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How Starbucks uses the Service-profit Chain to Drive Revenue Growth and Profitability How Starbucks uses the Service-profit Chain to Drive Revenue Growth and Profitability
The Starbucks Company is a leader in the beverage industry with more than 20 thousand stores in different parts of the globe. Over the years, the company has established a remarkable reputation because of its premium products and exemplary customer service. The Starbucks brand is renowned globally with customers associating the company’s coffee houses with an outstanding atmosphere and quality customer service that defines a memorable experience. Without doubt, Starbucks has recognized the value of the service-profit chain. This paper will discuss how the company uses the service-profit chain in its efforts to increase profitability and drive economic growth.
The service-profit chain is a concept introduced in the Harvard Business Review in 1994. A book describing the concept was published in 1997. According to the description, in the book, the service-profit chain serves to demonstrate the existing relationship between service excellence and a company’s financial growth and performance. According to this concept, profitability and revenue growth come because of customer loyalty. Without customer satisfaction, loyalty does not result. Therefore, organizations strive to ensure that their services exhibit a high-perceived value to the customer in a bid to increase customer satisfaction. It is impossible to achieve high levels of customer satisfaction if the employees do not exhibit high levels of commitment and outstanding competencies (Yee et al., 2009). Therefore, organizations seek to hire individuals with remarkable competencies and empower them through training programs in order to increase their productivity. Empowered employees are more likely to serve customers in an exemplary manner.
The Starbucks Company has relied on the service-profit chain in order to register the evident financial performance. The company invests in human resource development through training programs that empower employee to deliver high-quality customer service. Over the years, the company has applied service innovation in order to ensure that employees serve as a valuable link between the organization and the customers. The company regards employees as partners, a factor that triggers employee satisfaction. The satisfied employees have worked for Starbucks for a long time registering high levels of productivity. Since employees are in a position to deliver service value to customers, the company prides itself with high levels of customer satisfaction (Gold, 2010). Due to the high levels of satisfaction that customers experience at Starbucks, the company has gained increasing customer loyalty. The loyalty of some customers is stretched beyond 25 years, and they still get their favorite coffee drink at a Starbucks coffee house. The increasing customer loyalty has contributed immensely to the company’s market share in the industry. Without doubt, Starbucks is highly successful and has remained a leader in the industry over the years (Clark, 2012).
Researchers have highlighted that a 5% increase in customer satisfaction results to 25-85% increase in profitability (Reddy, 2012). Such statistics demonstrate that adopting the service profit chain can be one of the strategies used by organizations in order to register remarkable growth. Starbucks has implemented the service-profit chain as one of its outstanding strategies of promoting customer loyalty. The company recognizes the value of its employees, rewards them effectively, and regards them as partners. Therefore, Starbucks registers high levels of employee loyalty. According to experts, high levels of employee loyalty trigger increasing customer loyalty. Starbucks has benefitted immensely by adopting this concept in its business (Armstrong & Kotler, 2014).
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