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**The Starbucks
experience dilemma**

**...And what this
might mean to you**

29st March 2007
Marketing
Bring a Brand to Life Conference
David Williams

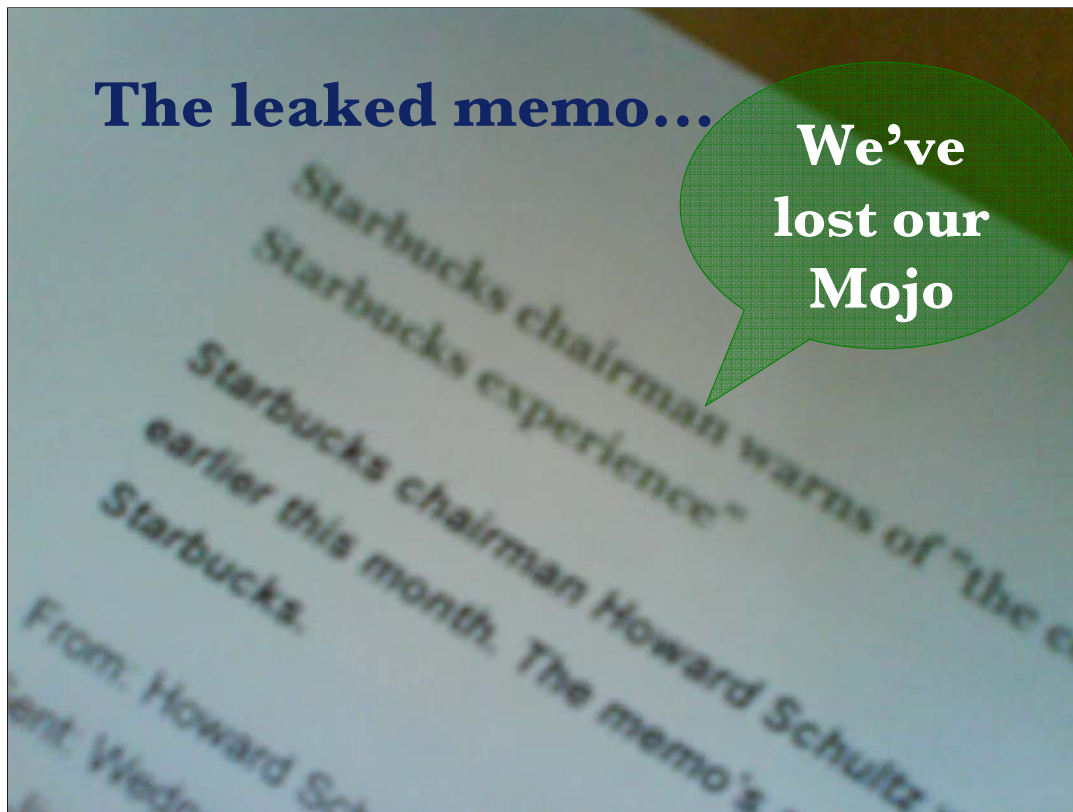
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First of all, it's a pleasure to be a sponsor of such a great conference.

Many of you may have seen the recent furor in press (including marketing magazine) and blogs on Starbucks and how their Chairman Howard Schultz and talked about the commoditisation of their brand.

Over the years, I've worked on designing and implementing branded experiences with many high profile blue-chips, but Starbucks *aren't* a client of mine. But they are iconic, they do polarise opinion. And with the recent furor in the press I had to know more. So, I did some analysis on the marketplace, helped greatly by Allegra Strategies, whose 510 page strategic report on the UK coffee market is an essential read for anyone that truly wants to understand the coffee market place, players within it and the consumers' wants, needs and behaviours. I also looked at the Starbucks experience to try to understand what was going on.

