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# Coffee cups, making buck\$!

## Introduction

Coffee is a drink which can build a business over conversations and meetings. It is also a routine drink for people to have at any place and at any time. It is amongst the most popular beverages consumed in the world. Caffeine gives an energetic push to the mind and the beautiful aroma is loved by the people, making it the most favourite beverage amongst the professionals. Coffee is known to wake you up but it has its own benefits in terms of health. It reduces the risk of development of Alzheimer's by 65% and lowers the risk of developing a liver cancer by 40%. The coffee industry consisted of multiple waves. The first wave consisted of growth of coffee consumption drastically where Nescafe

**"400 million cups of coffee are consumed by Americans per day making them the top consumer in the world in 2017."**

## Coffee Sales

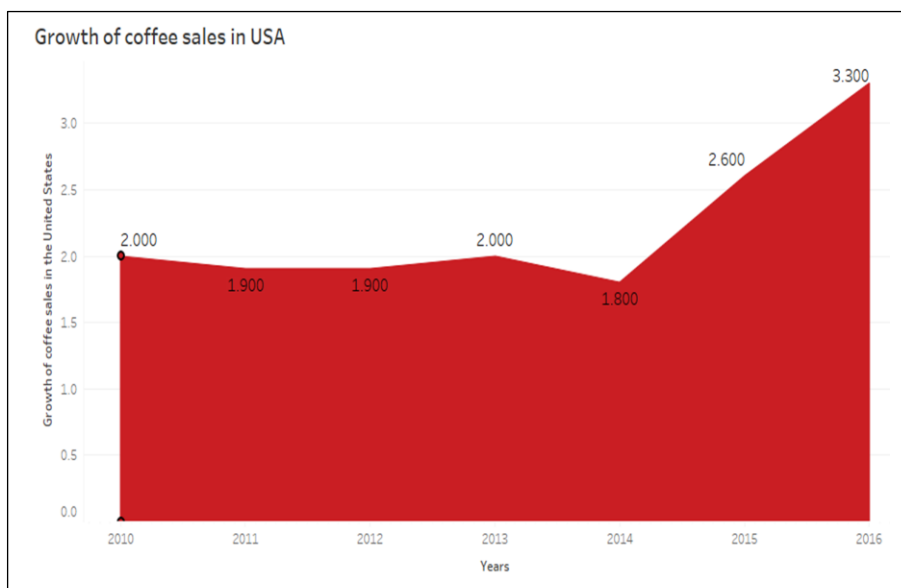


Figure 1 – Growth of coffee sales in percentage. Tool used :  
Tableau

and Maxwell house were ruling the market. The first wave was about coffee production and consumption which was providing the coffee to people. The second wave was about the experiencing the coffee and enjoying it. This was the time where big players like Starbucks and Costa chains were in the market. A report from National Coffee Association(NCA) shows that America consumes the most coffee than any other countries. The country has the coffee shops in every nook and corner of the city. Later over the period of time, people also spent on the premium coffees available rather than drinking in local shops.

This led to humungous increase in coffee sales. In order to fulfil this demand, America became the highest importer of the coffee from countries like Brazil, Columbia, Ethiopia and Vietnam. The coffee sales are increasing by 20 percent per year.

## Which age group focuses on drinking coffee ?

As the coffee chains like Starbucks and others continue to grow it attracts more people to drink coffee consisting of different age groups. The millennium generation is more directed towards party culture the coffee favourers are less amongst the young generation. The affection for coffee is generated as people grow older. In 1999, the special coffee was consumed by 9 percent of the adults which increased to 41 percent in 2017. It is observed that caffeine increases the attention span for the age groups of elderly and old people. This might be the reason working professionals typically the senior level employees like managers and board members favour to have coffee. The elder people or adults found coffee helpful to avoid distraction and increase their productivity in their work. The older people drink maximum coffee where

there is a need to do a complex task and requires maximum attention. It is also surveyed from American chemical society with increasing age people are likely to get the diseases like type II diabetes and Alzheimer's which can be avoided by having coffee. It also helps in increasing the metabolism and reduces fat from the body. Starbucks believes the customers they have are working professionals which belong to the adult age and older people do visit some times to catch up with friends.

