



UNIVERSITY OF WALES OF TRINITY SAINT DAVID

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STARBUCKS PRESENTATION

STARBUCKS

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BACKGROUND

Starbucks is an American worldwide coffee retail chain which is one of the largest coffeehouse chains in the world. Starbucks specialises in coffee and other beverages related to coffee.

- Starbucks was established in 1971 with Jerry Baldwin, Gordon Bowker and Zev Siegl opening the first shop in Pike Place Market in Seattle.
- Howard Schultz joins Starbucks as a Director in 1982 and within his first three years of employment convinced the management to roll out an Italian style coffeehouse theme.
- By 1990 Starbucks had expanded their headquarters in Seattle and had 84 total stores.
- By 2000 Starbucks has opened stores across the globe with 3,501 stores.



Introduction to Starbucks

- Company started in 1971 in Seattle, Washington
- Grew from 55 stores in 1989 to over 2,200 stores today
- Products sold include:
 - beverages
 - pastries
 - whole coffee beans
 - coffee-related retail items



2021 AIMS & OBJECTIVES

- Well Positioned for Shifts in Consumer Behaviour
- Reaffirming Fiscal 2021 Guidance and Updating Ongoing Growth Mode
- Pathway to a Planet Positive Future



STATEMENTS

- **Mission Statement:** *To inspire and nurture the human spirit – one person, one cup and one neighbourhood at a time.*
- **Vision Statement:** *“To establish Starbucks as the premier purveyor of the finest coffee in the world while maintaining our uncompromising principles while we grow.”*

THE CHALLENGES BEFORE THE INTRODUCTION OF MODERN TECHNOLOGY AT STARBUCKS

(SCHULTZ) 1997



- **Starbucks was established to achieve: coffee roastery shops in Seattle**
 - 1971-Roasting techniques to create their own blends and flavors by their own.
 - 1983-Schultz wanted to introduce an Italian concept to USA. “Espresso” word was not known in America
- **Shultz wanted to introduce coffee bars, in spite of Americans drinking coffee investors were reluctant to support the business model, Shultz found 25 investors**
 - 1986-Schultz spoke to 242 people, and 217 of them said “no” for investors credits
 - Schultz stated that the creditors invested on his enthusiasm of talking of the new concept
- **Shultz from the beginning started to achieve his company vision, focusing on employees called “Partners” and be the employer of choice**
 - Stock options & Health care benefit for full and part time
- **PRE TECHNOLOGY INFORMATIONS :**
 - 1994-The customer comment cards in order to leave a feedback for improvements
 - Logistic of the stores trough the yellow page and testing new stores opening to see if people in other cities would like Starbucks coffee
 - Starbucks provided at least twenty-four hours of training for every retail employee face to face

THE CHALLENGES BEFORE THE INTRODUCTION OF MODERN TECHNOLOGY AT STARBUCKS

(SCHULTZ) 1997

- **1986-Adapt the stores to Americans customer needs**
 - Tables for customer not in rush
 - Menu written in English and not in Italian – American music and not Italian lyrics
- **1987-Operating in a foreign country: no idea bank account, separate statements, foreign exchange adjustments**
 - Canada
- **1987-New computer system in place, switch accounting systems from “by hands”**
 - Fiscal year-end audit for the first time
- **1987 there were no tech communication systems**
 - Shultz meetings with pen and note-card
 - Traveling for meetings, discover new ideas/products , learning about agricultures, economics of coffee

THE CHALLENGES BEFORE THE INTRODUCTION OF MODERN TECHNOLOGY AT STARBUCKS (SCHULTZ) 1997

- **1990- investment in a small phone and computer system to set up our 800 number**
 - allowed Starbucks to extend their one-on-one discussions to some of their most knowledgeable customers
- **1991-Computer expert employed to design a POS system**
 - Starbucks asked to design a point of-sale system that would link all Starbucks outlets and would be able to accommodate the 300 stores we planned to have within three years
- **1986-Hap Hewitt invented for Starbucks a proprietary system for serving three kinds of drip coffee simultaneously.**
 - Stores were busy and Shultz had to find a way to produce coffee quickly

