



STARBUCKS: QUALITY COFFEE, QUALITY GROWTH

GROUP 2
ASHOKA CONSULTING CLUB

THE ANALYSIS:

WE ARE A MARKET LEADER WITH SOLID INFRASTRUCTURE, A PREMIUM PRODUCT, AND MANY AVENUES OF GROWTH, WITH PROBLEMS THAT CAN BE AVOIDED BY STAYING ON-BRAND AND FOCUSED TARGETING



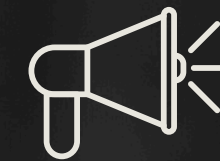
STRENGTHS

- Strong National Branding & Premium Market Positioning
- Quality Product & Well-Integrated Value Chain
- Good Corporate Culture & Valuation of "The Experience"
- Low Partner Turnover & Excellent Knowledge Base



OPPORTUNITIES

- International Markets Prevent Competitor's Head Start
- Diversified Portfolio of Coffee-Like Beverages, Merchandising
- Newer Sales Channels To Expand Cross-Market Footprint



WEAKNESSES

- Low Local Market Penetration
- Customer Base That's Older and Skews Higher-Income
- Quality Concerns from Partnerships



THREATS

- Brand Dilution from New Sales Channels
- Growing Pains & Logistical Concerns of Expansion
- Market Saturation of Locations, Placements, Supplies

OUR STAKEHOLDERS:

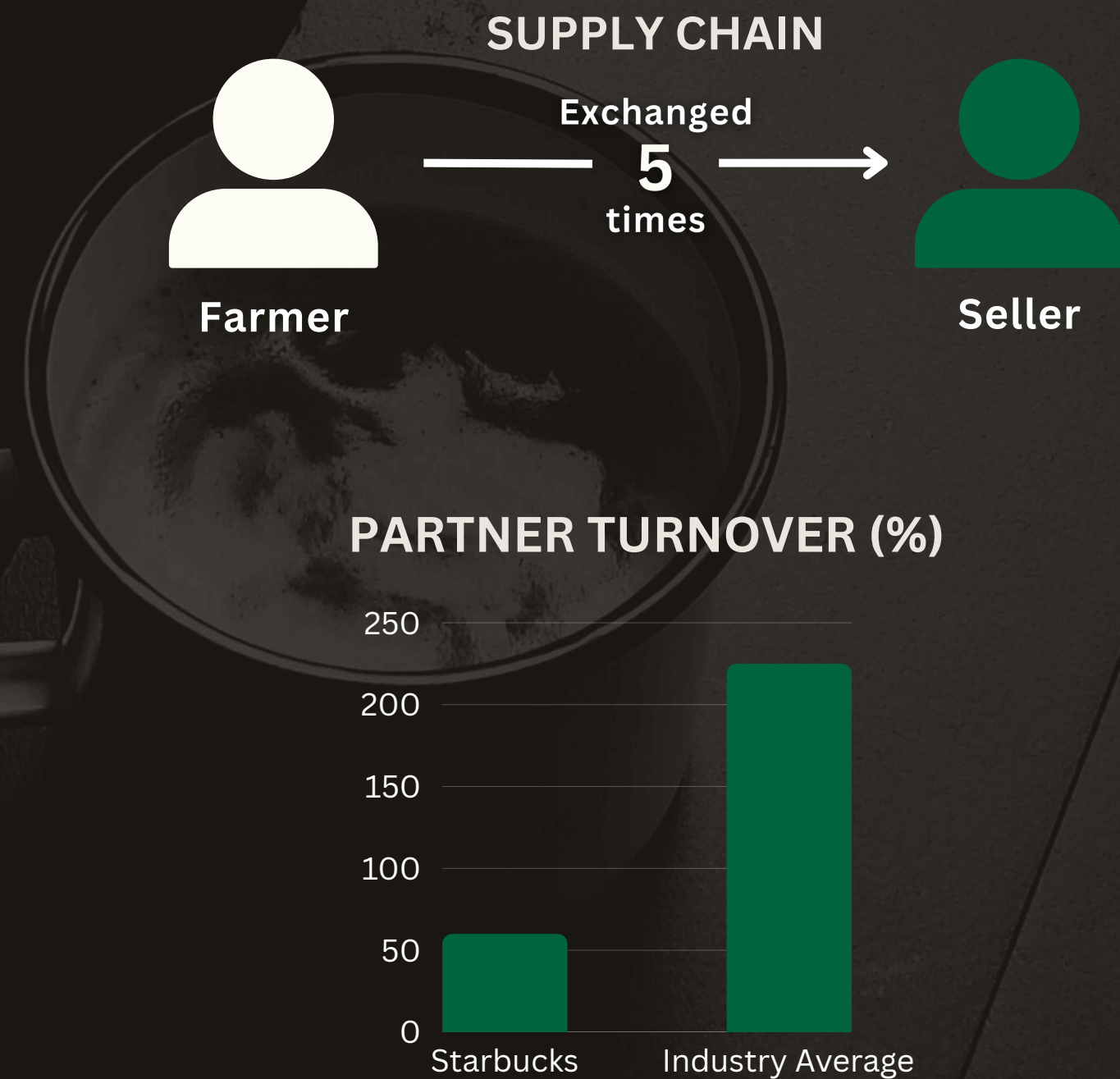
THE INTERESTS OF OUR PARTNERS, SUPPLIERS, SHAREHOLDERS, AND CUSTOMERS ARE ALL IN SYNC WHEN WE PRODUCE A QUALITY PRODUCT AT FAIR PRICES, FITTED TO THE NEEDS OF THE CONSUMER