People mostly drink coffee at public gatherings which makes them happy, gives them the pleasure. Coffee also contains addictive content where a habit is developed and people are used to it. Some people will have it as a relaxing drink to calm their nerves and senses. According to the survey of Institute for Scientific Information on Coffee, it is observed that people have coffee most of the times at their work place. The reason was it makes them feel relaxed during the breaks and the other reason was to increase the productivity.

"31 % of people make coffee their first priority in the morning"

"49 % of revenue is contributed by the age of 25-40 to Starbucks"

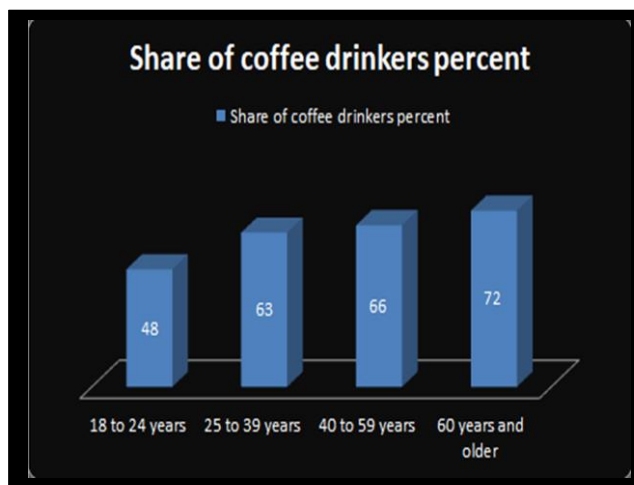


Figure 2 –Age group drinking coffee. Tool used : Microsoft Excel

## Reasons of people to drink coffee

There are many reasons which makes coffee a regular and favourite drink for people to have it. The most important reason is people loved the taste and which is also available in variety of flavours such as dark black coffee, roasted one and light roasted which is smooth and mellow.

## How much money people spend on a coffee ?

The expenditure on coffee depends on the the people or more precisely on the habit of their drinking the coffee.

Though from a survey in USA, around 40 percent of the millennials on an average spend 20 dollars in a week for coffee. Most of the people working in educational profession, scientist, writer or marketing professional tend to spend more as the prices are subsidised by the organization. People having breakfast meets with friends on a weekend or a meal in the movie spend around 8 dollars. People with high

Share of respondents in percent by Why do you usually drink coffee?

