|  |  |
| --- | --- |
| **STARBUCKS CORPORATION** | **IT Strategy**  ***2019 - 2021*** |



*“Let’s inspire and nurture the human spirit – one person, one cup and one neighbourhood at a time.”*

* Table of Contents

|  |  |  |
| --- | --- | --- |
| **Sr. No** | **Title** | **Page No.** |
| I | **Executive Summary** | 3 |
|  | Our Story |  |
|  | Our Mission |  |
|  | Our Values |  |
| II | **Our Products** | 4 |
| III | **The Business Model** | 5 |
| IV | **The Role of IT at Starbucks** | 6 |
| V | **SWOT Analysis** | 7 |
| VI | **Business Goals and Objectives** | 9 |
| VII | **IT Strategic Goals and Objectives** | 10 |
| VIII | **The Outcome** | 12 |

* Executive Summary

Our Story

At Starbucks, we have seen tremendous growth in the Q4 and annual earnings for 2018. Since being founded in 1971 in Seattle, Washington, we have grown and become the best American coffee company today. With a total of 27,340 locations around 6 continents and 76 countries and territories, we are working on expanding each day. Our objective has been to keep our partners, employees and customers happy and help make the world a little better, everyday. Starbucks offers some of the world’s finest fresh-roasted whole bean coffees. Our name is inspired by *Moby Dick*, and it evokes the romance of the high seas and the seafaring tradition of the early coffee traders.

Our Mission

*To inspire and nurture the human spirit – one person, one cup and one neighborhood at a time*

Our Values

*With our partners, our coffee and our customers at our core, we live these values:*

* *Creating a culture of warmth and belonging, where everyone is welcome*
* *Acting with courage, challenging the status quo and finding new ways to grow our company and each other*
* *Being present, connecting with transparency, dignity and respect*
* *Delivering our very best in all we do, holding ourselves accountable for results*

From the beginning itself, Starbucks had set out to be a different kind of a company. We celebrate coffee and the rich tradition and also bring the feeling of a connection. At Starbucks, you can expect more than coffee. We are offering selection of premium teas, fine pastries and other treats to please the taste buds. Even the music you hear at our coffeehouse has been carefully chosen for its appeal. Starbucks is a place where people come to meet, chat and work. We have become a routine in everyone’s life in every neighbourhood. With the highest quality of coffee in the world, we engage with our customers and communities while performing business responsibly. In today’s times, it is not easy to be successful with so much going on. Information technology plays a huge role in bringing Starbucks where it is today and we intend to keep using technology to innovate, increase productivity and efficiency and make sure that cup of coffee reaches our customers in the best possible way, with the least possible effort involved. This report discusses how we intend to achieve that for the next two years.

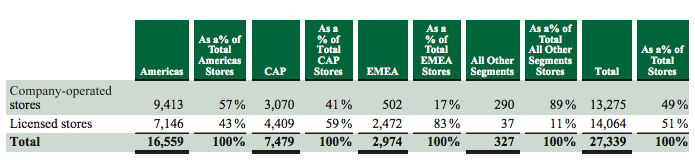
* Our Products

We have a host of products on offer. Our products include:

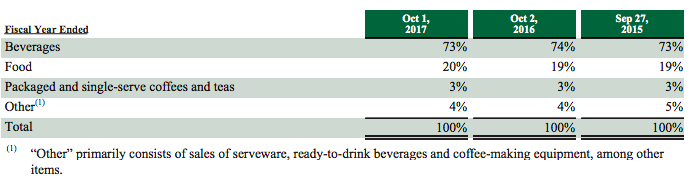
* **BEVERAGES**
* Brewed Coffees
* Italian-style Expresso
* Cold Blended Beverages
* Roasted Whole bean coffees
* Tea products
* Fruit juice
* Sodas
* Coffee liqueurs
* **FOOD**
  + Sandwich
  + Salads
  + Pastries
  + Ice-creams
* **NON-FOOD ITEMS**
  + Mugs
  + Travel Tumblers
  + Coffeemakers
  + Coffee Grinders
  + Storage Containers
  + Compact Discs
  + Games
  + Seasonal Novelty Items
  + Starbucks Card
  + Media Bar
  + Apparels
* The Business Model

At Starbucks, we sell beverages that are primarily coffee related drinks and food. We are here to provide superior customer service through a seamless digital experience. Our stores are clean and well-maintained, reflecting the personalities of the communities in which they operate, leading to great customer loyalty.

