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Capstone

Battle of the Neighborhoods

</div>

Executive Summary

Starbucks Corporation (NASDAQ: SBUX) is an American coffee company and coffeehouse chain. The Seattle, WA based company has been retrospectively labeled as the main representative of *Second Wave Coffee*, a movement that popularized artisanal coffee, particularly dark roasted coffee. [1][2] At the 2018 Investor Conference, Kevin Johnson, President and CEO of Starbucks claimed that, "Coffee is one of the fastest growing beverage categories globally and our over 350,000 partners around the world who wear the green apron are now serving 100 million customer occasions a week." [3] At this time, Kevin Johnson and other members of Starbucks leadership team [also] updated investors and analysts on the company's strategic priorities as it aims to expand its retail store portfolio by approximately 6% to 7% net new units and grow same store sales by 3% to 4%, globally, each year while continuing to invest in its partners and elevate the *Starbucks Experience.* [4] This agenda was labeled *Growth at* Scale. One of the two targeted long-term growth markets being the United States.

Starbucks' has seen massive success with the launch of its global initiative in 2018. This project will analyze and contrast Starbucks business opportunities in two major metropolitan cities—San Diego and New York. More specifically, this project will determine where to invest based on the proximity of preexisting Starbucks near each cities' largest multi-purpose stadium.

Data

Starbucks Corporation (NASDAQ: SBUX) reported financial results for its 13-week fiscal third quarter ended June 30, 2019 on July 25, 2019. My analysis will be primary based on the results of this report and data extracted from Foursquare. The financial results for the fourth quarter and fiscal year 2019 financial results will not be released until after the market close on Wednesday, October 30, 2019.

Foursquare:
https://api.foursquare.com/v2/venues/search?client_id={}&client_secret={}&ll={},{}&v={}&query={}&radius={}&limit={}'.format(CLIENT_ID, CLIENT_SECRET, latitude, longitude, VERSION, search_query, radius, LIMIT)

Financial Releases:
https://investor.starbucks.com/press-releases/financial-releases/press-release-details/2019/Starbucks-Reports-Q3-Fiscal-2019-Results/default.aspx

Methodology

According to the Q3 Financial Release and Kevin Johnson, "Starbucks delivered strong operating performance in the third quarter, further demonstrating that our *Growth at Scale* agenda is working". [5] This year alone, Starbucks Corporation opened 1906 stores globally, and 641 stores in the Americas. For the upcoming the upcoming fiscal year, Starbucks anticipates on opening approximately 2,000 net new Starbucks stores globally, and 600 stores in the Americas. [6] This is promising for retail investors looking to open a Starbucks in the Americas. But are these stores profitable?

Figure 1: Store Data

Net Stores Opened/(Closed) and Transferred during the Period						
	Quarters Ended		Three Quarters Ended		Stores open as of	
	Sunday, June 30, 2019	Sunday, July 1, 2018	Sunday, June 30, 2019	Sunday, July 1, 2018	Sunday, June 30, 2019	Sunday, July 1, 2018
AMERICAS:						
Company-Operated Stores	82	94	165	177	9849	9590
Licensed Stores	53	86	226	468	7996	7614
Total Americas	135	180	391	645	17845	17204
CHINA/ASIA PACIFIC (1):						
Company-Operated Stores	(217)	163	107	1901	5266	4979
Licensed Stores	470	94	609	(1136)	3980	3273
Total China/Asia Pacific	253	257	716	765	9246	8252
EMEA (2):						
Company-Operated Stores	(16)		(114)	(6)	376	496
Licensed Stores	71	76	317	269	3147	2741
Total EMEA	55	76	203	263	3523	3237
CORPORATE AND OTHER:						
Company-Operated Stores	(1)	1	4	(285)	12	5
Licensed Stores		(3)	(12)	(15)		22
Total Corporate and Other	(1)	(2)	(8)	(300)	12	27

https://investor.starbucks.com/press-releases/financial-releases/press-release-details/2019/Starbucks-Reports-Q3-Fiscal-2019-Results/default.aspx

(1) China/Asia Pacific store data includes the transfer of 377 company-operated stores in Thailand to licensed stores as a result of the sale of operations toward the end of the third quarter of fiscal 2019 and the transfer of 1,477 licensed

stores in East China to company-operated retail stores as a result of the purchase of our East China joint venture on December 31, 2017.

(2) EMEA store data includes the transfer of 82 company-operated retail stores in France and the Netherlands to licensed stores in the second quarter of fiscal 2019.