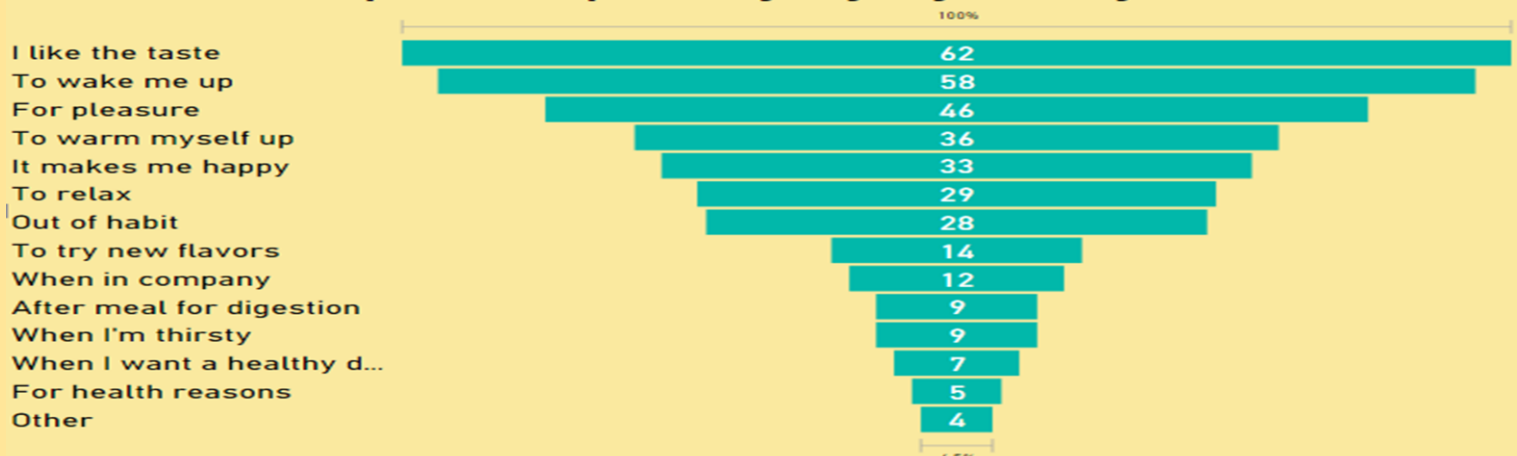


Figure 3 – Reasons for drinking coffee. Tool used : Microsoft Power BI

income spend high on coffee as per Starbucks upon which they have their customer base. According to recent study there has been a 4 percent of increase in spending of people on Starbucks products. The convenience of the company makes you spend more as you more spend time in the store the ambience and the convenience in terms of orders makes you order more.

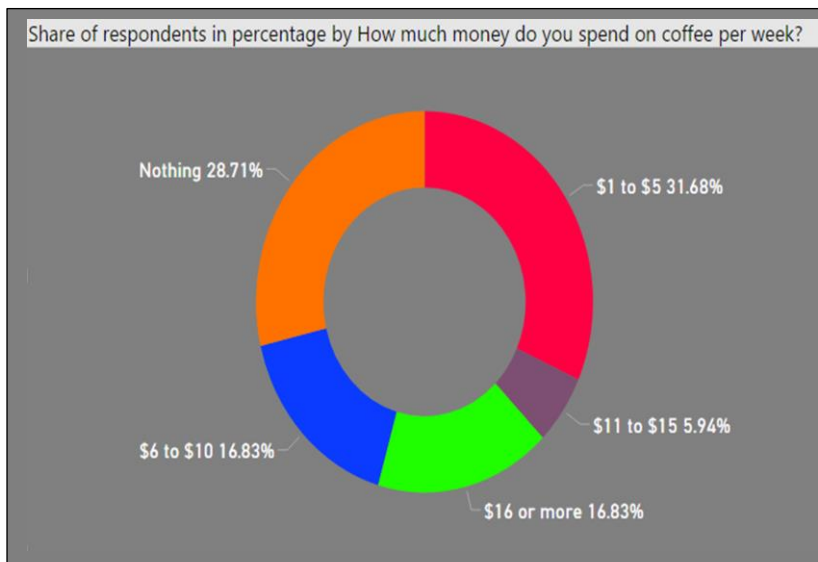


Figure 4 – Spending on coffee per week. Tool used : Microsoft Power BI

## Leading coffee house chains worldwide by revenue

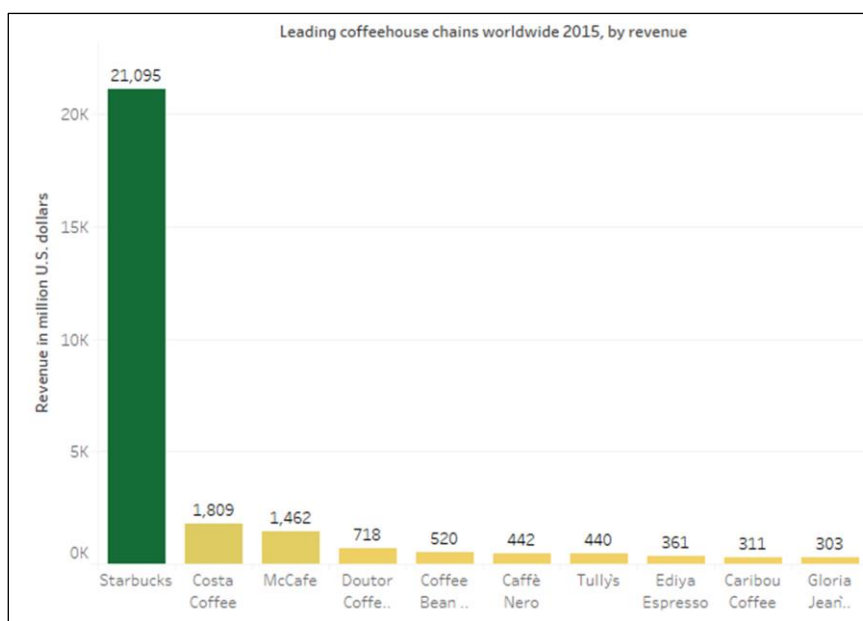


Figure 5 – Leading coffee house chains worldwide by revenue . Tool used : Tableau

