

## MINICASE 4

## Starbucks: Re-creating Its Uniqueness

**INSPIRED BY ITALIAN COFFEE BARS,** Starbucks's founder Howard Schultz set out to provide a completely new consumer experience. The trademark of any Starbucks coffeehouse is its ambience—where music and comfortable chairs and sofas encourage customers to sit and enjoy their coffee beverages. While hanging out at Starbucks, they can use the complimentary wireless hotspot or just visit with friends. The barista seems to speak a foreign language as she rattles off the offerings: Caffé Misto, Caramel Macchiato, Cinnamon Dolce Latte, Espresso Con Panna, or a Mint Mocha Chip Frappuccino, among some 30 different coffee blends. Dazzled and enchanted, customers pay \$4 or more for a Venti-sized drink. Starbucks has been so successful in creating its ambience that customers keep coming back for more.

Starbucks's core competency was to create a unique consumer experience the world over. That is what customers are paying for, not for the cup of coffee or tea. The consumer experience that Starbucks created was a valuable, rare, and costly-to-imitate intangible resource. This allowed Starbucks to gain a competitive advantage.

While intangible resources are often built through learning from experience, intangible resources can atrophy through forgetting. This is what happened to Starbucks. Recently, Starbucks expanded operations by opening over 16,000 stores in some 50 countries. It also branched out into desserts, sandwiches, books, music, and other retail merchandise, straying from its core business. Trying to keep up with its explosive growth in both the number of stores and product offerings, Starbucks began to forget what made it unique. It lost the appeal that made it special, and its unique culture got diluted. For example, baristas used to grind beans throughout the day whenever a new pot of coffee had to be brewed (which was at least every eight minutes). The grinding sounds and fresh coffee aroma were trademarks of Starbucks stores. Instead, to accommodate its fast growth, many baristas began to grind all of the day's coffee beans in the morning and store them for the rest of the day.



Coming out of an eight-year retirement, Howard Schultz again took the reins as CEO and president in January 2008, attempting to re-create what had made Starbucks special. In late 2009, Starbucks introduced Via, its new instant coffee, a move that some worried might further dilute the brand. In the fall of 2010, Schultz rolled out a new guideline: Baristas would no longer multitask, making multiple drinks at the same time, but would instead focus on no more than two drinks at a time, starting a second one while finishing the first. The goal was to bring back the customer experience that built the Starbucks brand.<sup>1</sup>

### DISCUSSION QUESTIONS

*Review Chapter 4: Internal Analysis: Resources, Capabilities, and Activities.*

1. How did Starbucks create its uniqueness in the first place?
2. Was Starbucks's uniqueness a VRIO resource? Did it help Starbucks gain and sustain a competitive advantage? Why or why not?
3. Why and how did Starbucks lose its uniqueness?
4. How is Starbucks attempting to re-create its uniqueness? Do you think it will be successful? Why or why not?
5. Explain Starbucks's ups and downs using (a) strategic activity systems and (b) the dynamic capabilities perspective. What implications can you draw?
6. What recommendations would you give Howard Schultz? Support your arguments.

### Endnotes

1. This MiniCase is based on: Schultz, H., and D. J. Yang (1999), *Pour Your Heart Into It: How Starbucks Built a Company One Cup at a Time* (New York: Hyperion); Behar, H. (2007), *It's Not About the Coffee: Leadership Principles from a Life at Starbucks* (New York: Portfolio); "Latest Starbucks buzzword: 'Lean' Japanese techniques," *The Wall Street Journal*, August 4, 2009; and "At Starbucks, baristas told no more than two drinks," *The Wall Street Journal*, October 13, 2010, <http://investor.starbucks.com>.