

Coffee and starbucks



**ASSIGN
BUSTER**

CHAPTER 1 INTRODUCTION Company Profile Starbucks Corporation is an American global coffee company and coffeehouse chain based in Seattle, Washington. Starbucks is the largest coffeehouse company in the world, with 20,366 stores in 61 countries, including 13,123 in the United States, 1,299 in Canada, 977 in Japan, 793 in the United Kingdom, 732 in China, 473 in South Korea, 363 in Mexico, 282 in Taiwan, 204 in the Philippines, and 164 in Thailand. Starbucks locations serve hot and cold beverages, whole-bean coffee, micro ground instant coffee, full-leaf teas, pastries, and snacks.

Most stores also sell packaged food items, hot and cold sandwiches, and items such as mugs and tumblers. Starbucks Evenings locations also offer a variety of beers, wines, and small bites after 4pm. Through the Starbucks Entertainment division and Hear Music brand, the company also markets books, music, and film. Many of the company's products are seasonal or specific to the locality of the store. Starbucks-brand ice cream and coffee are also offered at grocery stores.

Starbucks Coffee Company founded in 1971, opening its first location in Seattle's Pike Place Market. Twenty-five years later, in 1996, Starbucks opened its first overseas location in Tokyo, Japan. Today, with nearly 12,500 stores in 39 countries, Starbucks is quickly becoming one of the most recognized and respected brands in the world. Starbucks began in 1971 when three academics—English teacher Jerry Baldwin, history teacher Zev Siegel, and writer Gordon Bowker—opened a store called Starbucks Coffee, Tea, and Spice in the touristy Pikes Place Market in Seattle.

The three partners shared a love of fine coffees and exotic teas and believed they could build a clientele in Seattle much like that which had already emerged in the San Francisco Bay area. Each invested \$1,350 and borrowed another \$5,000 from a bank to open the Pikes Place store. Baldwin, Siegel, and Bowker chose the name Starbucks in honor of Starbuck, the coffee-loving first mate in Herman Melville's *Moby Dick* (so company legend has it), and because they thought the name evoked the romance of the high seas and the seafaring tradition of the early coffee traders.

The new company's logo, designed by an artist friend, was a two-tailed mermaid encircled by the store's name. From Starbucks' founding in 1971 in Seattle as a local coffee bean roaster and retailer, the company has expanded rapidly. In the 1990s, Starbucks was opening a new store every workday, a pace that continued into the 2000s. The first store outside the United States or Canada opened in the mid-1990s, and overseas stores now constitute almost one third of Starbucks' stores.

The company planned to open a net of 900 new stores outside of the United States in 2009, but has announced 300 store closures in the United States since 2008. In 1981, Howard Schultz, vice president and general manager of U. S. operations for Hammarplast—a Swedish maker of stylish kitchen equipment and house wares—noticed that Starbucks was placing larger orders than Macy's was for a certain type of drip coffeemaker. By the early 1980s, the company had four Starbucks stores in the Seattle area and could boast of having been profitable every year since opening its doors.

But the roles and responsibilities of the cofounders underwent change. Zev Siegel experienced burnout and left the company to pursue other interests. Jerry Baldwin took over day-to-day management of the company and functioned as chief executive officer; Gordon Bowker remained involved as an owner but devoted most of his time to his advertising and design firm, a weekly newspaper he had founded, and a microbrewery he was launching (the Redhook Ale Brewery). In 1998 Howard Schultz had ample reason to be proud of what Starbucks had accomplished during his past 11 years as the company's CEO.

The company had enjoyed phenomenal growth and become one of the great retailing stories of recent history by making exceptional coffee drinks and selling dark-roasted coffee beans and coffee-making equipment that would allow customers to brew an exceptional cup of coffee at home. The Starbucks brand was regarded as one of the best known and most potent brand names in America and the company had firmly established itself as the dominant retailer, roaster, and brand of specialty coffee in North America.

It already had over 1, 500 stores in North America and the Pacific Rim and was opening new ones at a rate of more than one per day. Sales in fiscal year 1997 were a record \$967 million and profits reached an all-time high of \$57. 4 million. The company's closest competitor had fewer than 300 retail locations. And since going public in 1992, Starbucks has seen its stock price increase nearly nine fold. HISTORY OF STARBUCKS Starbucks has always been a place where all can find the world's best coffees.

But in 1971, all would have had to travel all the way to the only store in Seattle's historic Pike Place Market. 1970s The first Starbucks opens. The name comes from Herman Melville's *Moby Dick*, a classic American novel about the 19th century whaling industry. The seafaring name seems appropriate for a store that imports the world's finest coffees to the cold, thirsty people of Seattle. 1980s Howard Schultz joins Starbucks in 1982. Howard Schultz, at the age of 34, became Starbucks' president and CEO.

While on a business trip in Italy, he visits Milan's famous espresso bars. Impressed with their popularity and culture, he sees their potential in Seattle. He's right - after trying lattes and mochas, Seattle quickly becomes coffee-crazy. 1990s Starbucks expands beyond Seattle, first to the rest of the United States, then the entire world. After becoming one of the first companies to offer stock options to its part-time employees, Starbucks becomes a publicly traded company. 2000s The Starbucks phenomenon continues.

As of this writing, Starbucks has more than 15, 000 locations in over 40 countries. In addition to our excellent coffees and espresso drinks, people now enjoy for Tazo® tea and Frappuccino® blended beverages. The new Starbucks had a total of nine stores. The business plan Schultz had presented investors called for the new company to open 125 stores in the next five years—15 the first year, 20 the second, 25 the third, 30 the fourth, and 35 the fifth. Revenues were projected to reach \$60 million in 1992. But the company lacked experienced management.

Schultz had never led a growth effort of such magnitude and was just learning what the job of CEO was all about, having been the president of a small company for barely two years. Dave Olsen had run a single cafe for 11 years and was just learning to manage a multi store operation. Ron Lawrence, the company's controller, had worked as a controller for several organizations. Other Starbucks employees had only the experience of managing or being a part of a six-store organization. When Starbucks' key roaster and coffee buyer resigned, Schultz put Dave Olsen in charge of buying and roasting coffee.

Lawrence Maltz, who had 20 years of experience in business and eight years of experience as president of a profitable public beverage company, was hired as executive vice president and charged with heading operations, finance, and human resources. By December 1987, employees at Starbucks had begun buying into the changes Schultz was making and trust had begun to build between management and employees. New stores were on the verge of opening in Vancouver and Chicago. One Starbucks store employee, Daryl Moore, who had voted against unionization in 1985, began to question his fellow employees about the need for a union.

Over the next few weeks, Moore began a move to decertify the union. He carried a decertification letter around to Starbucks stores and secured the signatures of employees who no longer wished to be represented by the union. After getting a majority of store employees to sign the letter, he presented it to the National Labor Relations Board and the union representing store employees was decertified. Later, in 1992, the union

representing Starbucks' roasting plant and warehouse employees was also decertified.