Suppliers: Starbucks' priority is cultivating relationships with local producers and conducting fair transactions, and increasing efficiency along the supply chain helps guarantee quality & consistency

Partners: Partners/employees are vital in directly contributing to the Starbucks experience, and minimizing turnover lowers costs in the long-run

Customers: Starbucks services three segments:

- People who want the "third place" experience
- People who want to grab a quality coffee
- People who want to make their own



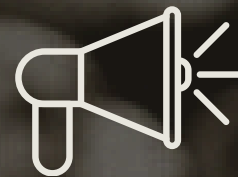
THE PROBLEM:

IN THE FACE OF MULTIPLE GROWING PAINS & SCALING PROBLEMS,
HOW CAN STARBUCKS MAINTAIN ITS QUALITY AND KEEP GROWING
ITS BUSINESS INTO NEWER MARKETS?



CHANGING DEMOGRAPHICS

Younger customers prefer the competition, Customers are both increasingly knowledgeable and increasingly prefer ready-to-go products



FIERCE COMPETITION

A saturating market with competition for quality beans, as well as from local brands like Second Cup and from non-coffee competitors like alcohol, juices, or anything that draws people away from "the third place"



LOGISTICS & SATURATION

Maintaining and scaling the expertise of staff, the quality of beans, and the prime location of stores consistently at scale across thousands of locations

OUR RECOMMENDATIONS:

Expanding Customer Base

Overcoming Scaling & Saturation Issues

Expanding Product & Merchandise Range, & International Investments

Interfacing with & Aggregating Suppliers at the Ground-Level

Placing the Product with (Only) Quality Partnerships

Retaining Focus on Partner Satisfaction & "The Experience"

Loyalty & Personalization Programs

Expanding & Aggressively Positioning "Doppio" Program

Leveraging the National Brand Locally

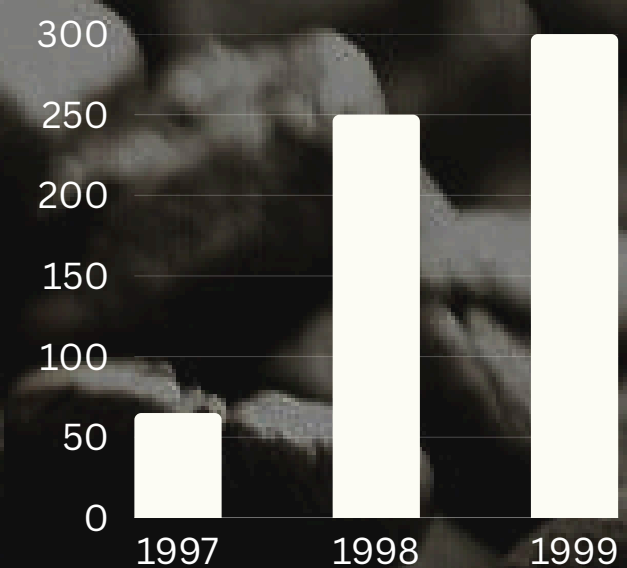
Beating Competitors

THE SOLUTION:

BROADENING MARKET APPEAL BY EXPANDING PRODUCT RANGE AND PROVIDING PREMIUM OPTIONS

- Expanding product range based on demand
 - **flavoured products:** caramel, cinnamon, vanilla, hazelnut
 - **ready-to-go** options i.e. bottled coffee: more options like a bottled frappuccino
 - **merchandising** i.e. at-home products: sachets and bundled packets
 - food items allied with coffee
- Appealing more to customers seeking premium options through
 - **personalization** in product categories
 - **loyalty programs** such as membership cards
 - enhanced **store experiences** to foster the coffee-house culture
 - uncommon ambience, reclusive to Starbucks stores
 - aromatic coffee candles (which could also be put for sale)