There are number of coffee house chains available like Starbucks, Costa coffee, McCafe of Mcdonald's which are the big players in the market and have number of shops generating huge revenue . The expansion of Starbucks led to the multi-million revenue which is today. First store of Starbucks was started in 1971 in Seattle. After making Howard Schultz the head of the company, he expanded the stores into different states and cities of America. The expansion led to public listing of the company. In 1992 company got IPO with a revenue of 73.5 million dollars with 140 stores in the country. Later the company started expanding in other countries by buying other popular chain stores of the particular countries and expanding the business which greatly enhanced the revenue. Starbucks made alliances with the companies in respective countries and opened the stores which benefited them to enter other regions. Today they have around 23,571 stores in the world and generating 24.71 billions us dollars. Amongst the competitors Starbucks has the highest number of revenue generated from the coffee houses present worldwide.

## Starbucks Company operated and licensed stores

There are various methods which cafes or restaurants apply for expansion and generating revenue. A lot of companies use the franchise model. McDonald's which is a competitor for Starbucks is successful by using it. Starbucks uses a different model to expand and generate revenue it is known as the 'Company owned' model. It has two categories one is company owned and the other is licensed. There are around 25000 stores which are company owned by Starbucks . All the premium services are offered at these type of



stores. The licensed stores are the type or concepts which enhance

of the most favoured beverages amongst the people. Drinks like vanilla

Company operated and licensed stores by countries in 2018

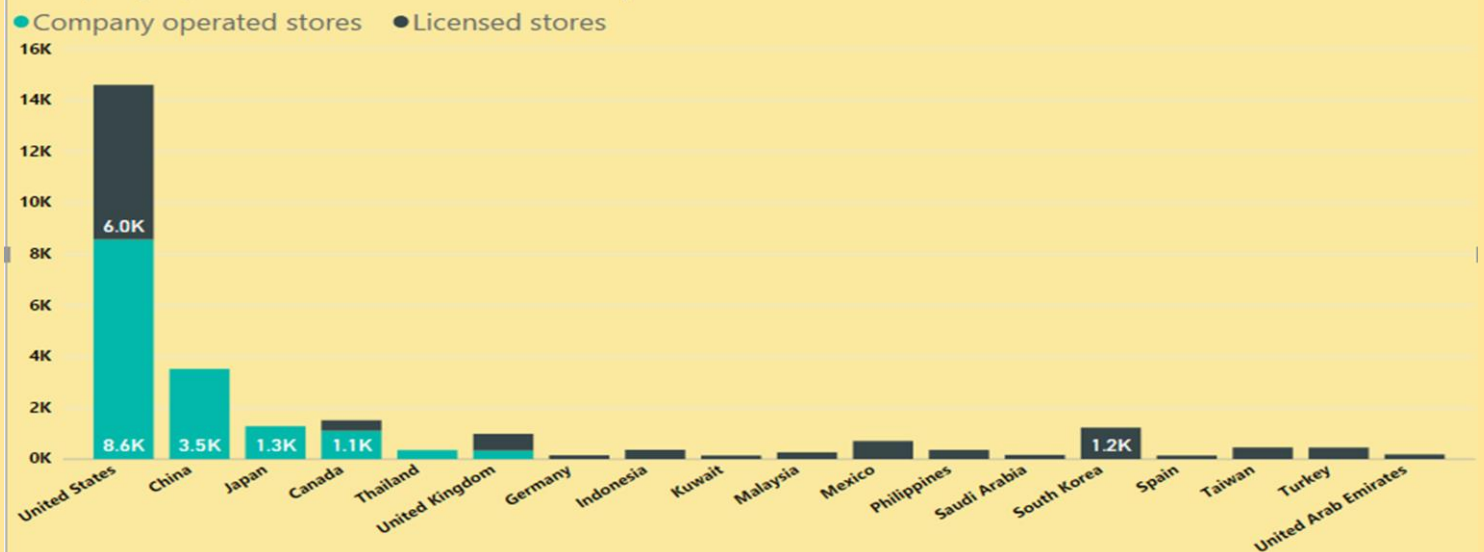


Figure 6 –Comparison of company operated and license stores. Tool used :Power BI

business of current operating store. By acquiring the license one can use the same exact menu, equipments and food products and set up a Starbucks store. There are mostly licensed stores in various countries led to expansion. Most are in USA as the roots belong to that country.

