

Starbucks makes a come back

By
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An interviewer in 1992 to Howard Schultz

- “You are going to sell coffee for a Dollar in a paper cup
- With Italian names that no one in USA can say
- At a time when no one is drinking coffee
- When I can get coffee at a local coffee shop for 50 cents.
- Are you kidding me?”

That's what Starbucks did!

- By 2007 in some cities the ratio of Starbucks to traffic lights was 2:1
- There were 15000 stores including in Brazil, Bahrain and Bahamas
- They became the largest coffee store business in the world
- It was a life style emblem
- After running Starbucks operations for 15 years Howard Schultz retired at age 46 in 2000 but continued as Chairman

Then they faltered

- Perils of mass market expansion began to take its toll
- Bill boards said “Four bucks in dumb’
- Howard wrote of ‘commoditization of our brand’ and ‘watering down the Starbucks experience’...
- He came back (like Steve Jobs did in Apple) in early 2008 to revive the company

3 years after

- Revenue \$12B
- Profits \$1.7B
- 107000 partners (employees)
- 17000 stores in every state and 56 countries
- A Third of revenue from abroad
- Same store sales up 10% domestically and 9% internationally, this year
- Announced acquisition of Evolution Fresh for \$30M
- Stock price all time high Nov 11 (from ten year low of 2008)
- Share up 37% since beginning of the year

All this...

- In a distressed US economy
- When coffee price is at all time high!

What Schultz did

- Shut down 800 poorly performing US stores
- Laid off 4000 staff
- Staff retrained
- Technology modernised
- Operations improved
- Half a day all stores closed, so baristas could learn how to make better espresso..

PLANS

- Open 200 stores in USA
- Remodel 1700 others
- Introduced K-cup servings
- 600 stores abroad- quarter in China
- 1500 stores in China by 2015
- India waits
- Vietnam gets its first store 2013..

Basics- what we can learn

- A passion for what you do
- Clear maniacal focus:
 - We are not in coffee business; we are in the experience business
 - A Third place between one's home and one's office

Source

- Fortune 12 Dec 2011