Based on the Q3 Americas Segment Results (*Figure 2*) it is evident that the net revenues for the Americas were primarily driven by growth in comparable store sales, net new store count, and the impact of the adoption of new revenue recognition accounting for SVC breakage. However, the significant 18% growth in operating income and 22.8% growth in operating margin look promising. The increase in operating income and operating margin stem primarily from sales leverage and cost initiatives, partially offset by growth in wagers and higher inventory reserves.

Figure 2: Q3 Americas Segment Results

($ in Millions)	Quarter Ended		Change (%)
	Sunday, June 30, 2019	Sunday, July 1, 2018	
Comparable Store Sales Growth (1)	7%	1%	
Change in Transactions	3%	-2%	
Change in Ticket	4%	4%	
Store Count	17845	17204	**4%**
Revenues	$ 4,671.8	$ 4,224.0	**11%**
Operating Income	$ 1,067.1	$ 906.8	**18%**
Operating Margin	23%	21.5	**130 bps**

https://investor.starbucks.com/press-releases/financial-releases/press-release-details/2019/Starbucks-Reports-Q3-Fiscal-2019-Results/default.aspx

(1) Includes only Starbucks® company-operated stores open 13 months or longer. Comparable store sales exclude the effect of fluctuations in foreign currency exchange rates.

For simplicity, this project will determine where to invest in a new Starbucks in either San Diego or New York based on the proximity of preexisting Starbucks near each cities' largest multi-purpose stadium. The largest multi-purpose stadiums in San Diego and New York are Petco Park and the Yankees Stadium respectively. Yankees Stadium falls in a neighboring city called the Bronx.

IBM Watson Studio (Python 3.6) Workflow:
1. Import Python Packages:
   Requests – Library to handle data http requests.
   Pandas – Library for data analysis.
   NumPy – Library to handle data in a vectorized manner.
   JSON – Library to handle JSON files.
   Geopy – Library to retrieve location data.
   Folium – Library for rendering maps.
2. Verify Credentials
3. Establish Location using Geolocator
4. Set Query and Fetch Results

5. Gather and Clean Data
6. Generate and Evaluate Map

Results

Figure 3: Petco Park: San Diego, CA UNITED STATES
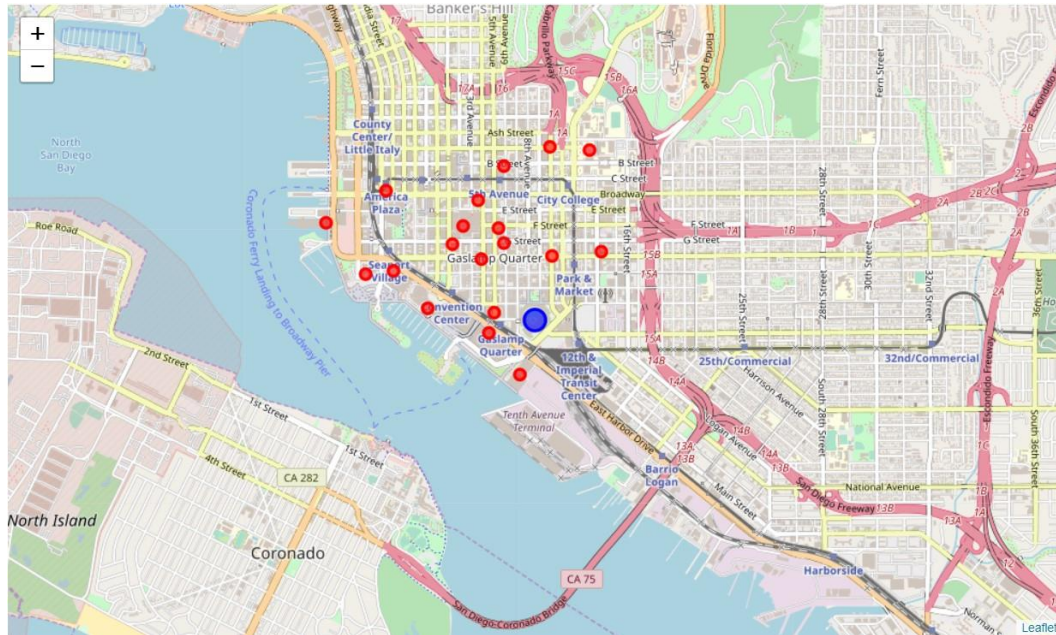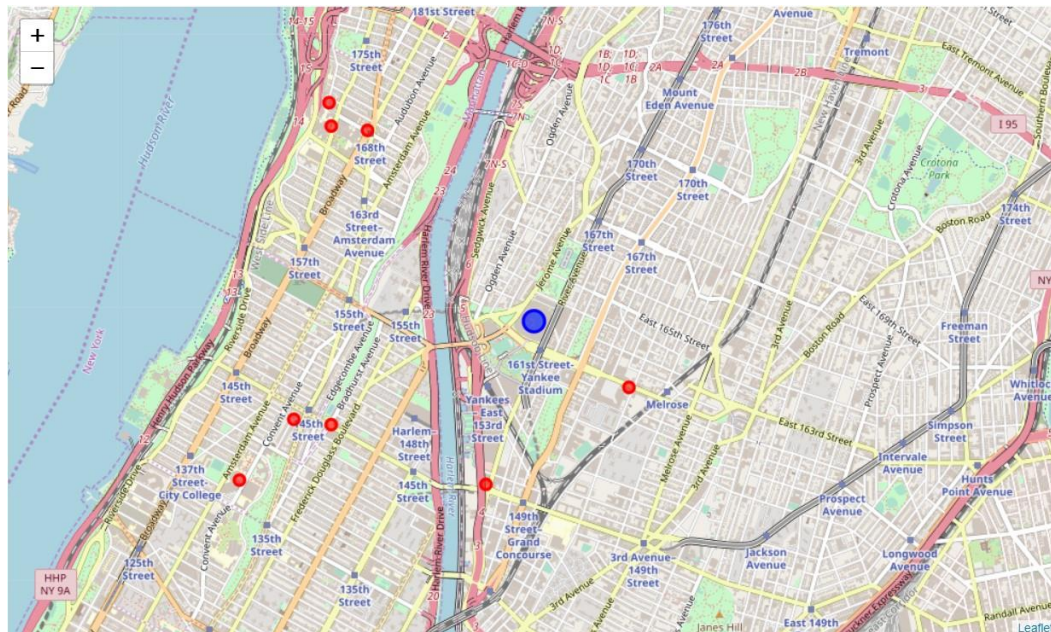Blue: Petco Park
Red: Starbucks