## Opinions about Starbucks cafes

There are reviews given by people on various parameters which they experienced by visiting the place. A lot of people voted for comfort as they liked the way their order was ready by the time they reached the place. It was achieved by using the Starbucks app. Customers liked to try variety of beverages and a list was created

latte, iced white chocolate mocha and pumpkin spice latte topped the list. People not only come to starbucks to enjoy the comfort and spend the time but also the customers wait to taste the unique drinks. Also customers loved the fact that they could spend as much time in the café using the utilities. The reason to get the a best cup of coffee at Starbucks is its strategy for choosing the perfect quality beans. A team ranging between 20s to 50s of age taste different types of cups of coffee to get the best coffee beans and then they can be roasted. The premium quality coffee is purchased and used after testing. 40 million kilos of coffee were was purchased to serve the best coffee cups.

### Did you know?

“ There are **87,000** Ways to create a beverage from the menu at Starbucks”

## Opinions in Italy about Starbucks cafes 2018

Share of respondents in percent



Figure 7 – Opinions about Starbucks cafes. Tool used : DataWrapper

## How much does Starbucks spend on advertisement?

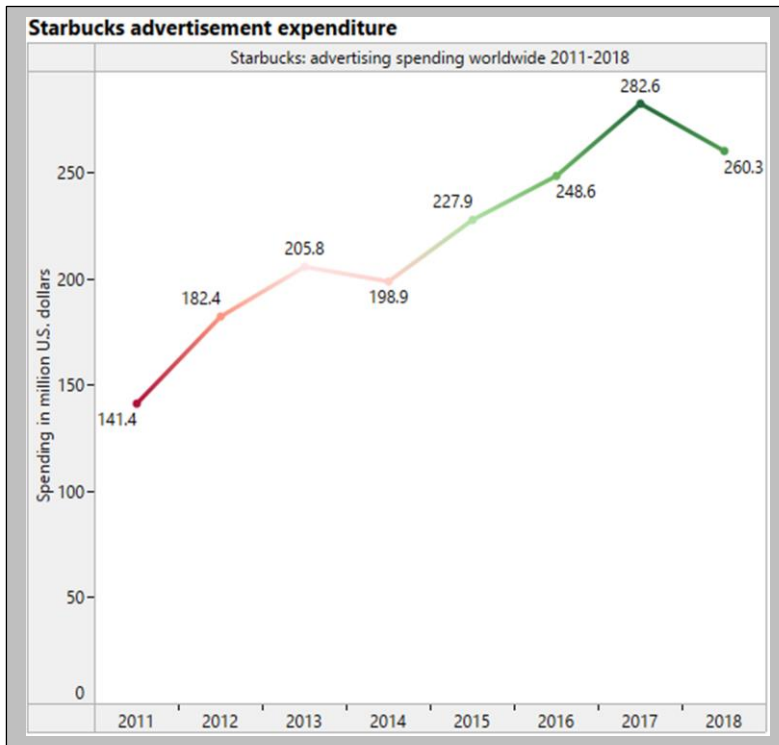


Figure 8 – Starbucks advertisement expenditure Tool used :Tableau

Starbucks does not believe in the traditional way of advertisements. Although it did a TV commercial for new upcoming drinks but the commercials aired were less as compared to other competitors in the QSR i.e. quick service restaurants domain. It spends far less than the other QSR in the market on advertising. They believe in advertising with goodies like bottles and t-shirts, the things which are being used in the day to day life. A unique way of advertisements is they become sponsors of the formal events for the companies as they have identified the customer base age group and which are mostly the working professionals. They also create events and throw parties like 'All day coffee festival' and 'A break

for a coffee specifically in holiday season which helps them to advertise and get to know the market and consumer behaviour. This helps them to develop new strategies for further years.

