

# Starbuck's: delivering customer service

[Business](#), [Marketing](#)



Starbucks: Delivering Customer Service Christine Day, Starbucks' senior vice president of administration in North America, believes recent market research indicates customers are not satisfied with Starbucks' customer service.

To address this concern, she is proposing to invest \$40 million to increase store hours in order to reduce customer wait times. Day believes there is a direct correlation between customer wait times and their overall satisfaction with service. Starbucks has implemented a "secret shopper" program in order to spot check stores on their service, cleanliness, product quality and average wait times. The goal for average customer wait time is 3 minutes. The secret shopper scores for the past 5 quarters have shown a negative correlation between customer service and average wait time (exhibit 1). As average customer wait time decreases, the average secret shopper scores increase. In response, Day feels that adding an additional 20 hours to each of the 4500 North American Stores will reduce the customer's wait time and in turn, increase their overall customer satisfaction scores.

Day's plan will have the largest impact on the following three major stakeholders: shareholders, employees/partners and customers. Starbucks' shareholders are primarily interested in the plan's impact on retained earnings and long term growth. Investing an additional \$40 million dollars will reduce the shareholder's short term earnings. Investors who were looking forward to larger dividend checks would be disappointed, but investors who were interested in the long term growth of their portfolio may support Day's plan if she could show how this investment would positively

impact customer's loyalty and improve the company's future profit potential. Assuming the partners were looking for additional hours, this plan would be viewed favorably by store baristas and employees. During peak periods of business, they would have another employee to help share the workload and it could reduce the stress of "rush hour" on each individual partner. The popularity of this plan would be different depending on each store's location, layout and manning.

Stores with insufficient work flows could create or enlarge bottlenecks and the additional manpower may actually increase wait times. On the other hand, stores who have a hard time recruiting employees may not want to burden their existing overworked employees with an additional increase in hours. In some stores, partners would prefer to reduce the quantity and complexity of available drinks instead of increasing available hours.

Starbucks is known for innovative and seasonal drinks and over the years, the knowledge requirement for baristas has dramatically increased. Baristas are constantly challenged to learn more complex drinks and still perform to the 3 minute metric. Reducing the number of drinks offered may be an appropriate solution if there is evidence to show that there are a number of very unpopular drinks, but we do not have any current sales or market data to support those decisions. Additional research needs to be performed in order to assess this option.

Customers visit Starbucks for a variety of reasons and those who value short wait times may approve of the new manning plan if indeed it results in shorter wait times. Customers who visit Starbucks for the quality of their

coffee or the inviting environment may not increase the frequency of their visits because of a shorter wait time. Customers who value the intimacy and personal attention their local Starbucks provides may actually disapprove of the plan to increase staffing if it interrupts their established relationship with their trusty barista. In 2002, Starbucks surveyed their customers to find out what store qualities they attribute to customer satisfaction. The top 6 of these responses referred to the actual store, relationship with the staff and product quality. Wait time was ranked 7th on the list (exhibit 2). This survey suggests that investing \$40 million to decrease the wait time might not have the desired impact on customer satisfaction.

There is an inherent issue with self-reported customer surveys that may have influenced these findings. Customers may not realize what influences their opinions and what constitutes good customer service. What they think they value and what they actually use to make purchasing decisions may be different. In addition, each customer will have their own bias when rating customer service because they all value different experiences and relationships with their local Starbucks. If you look at the secret shopper findings and the self-reported customer service surveys jointly, you could devise that customers may give higher cleanliness, service and product quality scores if their wait time is shorter regardless of the store's actual level of cleanliness, service and product quality. The shorter wait time may have influenced the customer's opinion on the other store attributes.

Another measure of customer service besides secret shoppers and customer surveys is the number of repeat customers.

