

Starbucks Unveils New Strategic Initiatives To Transform and Innovate the Customer Experience

2008-03-19

With more than 6,000 shareholders in attendance, Starbucks Coffee Company (NASDAQ: SBUX) today unveiled a series of innovative customer-facing initiatives at its Annual Meeting of Shareholders. Howard Schultz, chairman, president and ceo, shared his vision for transforming the Starbucks customer experience and reinforcing a strong foundation from which to grow. The announcements marked the next stage of Starbucks transformation following nearly three months of passionate work that began with Schultz's return as ceo on January 7.

Beyond the five initiatives the company said it would deliver, Schultz also announced that Starbucks had signed an agreement to acquire The Coffee Equipment Company and its Clover(R) brewing system.

'Eleven weeks ago, I made a personal commitment to every one of our customers and partners (employees) to reaffirm our place as the world's coffee authority,' said Schultz. 'By embracing our heritage, returning to our core -- all things coffee -- and our relentless commitment to innovation, we will reignite the emotional connection we have with our customers and transform the Starbucks Experience. I am confident that the ground-breaking initiatives we've announced today demonstrate our laser focus on living up to that commitment. We know that this is just the beginning, but we also know that there has never been a more exhilarating or promising time in our history.'

At the Annual Meeting, Starbucks unveiled the following new initiatives. They are focused on improving the current state of the U.S. business, re-igniting the emotional attachment with customers and making foundational changes for the long term:

A proprietary and revolutionary in-store Clover(R) brewing system that delivers the best cup of brewed coffee available anywhere,

A complete reinvention of brewed coffee in-store, that will be brought to life by baristas across the U.S., who will scoop and grind a new unique coffee blend, connecting customers to the early days of Starbucks,

The introduction of a new state-of-the-art espresso system that provides the perfect shot every time and helps facilitate the critical connection between barista and customer,

The first phase of a Starbucks Card Rewards program, rewarding registered cardholders and providing unique new benefits when using their cards in Starbucks stores,

The launch of MyStarbucksIdea.com, Starbucks first online community, that takes the Starbucks Experience outside the store and enables customers to play a role in shaping the company's future, and,

An expanded relationship with Conservation International that enhances Starbucks 37-year commitment to ethically sourcing the world's finest coffees and reaffirms Starbucks leadership position in sustainable sourcing and climate preservation.

'There have been times in our history where others questioned whether we had reached our limit - yet time and time again, we have responded by reaching even greater heights,' Schultz said. 'Today, we again demonstrated our commitment to surpassing the expectations of every one of our customers, shareholders and partners. We hope we've given everyone a reason to believe - not only in the endurance of the Starbucks legacy, but also in our ability to continually raise the bar for what it means to be the world's leading roaster and retailer of specialty coffee.'

BACKGROUND ON THE NEW INITIATIVES

The Next Coffee Revolution - Clover(R) Brewing System

Starbucks has entered into an agreement to acquire The Coffee Equipment Company, whereby Starbucks will become the exclusive provider of the revolutionary Clover(R) brewing system. With its proprietary brewing process, the Clover(R) machine has quickly become regarded as the gold standard in innovation in brewing equipment.

Clover's unique brewing process is similar to the coffee press method, but utilizes a special vacuum technology that brings out the complex, rich and distinctive flavors of some of Starbucks rarest and most exotic coffees - such as Aged Sumatra and Ethiopia Yergacheffe. The Clover(R) brewing system also adds to the theater and drama of the coffee experience through its highly visual brewing method.

Some Starbucks stores in Seattle and Boston are currently using Clover(R) brewing systems and the Company plans to further accelerate the rollout of the machines in select U.S. and international markets. Financial terms of the transaction were not disclosed.

'This acquisition will provide us with an opportunity to give customers individually brewed cups of some of Starbucks most exotic coffees,' said Schultz. 'In my over 25 years with Starbucks, the Clover machine unequivocally delivers the best cup of brewed coffee I have ever tasted.'