## Which product gives more revenue?

Starbucks has always been a coffee giant and known for it. The menu also consists of different beverages which are also favoured the most by customers. There are lists of top favoured beverages amongst the people where even if the cost is upgraded customers tend to buy those drinks. The huge coffee chain also consists of a delicious food menu where people tend to spend on it while sipping the coffee cups. This contributes to the revenue generation and can be said that they are not just depending on the beverages. People also prefer to have packaged food who are on the go or having a short break from the office. We can say that they generate revenue from different types of food but coffee and beverages being the largest contributor. The company revenue was the highest amongst the coffee chain reaching to 24.7 billion dollars. The profit declared was around 4.52 billion dollars. Major revenue generated was from coffee about 75 %, food 19 % and 6 % belongs to other category.

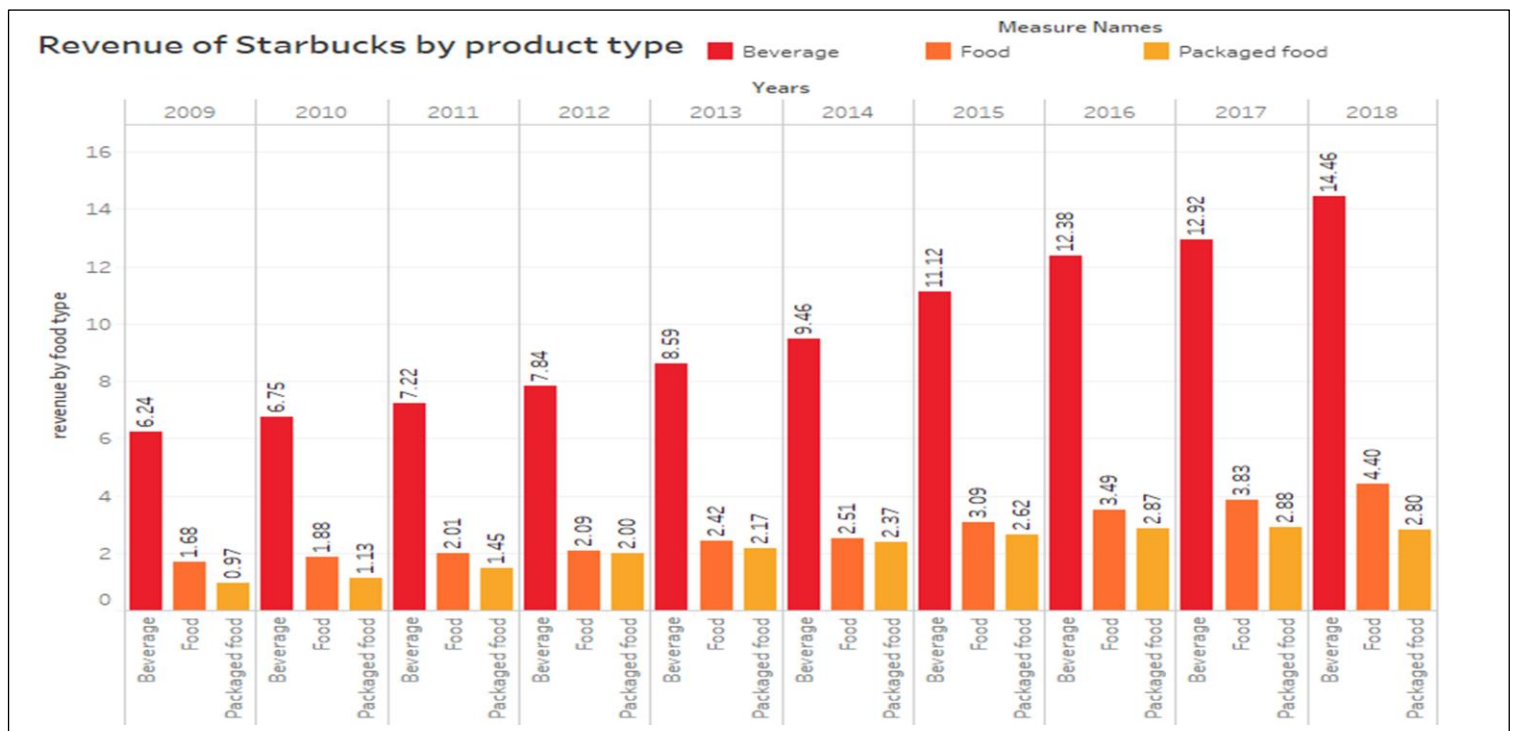


Figure 9 –Revenue of Starbucks by product type. Tool used :Tableau

## How satisfied are customers with Starbucks?

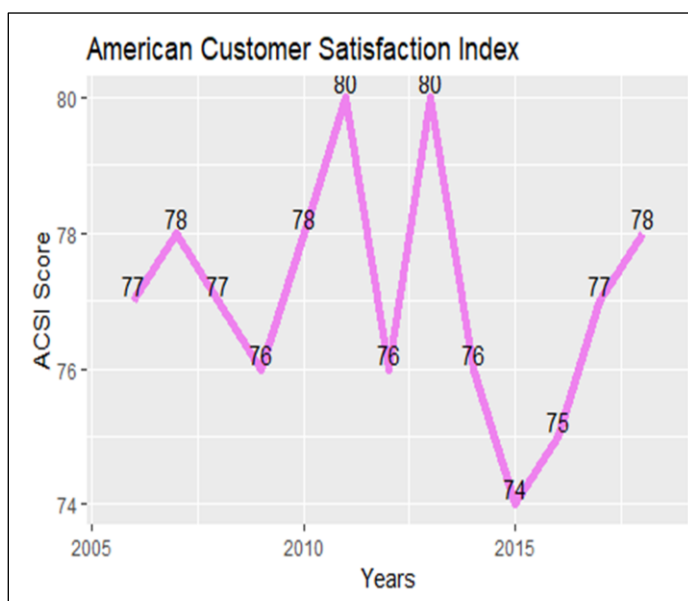


Figure 10 –Starbucks Customer satisfaction Index USA

Tool used :R program/studio

people learnt that Starbucks was only caring about its business and was focused on building stores. This belief went negative against the company and the customer satisfaction declined and made a huge impact on company's revenue. Later the company used different strategies using the social media for marketing and increasing the customer satisfaction.

## Conclusion :

Customers are the kings in the restaurant or QSR business. Initially the index was good and growing people were overwhelmed by the service of

This report covers the idea of different metrics upon which a business can be built and those parameters include the behaviour of age group drinking coffee, the spending behaviour of people and the reasons to have it. It also shows



how a popular and known coffee house Starbucks makes money over the cups and other products.

It describes how the company expands into other regions and grows its revenue, also by spending on advertisements in a unique way. The revenue generated from different products is also monitored to get the idea of which product has more contribution. The customer satisfaction is also studied where the reasons of decline are stated.