Our business segments include company operated store revenues, licensed store revenues, consumer packaged goods (CPG), foodservice and other revenues. Geographically, we are located in four regions, Americas (US, Latin America and Canada), APAC (Asia Pacific), EMEA (Europe, Middle East and Africa) and other regions. Last year, we made the maximum revenue of 79% from our company-operated stores.



Our company-operated stores have higher gross margins and lower operating margin compared to licensed stores. We buy coffee using fixed price and price to be fixed purchase commitments depending on the market conditions to secure an adequate supply of quality green coffee.



* The Role Of IT at Starbucks

IT plays a major role in the success of Starbucks today. From the below, we can derive our IT assessment. Our IT department is working on the below and continuous R&D in the below departments is helping us achieve our business goals.

* Mobile Application
* Social Media / Social Networking
* Brewing
* Data Science and Data Analytics
* Artificial Intelligence
* In-store Customer Service

We are paying special attention to Data Analytics and Data Science at Starbucks. We are using location-analytics company called Esri to use technology to help analyze maps and retail locations based on population density, average incomes and traffic patterns to identify target areas for a new store. Our 20 analytics experts analyze geographic information and use both local and corporate level approaches and estimate the profitability of a store, therefore deciding whether opening a new store is economically viable. We have started using digital menu boards where we feature different items based on the time, day, weather and more enhancing the overall in-store customer experience. We have more than 14 million subscribers to the Rewards loyalty program and it represents 36% of U.S. company-operated sales last year. 29% of transactions are through mobile payment. We use analytics to send out personalized offers and marketing materials to users to help drive more sales. Our new cloud-based Digital Flywheel program, backed by artificial intelligence (AI), suggests mobile users on what coffee they would like to have next, depending on the day of the week, the weather and their regular habits. Data analytics is really helping us reach out to the right audience, in the right possible way. Our IT department also takes care of the social media comments and feedback for customers on platforms such as Facebook, Twitter, Instagram. We publish human interest stories that have nothing to do with our coffee, creating an emotional connection, helping us create a positivity surrounding the brand. We also use the “Clover”, a single-cup coffee maker that uses precise technology and a calculated algorithm to brew coffee within one degree Fahrenheit of its ideal temperature producing the ideal flavour. These unites are connected via Ethernet port so that the entire network can manage the diagnostics and details of each unit.

* Self Evaluation – **SWOT** Analysis

|  |  |
| --- | --- |
| **STRENGTHS**   * Premium Brand Image/Recognition * Extensive Global Supply Chain * Moderate diversification through subsidiaries * Customer Loyalty due to excellent service and ethical business * Operating efficiency and superior financial performance * Worldwide presence * Excellent Human Resource Management | **WEAKNESSES**   * Generalized standards for most products, not customized to local tastes * Premium Price Points * Ease of imitation of products * Overdependence on revenue from Americas segment |
| **OPPORTUNITIES**   * Expansion in developing markets * Partnerships or alliances with other firms * Business diversification * Expansion of RTD coffee products in the U.S. (developed) market | **THREATS**   * Low-cost coffee sellers * Coffee price volatility * Imitation * Independent coffeehouse movements * Saturation of the US market * Healthier lifestyle trends |

* Strengths

We have premium brand recognition. Our customers come to us knowing they have subscribed for a premium experience and would not be disappointed with our quality. We have an extensive global supply chain where we plan, source, make and deliver, from planting to brewing that perfect cup of coffee, enabling the Starbucks experience. Planning includes raw materials, to manufacturing to retail markets. The coffee department sources the best coffee in the world that is roasted by us. Every coffee we get, all the products we buy, distribute are environmentally and ethically responsible. Our delivery team makes it all happen. This experience leads to superior service while having excellent operating efficiency leading to superior financial performance. We have a worldwide presence and our staff is highly skilled due to the excellent human resource management we possess.

* Weaknesses

We believe in serving every customer the same coffee at any location and hence we are not customizing our products to local tastes. However, this could lead to better sales as not everyone has the same taste preferences throughout the world. Our products are imitable, and we serve on a premium price point. Our revenues are overly dependent on revenues from the Americas segment.

* Opportunities

We have some great opportunities in developing market and that is where our focus now lies. We are continuously expanding and forming alliances and partnerships with other firms. Our business is diversified and we are working on further diversification. We can expand Ready-to-drink (RTD) coffee in the developed markets.