CHALLENGES FOR INVENTIONS BEFORE MODERN TECHNOLOGY

INTRODUCTION AT STARBUCKS (SCHULTZ) 1997

- **1986-Portable backpack tap system and sent employees out with a tray and cups**
 - This system boosted sales & promotions of the brand in offices through people
 - Good quality of coffee available not only at home
- **1988 Starbucks developed the first e-catalogue**
 - began expanding our mail-order base to targeted demographic groups.
- **1989 started using Flavour-Lock bags**
 - a kind of vacuum packaging with a one-way valve to allow carbon dioxide gases to escape without allowing harmful air and moisture in. This system allowed the preservation of the coffee beans up to 6 months and Starbucks was able to ship it in different locations without opening new roasteries close to each store.

ARTIFICIAL INTELLIGENCE

Artificial intelligence (AI) is the process of simulating human intelligence using large amounts of data. AI can automate complex tasks and do them faster.

- Deep Learning teaches computers to do what comes naturally to humans, to learn by example.
- An artificially intelligent system stores multiple information about multiple entities from multiple sources (kMartínez-Torres, Rodríguez-Piñero and Toral, 2015).
- AI system can infer recommendation from previous data



ARTIFICIAL INTELLIGENCE (AI) USAGE IN STARBUCKS

Starbucks uses data from their 30,000 stores worldwide to learn what their customers consume and enjoy most. Starbucks, with the help of AI, uses this data for marketing and product development.

- Starbucks uses AI to provide personalized promotions
- They use customer data in developing their product range
- The A.I. support for store planning models economic factors about a location
- Starbucks uses data to make revisions based on customer, location, and time
- They are trying to revolutionize the drive-thru experience

INTERNET OF THINGS (IOT)

The Internet of Things (IoT) is a network of physical objects (or "things") that are embedded with sensors, software, and other technologies in order to communicate and exchange data with other devices and systems over the Internet.

- IoT makes accumulating data from numerous devices easier
- With IoT remote monitoring and controlling becomes reality
- IoT makes a business become more dynamic
- IoT reduces operational costs (Sara, 2020).
- Big data collected from IoT devices helps inferencing potential trends in usage

INTERNET OF THINGS (IOT) USAGE IN STARBUCKS

Starbucks takes the help of IoT to provide a seamless coffee experience. Every Starbucks shop is filled with numerous equipment which is required to be operational throughout the day.

- Starbucks uses IoT to optimize machine maintenance
- They can push recipes directly to the machines reducing cost and saving time
- IoT does data collection on failures, machine usage, demanded repairs
- IoT helps forecasting breakdowns and maintenance needs, with this Starbucks make predictive maintenance

BLOCKCHAIN

Blockchain is a system of recording information in a way that makes it difficult or impossible to change, hack, or cheat the system. Uses of blockchain has revolutionized supply chain management.

- Live monitoring of products in the supply chain with the help of blockchain (Tikson, 2018)
- Customers will be able to learn more about their coffee beans thanks to real-time traceability
- Even coffee farmers to know where their beans go after they sell them.

Mobile payments and orderings

- A big role has been played by mobile payment and ordering: about 6 million mobile orders per month in the U.S. 2015
- Starbucks launched a mobile payment in 2011. To use the app you have to add Starbucks card number.
- 1 million of those via app. Mobile ordering has helped the chain on growing new visit occasion with trying new products outside morning coffee.
- In June 2010: most popular social media brand named Starbucks social media space includes technology like its website and social media platforms (Adkins, n.d.)



