

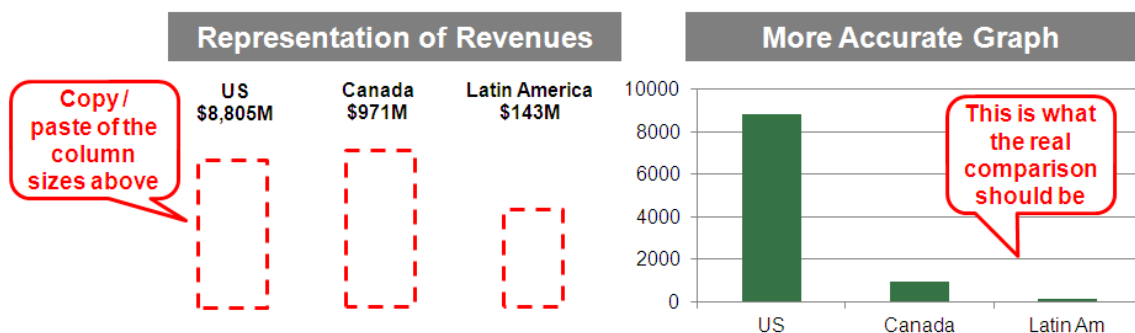
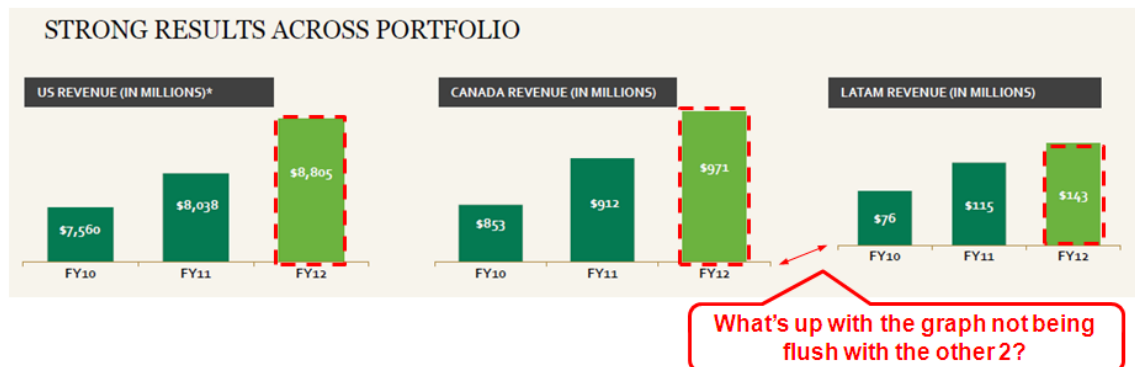


#2. Not drawn to scale. Below, you can see that Starbucks is comparing its revenue with operating income. Since the scale is different, the operating income actually looks bigger than revenue. That ain't right.



3. False or unnecessary comparisons. Same problem below. The coffee executives compare US & Canada & Latin America but use different – seemingly random – scales. Misleading graphs, I tell you.

The 2012 revenues are shown with red dotted lines. When you line them up, they look similar in size – when in reality – it should look like the graph at the bottom right. The US is where the current revenues come from and Latin America is a rounding error.



Why make the comparison? There was no reason to compare the US, Canada and Latin America. They are at different stages of their growth. Why force the comparison?

Comparing the US and Canada makes sense. They are both mature markets with similar GDP per headcount and analogous cultures. Taking the population for the US and Canada [here](#), you can see that the average American and Canadian spends about the same on Starbucks annually.

| Annual Starbucks \$ per Person | |
|---|--|
|  | \$8,805 million / 313 million Americans = \$28.1 |
|  | \$ 971 million / 34 million Canadians = \$28.6 |

Analyze Latin America by itself or against other emerging markets. Looking at Latin America over the last 3 years, looks like they went from \$76M to \$115M to \$143M. Nothing shabby about that. Why not focus on that story separately.

Clarity is your job. At the core, a consultant's job is to drive clarity – through the data, analysis, and presentation. Anything you do to over-simplify, obfuscate, or muddle the issue is bad. The client can be confused by themselves – without paying your fees.