The Reinvention of Brewed Coffee: Introducing Pike Place Roast

Starbucks challenged its coffee and roasting teams to create the world's most exceptional coffee blends. The result of those efforts is the new Pike Place Roast. Beginning in mid-April, this unique new coffee will be brewed in every U.S. company-operated store every day, giving customers a unique, consistent and fresh brewed coffee experience.

Pike Place Roast exemplifies Starbucks 37-year heritage and expertise in buying, blending and roasting the world's finest coffees. Starbucks roasts Pike Place Roast to be smooth and bold, bringing to life the cocoa and toasted nut flavors in the coffee.

Also next month, all Starbucks company-operated stores in the U.S. will further elevate the customer experience when they begin to scoop and grind the beans they use for brewed coffee. To enable customers to enjoy the freshest, high-quality cup of brewed coffee, stores also will brew smaller batches with a hold time of no more than 30 minutes. Licensed stores in the U.S., as well as Starbucks locations outside the U.S., also will move to a 30-minute hold time over the coming months.

'We are returning to the very best elements of our heritage and bringing back the simple romance and excitement of coffee,' said Schultz. 'Since 1971, we have sourced, roasted and sold the world's finest coffees. By highlighting that history through Pike Place Roast, and bringing back the sounds and aromas of the coffeehouse, we are raising the bar on what it means to serve the perfect cup of coffee.'

Introduction of the Next Generation Espresso Machine: Mastrena(TM)

Over the last several months, Starbucks stores around the world have taken great strides to ensure that every customer receives a drink that exceeds their expectations, every time. From an unprecedented education and training initiative focused on espresso excellence, to the upgrading of Starbucks Verisimo(R) espresso machines in U.S. and Canada stores to ensure the highest-quality espresso with each shot, every partner at Starbucks has demonstrated a relentless commitment to quality.

As part of those continuing efforts, Starbucks today unveiled the Mastrena(TM), the next generation of world-class espresso machines exclusive to Starbucks stores. The Mastrena(TM) represents more than five years of development and collaboration between Starbucks and Thermoplan AG, one of the world's leading espresso machine manufacturers.

The Mastrena(TM) is the gold standard among espresso machines. It grinds every shot to order and its other many exceptional features result in superior consistency of espresso shots, greater options for milk steaming and customization, and a lower profile to enable baristas to connect visually with customers for personal, immediate interaction and service.

As part of its investment in delivering a world-class in-store experience, Starbucks is planning an aggressive rollout of the Mastrena(TM). By the end of the year, more than 30 percent of U.S. company-operated stores will have the new machine and 75 percent will have the Mastrena(TM) by the end of 2010. Additionally, new international stores will receive the Mastrena(TM) starting in the summer of 2008, and all international stores will complete the Verisimo(R) upgrade by the end of this calendar year.

'With the Mastrena(TM) and the upgraded Verisimo, there is no doubt that our customers will enjoy the finest shots of espresso in the world,' continued Schultz. 'We have brought the art of espresso to the world, and by providing our baristas with the best training and tools, we will continue to define the industry standard.'

Adding Rewards to the Starbucks Card

Since its introduction in 2001, the Starbucks Card has revolutionized the way customers pay for their daily coffee experience. With more than 193 million cards issued in the U.S. and Canada since its introduction, there are approximately five million active Starbucks Card holders at any given time. This spring, every registered card holder will enjoy an elevated experience every time they use their cards.

In April, Starbucks will begin providing registered Starbucks Card holders these immediate, value-added benefits when they use their card at participating Starbucks stores in the United States and Canada:

Complimentary customization on select syrups (including flavors such as vanilla, hazelnut and cinnamon) and milk alternatives (such as soy or half and half). For instance, a Tall Vanilla Soy Latte would be the same price as a regular Tall Café Latte because the soy and the vanilla are free.

Complimentary Tall beverage of choice (including Frappuccino(R) blended beverages) with the purchase of one pound of whole bean coffee (on the same visit).