PROJECTED RETAIL REVENUE
FROM BOTTLED BEVERAGES



THE SOLUTION:

EXPANDING SALES CHANNELS BEYOND TRADITIONAL STORES BY REPLICATING THE STARBUCKS EXPERIENCE

- Exploring alternative sales channels that help place the product beyond stores:
 - **bookstores** through partnerships with B&N
 - entering **grocery stores and marts** with ready-to-drink, bottled products and sachet coffee options
 - taking advantage of the growing networks of **e-commerce platform and telecommerce** for the sale of at-home products
 - **kiosk and pop-up stores** in crowded areas such as stations and bus stops for the sale of bottled, cold beverages through the Doppio program
- Our expansion into **Asia and the Pacific Rim** gives us an entirely new geographic market which can be exploited by pivoting the Starbucks brand around two key point, depending on market segmentation:
 - Taking advantage of the commodification of the Western aspirational lifestyle, and **leveraging the Starbucks brand** as a symbol of that
 - Focusing on the quality of the product, which would be superior in taste and experience to the premium-end of the existing Pacific Rim market, after localization analysis and **repositioning the product to suit the preferences of the new market**

THE SOLUTION:

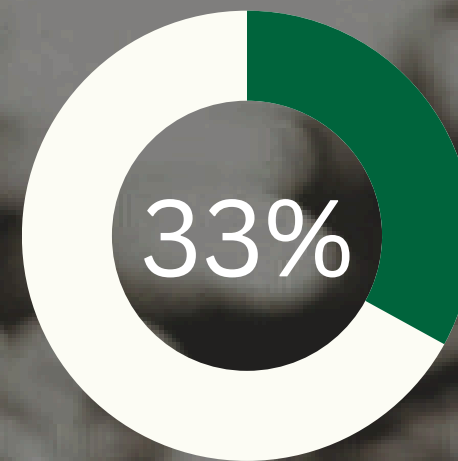
LOCAL MARKETS NEED TO BE PENETRATED VIA AGGRESSIVE UNDERCUTTING AND BRANDING, AND PARTNERSHIPS NEED TO COME WITH QUALITY GUARANTEES

- Starbucks' **competitors are primarily local brands** who take advantage of community ties, stronger local presences and branding preferences to overcome Starbucks' overwhelming quality advantages. These can be overcome by:
 - **Maintaining low partner turnover** and high knowledge base + satisfaction to help facilitate **personal ties** with local customers
 - Positioning the Starbucks brand through localized advertisement channels and aspirational branding
 - **Aggressive positioning of coffee carts** around competitor stores in prime locations
- Each partnership which sells Starbucks products but fails to provide the equivalent Starbucks experience or quality guarantee is a **critical failure**. Partnership models need to be examined and overhauled to ensure:
 - **Spot-checks by Starbucks personnel** to ensure quality of consumables at all points
 - **Training of partner partners** (employees) by Starbucks-trained personnel regularly to ensure quality standards in preparations

THE SOLUTION:

OVERCOMING SCALING AND SATURATION ISSUES BY AGGREGATING BEAN SUPPLIERS AT THE GROUND-LEVEL

COFFEE FARMS WITH
AREA < 3 ACRES



- **Identify target farms:** Conduct a market analysis to identify the most promising technological farms and innovators in Latin America, the Pacific Rim and East Africa with high-quality beans.
- **Agreements with Suppliers:** Set up agreements with suppliers like UPS that can provide logistical tools such as refrigerated shipping containers to protect the quality of the beans during transportation.
- **Support the Farmers:** Promote sustainable production practices by providing financial support to the farmers and enforcing reforestation efforts, starting at the local, experimental scale for exotic beans and roasts and scaling up.

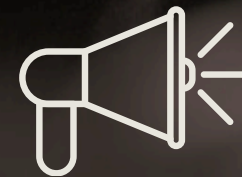
RISKS:

FIXING WHAT AIN'T BROKE IS ALWAYS A GAMBLE - NEWER PRODUCTS AND SALES CHANNELS DON'T NECESSARILY SYNERGIZE WITH THE CONVENTIONAL BRAND, AND SUPPLY-SIDE COMPETENCIES ARE TOUGH



BRAND DILUTION

Coffee carts are seen as generic sales points, and are tough to position as a premium brand; Bottled beverages are lower in quality and come without the flourishes of the experience



NON-STORE INVESTMENTS

Scaling back partnerships lacking quality guarantees could be a fumble that opens up space for competitors; Newer partnerships are risks without proven industry track records



SUPPLY CHAIN EFFICIENCIES

Setting up the infrastructure to directly access local farmers is high-effort (and high-reward), and might be difficult to implement; We don't have competencies in non-coffee products or merchandising



THANK YOU

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