

STARBUCKS INTRODUCES DEBIT CARD

Starbucks is a resounding restaurant success story. Beginning with its first coffee house in 1971, Starbucks has grown to more than 11,000 U.S. locations. Opening up its first international outlet in the mid-1990s, Starbucks now operates in more than 43 countries (1800 coffee houses) outside of North America. Besides selling beverages, pastries, confections, and coffee-related accessories and equipment at its retail outlets, Starbucks also purchases and roasts high-quality coffee beans in several locations. The company's objective is to become the most recognized and respected brand in the world. Starbucks maintains a strong environmental orientation and is committed to taking a leadership position environmentally. In addition, the company has won awards for corporate social responsibility through its community-building programs, its strong commitment to its origins (coffee producers, family, community), and the Starbucks Foundation, which is dedicated to creating hope, discovery, and opportunity in the communities where Starbucks resides.

In November 2001, Starbucks launched its prepaid (debit) Starbucks Card. The card, which holds between \$5 and \$200, can be used at virtually any Starbucks location. The card was so popular when it first was released that many stores ran out. By mid-2002, Starbucks had activated more than 5 million of these cards. The Starbucks Card has surpassed the \$2.5 billion mark for total activations and reloads since its introduction. As customers "reload" the cards, it appears they are placing more money on them than the initial value of the card. Starbucks has gone on to promote their Starbucks Card as a flexible marketing tool that can be used by individuals as a gift of thanks and appreciation for friendship or service and can be used by companies to reward loyal customers and as an incentive to employees.

Discussion

1. Starbucks enjoyed considerable success with its debit cards, which they sell for \$5 to \$200. Suppose Starbucks management wants to study the reasons why some people purchase debit cards with higher prepaid amounts than do other people. Suppose a study of 100 randomly selected prepaid card purchasers is taken. Respondents are asked the amount of

the prepaid card, the customer's age, the number of days per month the customer makes a purchase at Starbucks, the number of cups of coffee the customer drinks per day, and the customer's income. The data have been shown in the EXCEL file. Using these data, develop a multiple regression model to study how well the amount of the prepaid card can be predicted by the other variables. What are the key predictors, if any? What sales implications might be evident from this analysis?

2. Suppose marketing wants to be able to profile frequent visitors to a Starbucks store. Using the same data set already provided, develop a multiple regression model to predict Days per month at Starbucks by Age, Income, and Number of cups of coffee per day. How strong is the model? What are the key predictors, if any? What marketing implications might be evident from this analysis?