Figure 3: Yankees Stadium: Bronx, NY UNITED STATES
Blue: Yankees Stadium
Red: Starbucks Location

Discussion

San Diego has 12 preexisting Starbucks around Petco Park, with 9 of them being within a mile radius. The geographical coordinates of Petco Park are (32.70718815 -117.156877452906) and is highlighted in blue.

On the other hand, the Bronx only has 7 preexisting Starbucks in the same radius. Only 2 of these Starbucks are within a mile radius of Yankees Stadium. The geographical coordinates of Yankees Stadium are (40.82958275, -73.926521184919) and is highlighted in blue.

Conclusion

Starbucks Corporation has been on the rise and it is evident that their *Growth at Scale* agenda is working. Coffee is one of the fastest growing beverage categories globally and Starbucks aims to continue capitalizing on this trend by expanding [their] retail store portfolio by approximately 6% to 7% net new units, globally, each year while continuing to invest in its partners and elevate the *Starbucks Experience.* [7]

As Starbucks continues to build its retail store portfolio, the United States has emerged as one of the company's two targeted long-term growth markets.

For the purpose of this project we contrasted Starbucks business opportunities in two major US metropolitan cities— San Diego and New York.

Based on the results, if an investor wanted to open a Starbucks near a major multi-purpose stadium in either San Diego or New York based on the proximity of preexisting Starbucks— New York is the better investment.

References

(1) Sacks, D. (2014, August 8). The Multimillion Dollar Quest To Brew The Perfect Cup Of Coffee. Retrieved October 20, 2019, from https://www.fastcompany.com/3033306/the-multimillion-dollar-quest-to-brew-the-perfect-cup-of-coffee/

(2) Schlosser, K. (2019, August 22). Tech ideas are brewing at these 5 coffee-crazed Seattle startups — and right in Starbucks' backyard. Retrieved October 20, 2019, from https://www.geekwire.com/2019/starbucks-keeps-innovating-coffee-crazed-seattle-tech-ideas-brewing-plenty-startups/

(3) (4) (7) Starbucks. (2018, December 13). Starbucks Outlines Growth Agenda and Announces Expansion of Starbucks Delivers in U.S. and China at 2018 Investor Conference. Retrieved October 20, 2019 from https://stories.starbucks.com/press/2018/starbucks-2018-investor-conference/

(5) (6) Starbucks. (2018, December 13). Press Releases. Retrieved October 20, 2019 from https://investor.starbucks.com/press-releases/financial-releases/press-release-details/2019/Starbucks-Reports-Q3-Fiscal-2019-Results/default.aspx/