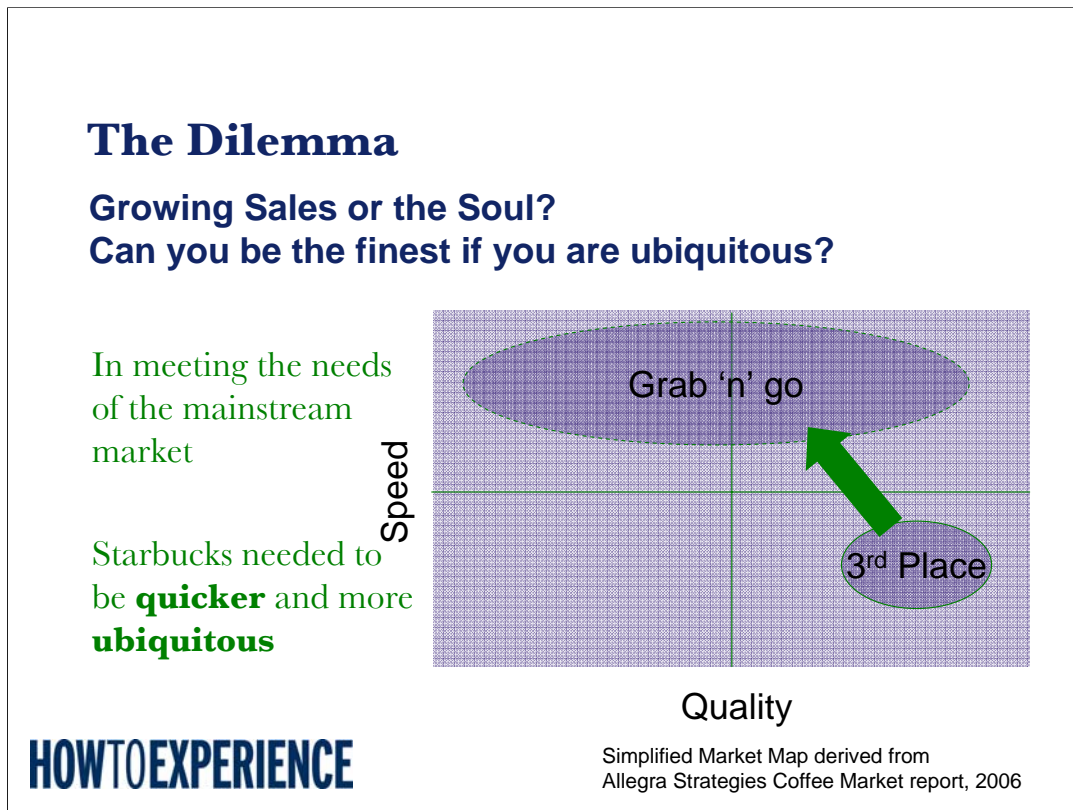
I want to share some of that analysis and draw out some key points that I think will be relevant to you.



Howard Schultz, Starbucks Chairman, recently sent an email to key company executives warning them of how the Starbucks brand is being commoditized. He fears key decisions have led to "*the watering down of the Starbucks experience.*" And he challenged his executive team to guide Starbucks back to its core roots of being a coffee company.

He described a series of "Salami slicing" measures that were necessary for growth and good decisions in of themselves but each have had an effect of diluting the famous Starbucks experience and " as some might say the commoditisation of the brand". In essence he was saying ... we've lost our Mojo. And was imploring his management team to re-find its core.

You'd expect this on a blog, but not from a chairman of a major listed company. Lets examine what he said...



Before we start some background on the coffee market.

There are over 10,000 coffee outlets in the UK, 1/3 are branded (starbucks, costa, café nero etc). Over 7M cups of coffee are sold a week. Starbucks serve around 2million of these.

Approximately 60% of the market is characterised as the grab and go (take away). 90% of consumers go once a week with 20% visiting daily.

Less than 1/3 of the market dwell for more than ½ hr. The third place that Starbucks was designed around.

However, also a case for the “3rd Space” (5 or 6 minutes respite before going off to next meeting).

Key drivers for the choice of coffee store are: Convenience (68%), coffee quality (18%); atmosphere (7.6%); Food Quality (4%).

So to grow Starbucks had to increase the speed of delivery (for takeaway market) & be convenient (ubiquitous).

The strength of Starbucks is its mass appeal from teenagers to mums to older business people.

But lets be clear about Starbucks: Its revenues grew 25% last year . Not bad for a \$6.7Bn company. In the last seven years its stores have grown from 2,500 to 12,500 and it's opening five new ones every day. It ain't broke – which is why Schultz should be applauded. However there is a danger that they aren't as efficient as McDonalds and other food services providers and they are not as special as the coffee specialists. (Café Nero now beats them in atmosphere, coffee quality and staff) And that middle ground is where McDonalds ended up – a company that Starbucks wants to be bigger than.

The Issues

Starbucks Bearskin Beans

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Schultz's memo

(http://starbucks_gossip.typepad.com/_/2007/02/starbucks_chair_2.html)

articulated the following issues:

Lack of Theatre – Automation of coffee making (needed for speed), reduce theatre of coffee making; large machines block sight lines of barista and interaction/intimacy and reduce sensory interaction (sound and smell).

Lack of Aroma – It's about coffee!!! But flavour lock packs (great for keeping flavour in) keeps coffee fresh but eliminated smell (biggest non-verbal signal). There are plenty of solutions to this.

Lack of Identity/Soul – It's about Coffee and a relaxed place to be, but to build so many stores so quickly stores feel cookie cutter and sterile. They've lost their soul and local feeling.

Merchandise - though successful does not reinforce the coffee heart of Starbucks and has diluted the brand.

Other issues I observe (not in his memo) are:

Lack of Coffee (more range, less taste) – Starbucks roasts darker coffee than competitors but only puts a single shot in so it tastes weaker than Nero and Costa who add two shots. It has a wider range too which is great for mass appeal. All in all better for mass market but not for the coffee officianados.

