



→ As news rolls in about yet another store being opened by Starbucks in a key location in South Delhi, the coffee chain's expansion sprint in India is well and truly on its way. Starbucks has quietly gone about its business and further plans to open around 50 stores in 2013. I wouldn't be surprised if it did a few more given that the chain has mastered the art of opening new stores in record time. The growth story of Starbucks is one for the business history books. Coming from an inconspicuous speciality coffee retailer based out of Seattle to one of the largest chains of well... anything.

While pursuing my Masters in Melbourne, Starbucks was always that exquisite experience I loved

indulging in. I was intoxicated by the deep coffee aroma, the quick and happy service, the relaxed atmosphere, the flowing background music and of course the Starbucks cup of coffee. It was the perfect meeting point with fellow students, who seemed to revel equally in the setting. As a business student, I would inevitably research case studies on the brand and hear professors talk in length about accounts of it. All stories fuelled into my sense of affinity towards the retail chain.

When I think about the present scenario in India, my mind boggles at the potential that food retail has in the country. I simply can't hold my excitement when I imagine

the new concepts that could bud out in the food loving nation. The increasing propensity of people to "eat out" and "meet out" is going to give entrepreneurs a great avenue to build concepts that invite people not just for the product they sell but for the experience they offer. This is not restricted to coffees, but extends to, as far as the long list of Indian foods go, vada pao, dosas, paans, tea, mithais, take your pick. The list is endless and so is the potential.

Creating retail chains is the future of business as they bring efficiencies, improve quality, deliver consistent value and well, just create more revenues. That's where Starbucks comes in as it provides a great learning curve for Indian food chains

of the future to follow. Here is my take on seven key aspects that can be learnt from the Starbucks story.

RECOGNISE YOUR CONCEPT'S POTENTIAL

All great chains start their business with a vision of a concept that goes beyond what is already established and believed to work best. Starbucks is one of the main proponents that idealise this belief. In the initial years, Howard Schultz struggled to convince the former owners of the brand on the vast potential in the Starbucks's idea that he saw.

Several times over, he had to face resistance from investors who showed little faith in the expansion potential for the chain. However, recognising the power that the daily consumed item - coffee - has created a whole concept around it and pushing the idea to perfection through a continuous process of tweaking and tinkering were instrumental in changing the fate of the Starbucks brand.

LOVE WHAT YOU SELL

Starbucks was founded by people who loved fine coffees. They explored and learned different sources of

coffee beans and experimented with alternative methods of roasting it to bring out deep coffee flavours and aromas. This made for a strong starting for the coffee chain as their core offering was now unique. This tradition of passion for the product was passed onto future managers of the company, who still scout the world for procuring the best coffee beans. This brings in unparalleled understanding of what they sell and how to sell it perfectly.

In-depth knowledge is indispensable and that comes from real passion for the product you sell. Often Indian food retailers start off selling something unique, authentic and truly special, but after reaching a certain scale lose focus on nurturing, improving and making it un-duplicable, and that's when quality



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drops, and so does the customer footfall. Your product is your lifeline. Making love and passion for your product the core of your company's concept is a must.

HAPPY EMPLOYEE LEADS TO HAPPY CUSTOMERS

At an early stage, Starbucks' management realised the importance of investing in people. The company offered unheard of employee benefits and stock options even to its part time employees. The main idea for the company has been to treat employees as partners and not workers. Treating people like they own and equally share and contribute to the company's growth is a great way to deliver exceptional service.

In an industry that is perpetually struggling to retain well-trained employees, it is a significant advantage in becoming a preferred employer, which helps attract the best talent and delivers the best service. Good talent comes at a higher price, but exceptional service provides irreplaceable competitive advantage in the service industry.

DELIVER AN EXPERIENCE, NOT JUST A PRODUCT

Selling a good cup of coffee is relatively easy to manage. What differentiates one chain from the other in this competitive world is how far beyond the product can a retail chain go.

Starbucks goes lengths to create an emotional connect with the customer.

That's how customers go from being "customers," to "loyal customers," and then to "brand patronisers." Only when all the aspects of the retail offering supplement and reinforce each other and deliver that unique value proposition, does a brand really deliver a great experience over and above a great product.

Whether it is the fixtures a store has, the music that plays in it, the merchandise display style, the aroma, the staff attitude, the



light, it all matters. Each and every aspect has to be in sync to create an atmosphere that builds a comfort zone for the customer where he would want to come back again and again.

GET THE KEY RETAIL ASPECTS RIGHT

While the Starbucks story does seem like a dream run on the outside, opening outlets at the pace at which Starbucks does requires vigorous focus on planning and an in-depth understanding and appreciation for key operational aspects of the retail business. Having an eye for locations that puts you where the customer is, managing and controlling new-store opening costs, creating a store design that works and is easily replicable are



some of the aspects Starbucks has mastered over the years.

The backbone of efficiency in these aspects is the operational structure of the company which focusses on developing zones and expanding through a hub and spoke model -- a model that the company has replicated over and over again in different regions. Being smart about the key retail aspects will always keep your business on its feet when the competition gets tough. Having experienced professionals who understand the aspects of chain businesses is essential to a fast expanding food chain retail store.

PARTNER WISELY AND EXPAND YOUR REACH

After Starbucks reached a certain size, it partnered with PepsiCo to create a mass marketable version of its Frappuccino product line. This move had a few implications. Firstly, it meant that Starbucks could capitalise on the established distribution network of PepsiCo,



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thus reaching customers in ways not imagined before. Also, having one of its most popular products available through grocery stores not only aided sales for the company but also further expanded the chain's brand presence. Today, the sales of ready-to-drink coffee products by Starbucks through grocery retail exceed \$1 bn, establishing it as one of the pioneers in the industry.

LISTEN INTENTLY

Expanding a retail chain concept takes considerable effort, and the top management of a fast expanding chain can very quickly and easily lose

track of the on-the-ground realities, something that has brought about the downfall of the best in the business. Having ideas and perspective flowing in from the employees working in outlets and customers availing the services is essential to constantly tweak and better the existing concept of a chain.

Some of the most striking and important ideas for Starbucks like offering low-fat milk or selling music in stores came from "comment cards" left behind by customers. Again listening to your own employees is imperative as they are eventually the ones who face the music while dealing with the customers and most likely to be the first ones to detect any fault in the brand's offerings.

Great companies are built around great values. Exceptional organisations that finally achieve unprecedented sales and are truly loved by consumers are those that are built on ideas of sustainability and a long-term commitment to everyone linked to the company, whether it is employees, distributors, shareholders, customers, or the society on the whole. Having effective values and backing them by actions eventually lead to attracting people who bide by those values and in the process help spread them, thus creating a self-perpetuating dynamic model.

What makes Starbucks what it is today is that it delivers exactly what it promises - an exquisite atmosphere and the best coffee, consistently. Going by the past experience, I was worried about the brand's ability to deliver in India the same experience that made its core value proposition world over. Now, as I write this article, sipping my favourite brand's coffee its Select CityWalk outlet, I am glad to report that the coffee and the experience is everything I remember it to be. ☒

ABOUT THE AUTHOR



Gaurav Marchanda is a consultant with Wazir Advisors.