Free refills on brewed coffee (on the same visit).

Two hours daily of free, in-store Wi-Fi, starting this spring in company-operated stores in the U.S. (per registered cardholder).

The opportunity to join Starbucks in supporting charitable causes.

'Already, one in seven customers uses the Starbucks Card, and now we are taking the first steps toward recognizing these customers by providing them value beyond any other coffeehouse,' said Schultz. 'It is the personal relationship our customers have with our brand, our stores and our baristas that is the foundation of our success. Through this initiative, we are making it even easier to make the Starbucks Experience your own.'

Creating an Online Starbucks Community Network at MyStarbucksIdea.com

The Starbucks Experience grows, in part, from the unique combination of a shared passion for coffee and the exchange of great ideas. For years, Starbucks stores have served as the center of vibrant communities, welcoming customers and encouraging creativity and dialogue. Starbucks today announced the extension of that community beyond the doors of its stores with the launch of MyStarbucksIdea.com.

Found at www.mystarbucksidea.com, the site is Starbucks first online community and enables customers to share their ideas, engage in conversations and play a role in shaping Starbucks future. This new community seeks to strengthen Starbucks connection with customers by:

Establishing a meaningful dialogue between and among community members and Starbucks, extending the coffeehouse experience outside store walls,

Creating a new space for customers to share ideas and be part of shaping Starbucks in the future, and,

Building an open forum to share the Starbucks story in a way that fosters authenticity, transparency and leadership in conversations about Starbucks.

The new website launches today and features an area - Ideas Into Action - where customers can track the progress of ideas that Starbucks is working to bring to life. Starbucks is also launching a site for Starbucks partners to share their ideas and engage in conversations.

'We engage in millions of conversations with our customers everyday, and those conversations and ideas have helped shape the company we are today,' said Schultz. 'With the launch of MyStarbucksIdea, we are extending the Starbucks community online and creating a dynamic forum that enables us to capture and act upon our customers' best ideas.'

Taking Ethical Sourcing to New Levels

Today, Starbucks also expanded its 37-year commitment to ethically sourced coffee with a renewed relationship with Conservation International (CI).

Starbucks and CI began working together more than a decade ago to further integrate environmental conservation principles into Starbucks coffee-buying practices to ensure the sustainable production of high-quality coffee. These efforts became the foundation for C.A.F.E. (Coffee and Farmer Equity) Practices, a comprehensive program that addresses the environmental, social and economic transparency issues that are so critical to the long term health of the farmers and suppliers with whom they work.

Starbucks today unveiled a renewed five-year global commitment with CI to tackle climate change, by working together to support farmers who are preserving forests in coffee regions. The project will begin with two launch sites in Sumatra, Indonesia, and Chiapas, Mexico.

To directly link customers to this effort, the company also unveiled a new mark for its coffee. This mark symbolizes Starbucks partnership with CI and its commitment to coffee that is responsibly grown, ethically sourced and proudly served. Starbucks will work with its suppliers and CI to meet the following goals to rollout the mark:

By mid-April 2008, our new brewed coffee offering, Pike Place Roast, served daily at U.S. company-operated stores will qualify for the new mark.

By mid-April 2008, all whole bean espresso and espresso-based drinks in Europe, Middle East and Africa stores will qualify for the new mark.

By March 2009, all whole bean espresso and espresso-based drinks in all U.S. stores will qualify for the new mark.

By the end of 2009, we intend to have all espresso-based drinks qualify for this mark.

The ultimate goal is for all Starbucks(R) coffee to qualify for this mark.

'This is a pioneering agreement built on the foundation of our 10-year relationship,' stated Schultz. 'It will allow us to have a positive impact on one of the global community's most pressing issues.'

'We are excited to grow this relationship, and prouder still to demonstrate our commitment by having Pike Place Roast be the first coffee to carry the new mark that symbolizes our renewed commitment,' added Schultz.

This article comes from Hotel News Resource

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