Poor human experience – individuality – barista theatre school is famous, but staffing is key in this retail market and some of the “specialness” that was once there has been lost. It's a challenge for the whole industry.

What's your dilemma?

All business want to grow. And there are always choices about how you grow?
To make these choices you need to know who you are and what your brand truth is.

*Some years ago, Cadbury's Dairy Milk had to face up to a problem. It had kept cost cutting by changing formulation, reaping lovely short term profits. It tested dutifully, and there was only marginal difference in consumer preference at each formulation change. But what it failed to do was keep testing against the **original** spec, and gradually began to face real customer problems. It wasn't really chocolate any more - it was simulating chocolate.*

What's your dilemma?

Resolving the Dilemma Be Clear...

**what you do for
customers**

**Your anchors &
your signature
experience**



Experience Design

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We'll look at these three areas.

What Starbucks does for people

Daily Indulgence

A place to feel comfortable

Urban ipod Cool



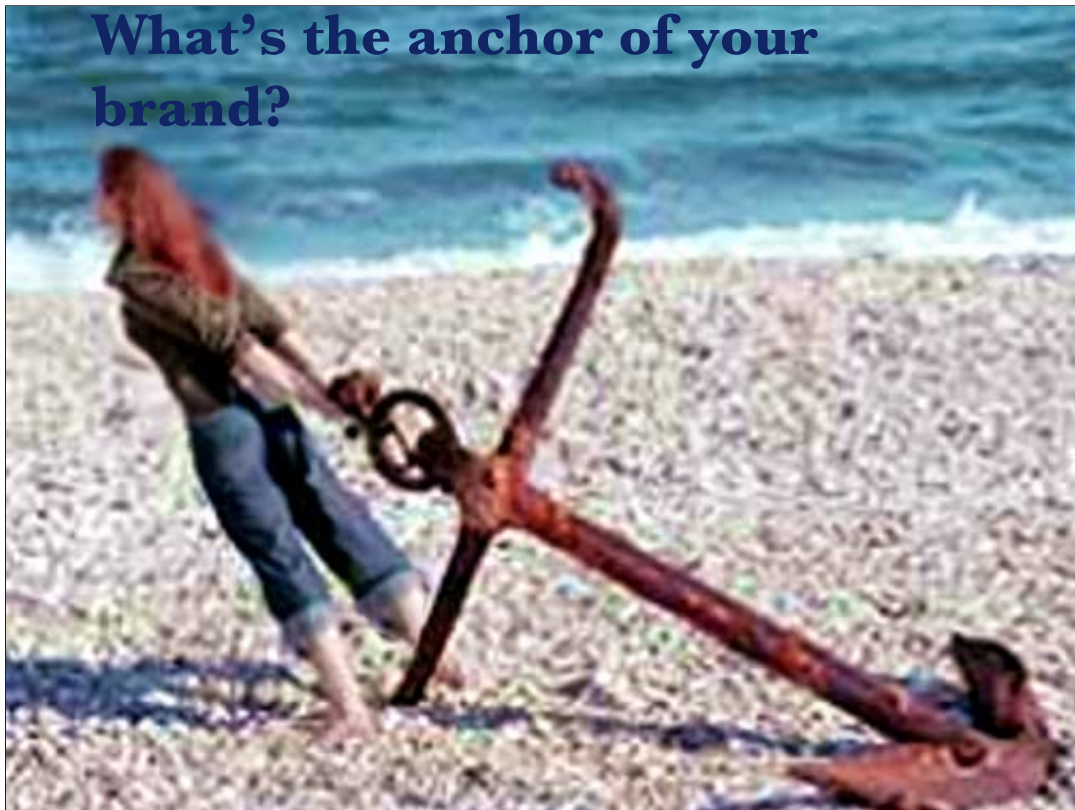
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A daily indulgence – its premium priced for most people but I can treat myself because I'm worth it. I can feel good about walking down the street with my cup of Starbucks.

A place to feel comfortable. The third place or third space. I want time to myself and this is a place I can have it. And feel comfortable about it whether on my own or with friends or colleagues.

Sense of individuality is key. That's where its range comes in – you can have it anyway you like it and do whatever you like. All within the bounds of the cool urban ipod lifestyle that I'd like to think I was part of.

I believe the core of Starbucks is a sense of ubiquity.



In Starbucks the anchors are the best coffee experience – aroma, sound, taste, music, service and atmosphere. This is what Schultz alludes to. If you understand what your anchor is...your non-negotiables...then you find a way to grow but not compromise the important stuff.

Shouldn't Starbucks be offering the best coffee for *you* – you like it stronger/weaker – this blend that blend etc. ?