## References :

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<https://www.statista.com/study/12773/starbucks-statista-dossier/> [For data]

[4]  
<https://nationalcoffee.blog/category/workplace-coffee/>

[5]  
<https://www.cnbc.com/2018/11/01/starbucks-to-report-q4-earnings-2018.html>

## Appendix :

### List of figures :

Figure	Description	Visualization
1	Growth of coffee sales in percentage	The area graph chosen shows the development of quantitative figures like sales values and where it increased and dipped. This visualisation was created in Tableau.
2	Age group drinking coffee	A bar chart is used to compare the data between categories. The 3D bar graph was chosen to differentiate the groups and the legends were in the bars which gave the perfect idea. Microsoft Excel was used as a tool which consisted 3D graph option.
3	Reasons for drinking coffee	The funnel graph was chosen to measure the reasons at different levels which gives a clear picture and this graph was created in Power BI which extended my learning also had good customs.
4	Spending on coffee per week	The doughnut chart is used mostly for survey results and was created to categorise the spending behaviour. Power BI was used to create this graph.
5	Leading coffee house chains worldwide by revenue	A bar chart is used to compare different attributes tracking over another attribute. The bar chart gave significant idea about the leading coffee houses. The tool used was Tableau.
6	Comparison of company operated and licensed stores	A stacked bar chart is used to show the comparisons between the company owned and licenced stores. Power BI tool was used to customise the values.
7	Starbucks advertisement expenditure	A line graph was used to compare the expenditure over the time. Tool used was Tableau.
8	Revenue of Starbucks by product type	A multi set bar chart was used to compare the identical categorical variables. Different shades were significant to identify the trend. The tool used was Tableau.
9	Opinions about Starbucks café	A horizontal bar chart was used to measure the opinions which were categorised. A website was used datawrapper.
10	Starbucks customer satisfaction index	This line graph was created using R program and the satisfaction index can be seen over the period of time.