* Threats

As any other company, we too face threats from various sources. Local low cost coffee sellers tend to threaten our business, even though they cannot match our quality. The coffee price is highly volatile and keeps fluctuating. With the quality that we maintain, it becomes difficult to maintain and sell that coffee cup at the same price point. Currently, we have almost completely saturated the US market, leaving us with minimal scope of expanding our business. As individuals are moving to healthier lifestyles, we need to find ways to make our food and beverage products healthier so as to suit them. We take each of our threat seriously.

* Business Goals

|  |
| --- |
| **Business Goals** |
| * *Elevate and build the brand* |
| * *Expanding Digital Relationships* |
| * *Creating Global Social Impact / Do business more responsibly* |
| * Building a strong, purpose-driven pipeline of talent |

* **Goal 1: Elevate And Build The Brand**
  + Objective: Accelerate growth in our targeted, long-term growth market
  + Action: Enhance the in-store experience, deliver beverage innovation, increase staff efficiency
  + Objective: Expand the global reach of the Starbucks brand leveraging the Global Coffee Alliance
  + Objective: Sharpen our focus on increasing shareholder returns by consistent, long-term, profitable value creation
* **Goal 2: Expanding Digital Relationships**
  + Objective: Personalized digital relationships with customers to create new revenue opportunities
* **Goal 3: Creating Global Social Impact By Doing Business More Responsibly**
  + Objective: To empower the brand to be fuelled by an elevated customer experience as well as create meaningful impact in the communities
  + Action: Reduce water usage, use recyclable cups.
* **Goal 4: Building A Strong, Purpose-Driven Pipeline Of Talent**
  + Objective: Bring down staff employment costs by 2021
  + Action: Continue with the Starbucks College Achievement Plan, with ASU to enable partners earn a Bachelor’s degree with tuition costs covered without a further commitment to Starbucks

* IT Strategic Goals

|  |
| --- |
| **IT Goals** |
| * *Build a Robust Infrastructure* |
| * *Expand further Research in Analytics and Data Science* |
| * *Creating Global Social Impact through Information Technology* |
| * *Creating Growth by Extending the Digital Flywheel* |
| * *Increasing IT practises in the Global Supply Chain (Automation)* |
| * *Apply IT to drive food and beverage innovation* |

* **GOAL 1: Build A Robust Infrastructure**
  + Objective: To make sure the store has everything functional to provide best customer experience
  + Action: POS system (MICROS SIMPHONY) should always be up and running without any issues – *Revenue generation, Operating Infrastructure efficiency*
* **GOAL 2: Expand Further Research In Analytics And Data Science**
  + Objective: To achieve a better reach to customers targeting them and creating better revenues through mobile application
  + Action: Suggest products to customers using the spend-based loyalty program and reward them for bigger purchases – *Enhanced* *Revenue Generation*
  + Objective: To enable to invest into profitable stores only
  + Action: Grow the IT analytics team that analyzes geographic information to decide if opening a store at a particular location is viable by investing in talent management – *Cost Savings*
* **GOAL 3: Creating Global Social Impact Through Information Technology**
  + Objective: To enable and encourage customers to get rewarded each time they do something to help the environment
  + Action: Invested $10M to create a “greener cup” and Add a feature to the mobile application to provide rewards for every cup rightly disposed or returned to the shop – *Enhancement of existing goal*
* **GOAL 4: Accelerate Growth By Extending The *Digital Flywheel***
  + Objective: Maintain customer retention and loyalty
  + Action: To enable customers place orders via voice command or messaging interface and enable personalization – *Revenue Generation through Automation*
* **GOAL 5: Implementing IT Practices In The Global Supply Chain**
* Objective: To implement new tools and use them to enhance the productivity in the global supply chain
* Action: Partner with SAP – *Enterprise Solutions*
* Action: Real-time update of stocks (directly from POS MICROS Simphony system) from stores to SAP database to enhance the supply chain and maintain inventory – *Automation*
* The Outcome

Starbucks is trying to achieve all the above IT goals by 2021. Below is the measurable outcome of the goals:

* + With the POS system having no issues, we can save up to $3M losses at any moment of failure in a day
  + Currently, 30% of payments are made using mobile application. This is with a YOY change of 3%. With further enhancement, we should increase the YOY by at least 4% reaching 42% payments made using mobile application
  + Enhancement of the Digital flywheel should increase the users from 15.3M to 20M by 2021 causing revenue growth.
  + Investing further only in locations approved by our analytics team will major cost savings and profitability. Achieve this while maintaining the growth of net stores to 600+ per quarter.
  + Make savings of $200M per year by partnering with SAP for the global supply chain.