Other brand examples:

Harley	The grunt
Apple	The grace of the user experience
Dyson	The improved technology
American Express	Exclusivity
Timberland	The stitching
Walkers	The crunch
Amazon	The personal suggestions
UPS	The sense of timing

Leave a Signature Every brand and person has one



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Every person has their own unique signature. Restaurants have their signature dish.

Every West End or Broadway Show has something truly memorable. In Chitty Chitty Bang Bang, its when the car flies out of the stage over the audience. In the Lion King its when the animals walk out into the crowd. Interestingly though shows generally only have one. They don't need two it would be uneconomical, but its what everyone talks about after the show and makes it truly memorable. And memorability drives loyalty.

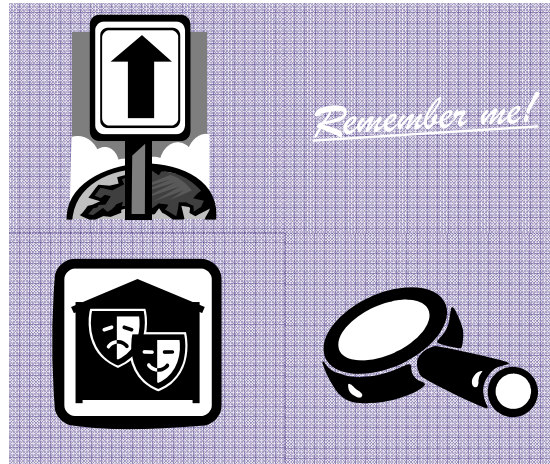
TGI's its the individuality of the servers and their badges that says something about them.

Harley Davidson the distinctive roar of the exhaust.

What's your signature?

For Starbucks it has to be a number of things around the coffee experience. Special Baristas who do their own unique latte art – maybe the customer votes for the best one? A special part of the coffee making process no else does?

Experience Design Tools



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There are four tools that we use to design great branded experiences. All of which are framed by the brand anchor.

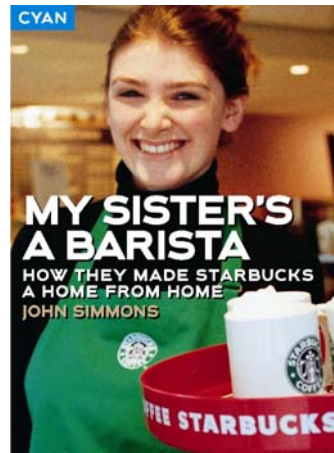
1. Signature Experience - We've already talked about the signature experience that makes us memorable.
2. Customer Journeys - but we can't ignore the functional side of the customer journey the standards. We need to ensure its quick enough for our grab n go customers and that we can manage queues effectively whilst bringing back some of the theatre. (I don't have time in this talk to spend any time on this...we'll save that for another day)
3. Sensory and emotional clues – we've discussed these previously. We need to bring the coffee smell back. Interestingly I think they have the music about right, but what of the sound of coffee being made? How do we bring individuality and theatre back to the coffee making operation? And how are we signally the premium quality of Starbucks? This is the where the work needs to be done.
4. People roles and rules - But lets talk about people and the roles they need to play and how we can give guidance to their dilemmas. The people interaction is always the most impactful of any retail experience. We need to deliver individuality through people...

The key is Individuality and this comes through People

Recruit for attitude, train
for performance

Help people give more of
who they are

And give them clear
guidelines...



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People need to feel proud of who they work for and a genuine connection with others. It's the area of biggest challenge in any retail operation.

Starbucks wants a consistent experience, and have probably over standardised their processes. Its the quality and genuineness of the interaction that people are looking for...not a robot.

At H2X we're big believers that you can't change people you can only help them become more of who they already are. That means focusing on shared behaviours rather than shared values.

Decisions and Dilemmas

Safety

Courtesy

The Show

Efficiency

The Disney logo is written in a light blue, cursive script font.

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How do your staff deal with dilemmas every day? You need a decision making framework. Disney do this brilliantly by putting in order of importance the behaviours they want to see.

Safety is the most important thing. It's Ok to be discourteous if you're protecting someone from getting hurt.

However, if you're Tigger and part of a show and you see a Lost family in distress – outside of the performance zone – its absolutely OK to go and help them out. Because although the show is important , courtesy is more important than the show.

Efficiency is massively important to Disney, but they rotate their staff from ride to ride every twenty minutes (inefficient you might say). However, you're not going to be able to deliver the show with enthusiasm if you've been sitting on the same ride for the last two hours. The show is more important than efficiency.

**Bring Brands to Life...
...and avoiding commoditisation**



Remember me!

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It's very easy to become a soulless commoditised financial machine but if you use these key techniques to help your people stay true to your brand you can be mainstream but special!

Food for thought
or thinking about food?

Thank you for your time

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The Brand made REAL people

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