Technology inside the stores

- Starbucks in all its location was the first chains to offer free unlimited wi-fi in more than 7500 of its stores, a plan to install 100,000 wireless chargers was announced in 2014. In the U.S has launched mobile order and pay in 2015. (Carson, 2019)
- POWERMAT SPOTS:
 - Starbucks is the first beverage company to bring the power mat technology in the uk to its costumers
 - Power mat tech allows wireless charging on tables where customers can place their device.
 - The dimension is a type of CD. Wireless chargers adding in Starbucks in 2015.
- Starbucks in Japan has also launched a technology called “touch the pen” contains an NFC reader that’s linked to a digital wallet. It works with FeliCa technology, which is ubiquitous in Japan and powers Starbucks’ popular domestic card system..

Clover

- In 2007, a new technology made its debut that totally changed the game.
- A small company known as Clover that use technology and a calculated algorithm to brew coffee of its ideal temperature and produce the ideal flavour. It also controls how long the grounds and water interact and the flow of water brewing. (Adkins, 2021)
- The Clover® brewing system uses innovative Vacuum-Press™ technology to create your cup right in front of you. The Clover® brewing system controls brew time and temperature digitally.
- After the coffee brews, it is pulled through a 70-micron filter. (Starbucks, n.d.)



Reinforcement learning technology

- Starbucks has been using reinforcement learning technology — a type of machine learning in which a system learns to make decisions in complex, unpredictable environments based upon external feedback — to provide a more personalized experience for customers who use the Starbucks® mobile app.
- Through this technology and the work of Starbucks data scientists, 16 million active Starbucks® Rewards members now receive thoughtful recommendations from the app for food and drinks

Sokolowsky, 2019)

KEY POINTS

- **Be consistent** = costumer grow more to brands that maintain an identity.
- **Be Creative** = If you show your product in a particular way costumers even if it's not the primary use for the product it's something interesting to deal
- **Communicate and interact** = Social media it's very important and gives you straightly to the costumers' behavior and desires. You must turn this into a marketing campaign as Starbucks did with their white cups.
- **Reward your costumer** = A loyalty program could happen your activity in facts helped Starbucks with 30% of all business in the U.S.A. in 2015

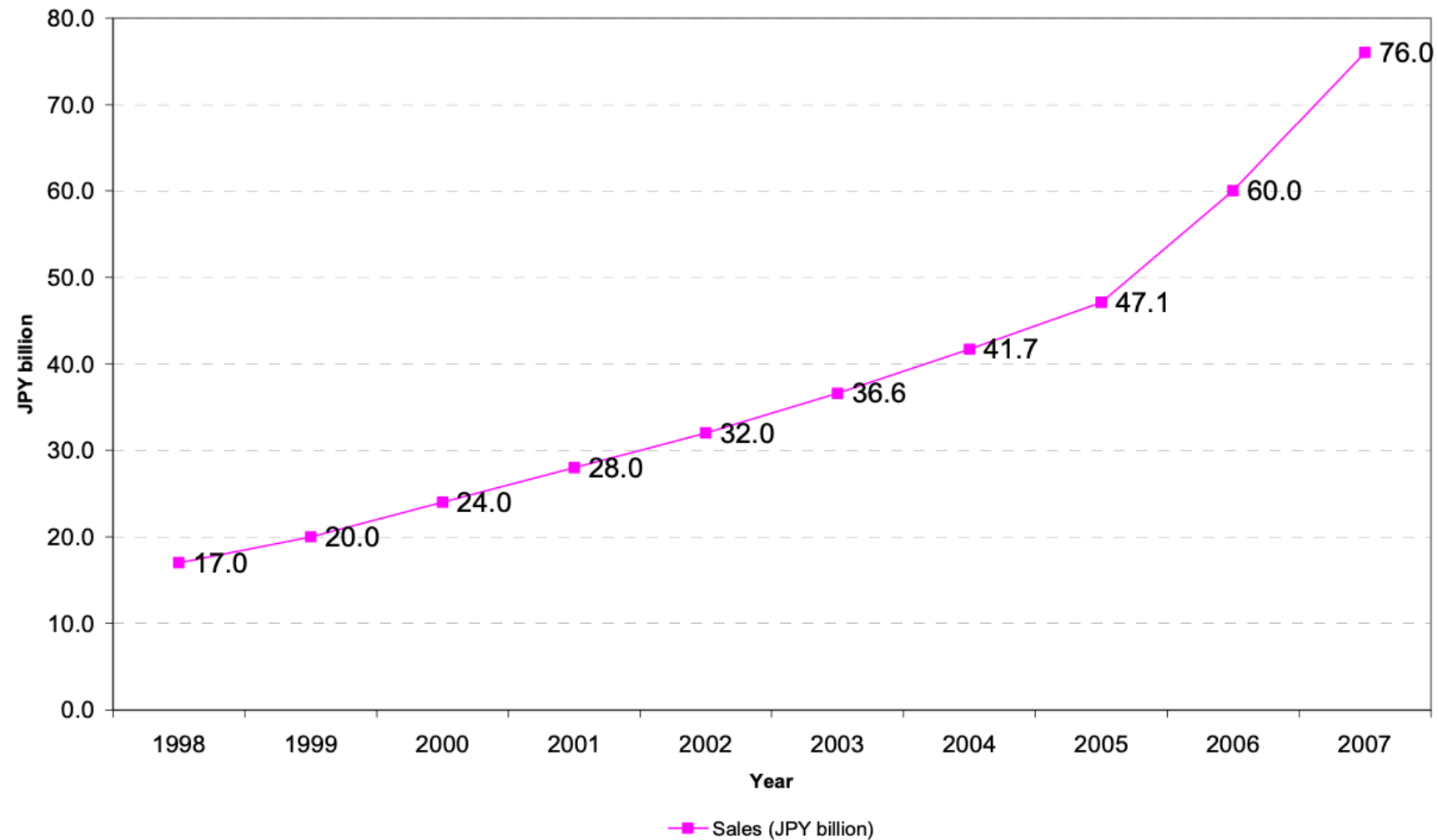
(Alma, 2007)