Customers vote with their feet and if they continue to patron Starbucks stores, they are voting that they are satisfied customers. In exhibit 8 of the Starbucks case, it is reported that in 2002, 73% of Starbucks customers have been visiting Starbucks for over a year. Only 23% of customers were new that year. This report suggests Starbucks has done a good job at reducing customer churn and they are already satisfying their customers. A common error when trying to measure and improve customer satisfaction is using quantitative metrics. Customer service is a qualitative experience that is very subjective for each individual. Trying to influence someone's overall customer satisfaction by improving only one quantitative metric may not give you the intended impact to your overall customer satisfaction scores.

Day needs to understand the limitations with her single metric plan and realize that she needs to address all aspects of customer service for an overall improvement. In order to understand the variety and complexity of the issues impacting their 4500 stores, Day needs to engage the store managers to fully understand what each store needs to improve customer service. Increasing available hours may help some stores while others may need new equipment or a re-designed work space. Day's plan to uniformly increase labor hours over-simplifies the potential needs of the individual stores. Empowering the managers would encourage individual ownership and commitment. The manager's guidance would ensure Day allocated the \$40 million most effectively to not only reduce customer wait times but to increase overall customer service. During this process, Day may find out managers are frustrated with Starbucks' aggressive growth.

In metropolitan areas, growth has led to cannibalization of customers which undermines the manager's efforts to increase customer loyalty. Quality customer service is an individual experience that requires a personal interaction between customers and employees. It is more difficult to create a lasting experience and relationship if customers are constantly changing from store to store. Manager's will lose their motivation to encourage these relationships if they feel another Starbucks will open nearby and steal away the loyal customer base they have worked to create. Starbucks value proposition to their customers concentrate on three goals: quality coffee, excellent service and an inviting atmosphere. These three attributes are focused on building customer loyalty. Starbucks loyal customers (8 or more visits a month) account for 62% of their revenue.

This group of established customers value high quality coffee and Starbucks meets this need through mass customization. Starbucks gives customers the ability to specialize their drinks to fit their individual tastes in order to create customer loyalty. This evidence suggests that Starbucks needs to continue to allow for individual drink customization in order to increase customer loyalty even though it may increase their average wait time above their three minute goal. Loyal customers are their largest source of revenue and if their perceived value is centered on quality coffee, they would not want to risk losing this source of steady revenue. Starbucks lacks a strategic marketing group who is responsible for managing their overall marketing plans, promotions and research. Marketing was internally viewed as the responsibility of all senior executives, but as their corporation continued

to rapidly grow, the executives could not keep up with their primary responsibilities and effectively contribute to the strategic marketing plan. As a result, Day states “ We’ve been operating with the assumption that we do customer service well.

But the reality is we’ve started to lose sight of the consumer. In addition, Day admits “ we tend to be great at measuring things, at collecting market data, but we are not very disciplined when it comes to using this data to drive decision making. ” Both of these statements validate the concern that Starbucks needs to hire a senior executive who will make marketing their chief responsibility. They need a central department who will integrate their market research with top level decision making, and manage promotions, such as frequency programs, so they are using their resources in the most effective way to increase customer loyalty. The marketing department should not only collect data from their own customers, but they should consider hiring a marketing firm in order to ensure they are collecting unbiased information about themselves and their competitors. Using research on their competitors will allow Starbucks to have a more comprehensive view on their industry and growing trends or concerns from their available customer base. This will also give them the information they need in order to attract new customers from other competitors.

Day’s preliminary research shows more resources need to be given to accurately capture their customer’s interests to ensure they are meeting high standards of customer service to create and keep loyal customers. Her original plan to invest \$40 million to increase labor hours is not the most

effective use of resources because each individual store's needs are unknown. Quality customer service cannot be achieved by concentrating on a single quantitative metric. Customer service is a personal, qualitative experience only the individual store managers can gauge and deliver. Day needs to work with store managers and a marketing department to formulate a more comprehensive plan to measure and improve customer service. EXHIBIT 1 The AVG line is the average of the secret shopper scores for Service, Cleanliness and Product Quality. The compiled average increases as the average customer wait time decreases.

EXHIBIT 2 These are the top 7 attributes grouped by category reported in Starbuck's 2002 self-reported customer survey. Store Attributes, relationship with staff, product quality were all reported to have a higher impact on customer satisfaction than wait time.