Table 1: Market value (USD millions), market share (%) and growth rate (%) in the global RTD coffee sector, 2003 – 2012

Region	Country	2003	Share	2008	Share	2012	Share	CAGR 03-08	CAGR 08-12
Asia-Pacific		8,470.6	85.0%	8,578.5	82.0%	8,276.1	78.6%	0.3%	-0.9%
	Japan	8,052.1	80.8%	7,801.0	74.5%	7,059.2	67.0%	-0.6%	-2.5%
North America		934.7	9.4%	1,264.2	12.1%	1,540.0	14.6%	6.2%	5.1%
Europe		420.1	4.2%	447.2	4.3%	502.2	4.8%	1.3%	2.9%
South and Central America		109.3	1.1%	150.5	1.4%	188.0	1.8%	6.6%	5.7%
Middle East and Africa		25.4	0.3%	26.2	0.3%	27.4	0.3%	0.6%	1.1%
Total		9,960.1	100.0%	10,466.6	100.0%	10,533.7	100.0%	1.0%	0.2%
Source: Datamonitor Market Data Analysis								DATAMONITOR	

Figure 1: Chilled cup RTD coffee drinks show a significant growth since 2005/2006



Source: Datamonitor analysis, Morinaga Milk

DATAMONITOR

Figure 4: Four mainstay varieties available in the Discoveries series in Japan



The above four mainstay varieties from the Discoveries series feature different flavors emphasized by the name of places for a high quality image.

Source: Datamonitor analysis, www.starbucks.co.jp

DATAMONITOR

Figure 5: Two special varieties were launched under the Discoveries series in 2008



Based on the popular drink in Starbucks shops, this matcha (powdered green tea) variety was a success.

This limited variety has the image of the winter season, and the combination of plentiful milk, sweet white chocolate and espresso creates an elegant flavor..



Source: Datamonitor analysis, Datamonitor Product Launch Analytics

DATAMONITOR

- Seasonal varieties or limited editions attract customers (Discoveries series)
 - 2008: the Kyoto Match and the St. Moritz White Chocolate Mocha
 - 600,000 cases sales volume by the end of 2008
- (Alma, 2009)

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