

The Starbucks Experience

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Just a generation or two ago it was enough for employees to arrive early at the mines, factories or farms offering their hard labor and sweat equity. As the whistle blew at the end of the day, they'd clock out and leave work behind. Then came the service economy, where we were expected to meet the expanding desires and wishes of the customer - as technological advances made us increasingly available. The more available we were, the higher expectations for service became.

Increasingly, the line between work and home began to blur. Today we have electronic leashes that make us accessible 24 hours a day and customers have come to expect immediate gratification. Worse yet our immediate responses aren't enough, since satisfied customers frequently move on to others who can more fully engage them.

In today's world, employers are looking for their people to not only master customer service transactions but to produce the complete "customer experience." Moreover, they are asking their people to not only put their physical effort tirelessly into the work but to invest their ideas and creativity to make the business better. Business trend analysts have talked about these changes as a fundamental shift from the service economy to the innovative/experiential economy.

In an experiential world, commodities, goods and service have diminished value as people seek complete experiences. To that end, Howard Schultz, a visionary for a fledgling coffee shop in Seattle Washington took coffee, one of the most ordinary products – one that had been around for centuries – and elevated it from its price point of 50 cents when served in a convenience store setting into a well-staged experience which allowed for a seven-fold increase in price.

Imagine Starbucks' Howard Schultz going to bankers, family and friends saying, "Hey I need you to lend me some money. I want to buy a little coffee store in Seattle. They sell coffee beans. They don't brew the coffee; they just buy it and roast it. I want to buy the store, start serving espresso and charge \$3 a cup. You can be sure I will make a solid return on your investment. Maybe some day I will even open stores as far away as Portland, Oregon."

Howard Schultz was banking on the notion that he could elevate a common product by placing it in a rich experience of transactional quality, product excellence, and a warm, coordinated, physical environment. His gamble has produced a company that now opens six new stores EVERY DAY (one every 4 hours) 365 days a year.

Starbucks has reached 38 countries and is one of the greatest growth stories of our time. In many parts of the world, the Starbucks name has even become synonymous with coffee. Approximately 97% of Americans know the Starbucks brand. That means more people in the USA know Starbucks than know the name of their own vice president.

The average Starbucks customer visits their store 18 times a month and has ferocious brand loyalty. Unlike other international expansions, Starbucks didn't achieve its meteoric success from franchising or developing a turn key operation. It did it by mastering business at the store level with a focus on people, product, passion and an adherence to 5 key principles:

MAKE IT YOUR OWN

Starbucks employees think about the customer experience (“the third place,” “affordable luxury,” and “the living room of the community”) in a way that allows each of them to connect with their customers in a personal way. According to Starbucks Chairman Howard Schultz, “We are not in the coffee business serving people; we are in the people business serving coffee.”

Starting with a fundamental premise that people are the most important resource to any business, Starbucks leadership prioritized the needs of their employees (referred to as partners) in revolutionary ways. Whether it was ground-breaking policies such as healthcare benefits for part-time workers or stock options for coffee servers, Starbucks management invested in their partners first. That investment, while risky over the short-term, has returned unarguable results. With turnover rates unimaginably lower than other businesses in their sector, they have maintained human capital in the face of staggering expansion. Starbucks employs specific approaches to develop each of the partners and this development process, in turn, enables the partners to effectively take ownership and innovate improvements in services and products for the company.

Studies on employee engagement suggest that most of the modern workforce lacks consistent investment or passion in what they do. Many workers go through their day as if they were robots, others actively avoid work or worse yet interfere with others getting their work done (not returning phone calls, failing to meet team deadlines etc.). Since 65% of workers have been found to lack consistent “engagement” or are actively “disengaged,” leaders benefit from strategies that help spark a flame inside their people. Better yet, they gain a competitive advantage when they identify the passions that already exist.

While providing exacting standards on operational issues with all the necessary operations manuals and documentation, leadership has encouraged partners to “make Starbucks their own.” One way they have done this is through a small pamphlet entitled The Green Apron Book. As you may know, Starbucks coffee servers, known as baristas, typically wear green aprons. The green apron book easily fits into a barista's pocket and serves to highlight ways that partners can merge the customer service objectives of leadership and with their own unique skills and personality. Starbucks achieves this balance by focusing on five ways of being:

- Be Welcoming
- Be Genuine
- Be Considerate

Be Knowledgeable
Be Involved

Starbucks leadership helps staff understand what is meant by each of these desired ways of being and how each contributes to the experience of customers and their peers. For example, from the standpoint of Starbucks leadership, “being knowledgeable” is elevated to a preeminent status in their culture. In fact, Starbucks spends more on training than they do on advertising. In essence, they believe a knowledgeable workforce does more for marketing than any ad campaign ever could.

Starbucks has found ways to ENCOURAGE, not always require, people to learn. Rather than making advanced coffee education mandatory, Starbucks leadership offers partners the opportunity to become “coffee masters” and wear a black apron as opposed to green one. The status of coffee master is achieved through course training developed by Starbucks leadership, demonstrating proficiency on an objective knowledge test, and leading live coffee tasting programs within stores. The black apron of the coffee master is held in high regard in the culture from the top down. In fact, at the very top of the company, the business card of Jim Donald simply says “president, CEO, Coffee Master.”

EVERYTHING MATTERS

Paying attention to absolutely every detail gives Starbucks a competitive advantage because it builds intense loyalty among patrons. Managers have to constantly put themselves in the shoes of their customers, seeing everything from the other side of the counter.

SURPRISE AND DELIGHT

At Starbucks, it is critical to deliver consistent product and service to delight customers. But on top of consistent quality, Starbucks partners look for ways to surprise and engage consumers in a process of discovery. In an example of the importance of surprise, Starbucks gave out free cups of “Calm” tea on April 15 (the day federal income taxes are paid in the USA) in anticipation that their customers would be frazzled by the tax deadline. In essence, surprise emerges from the art and science of anticipating the wants, needs, and desires of customers.

Surprise without delight does not make for a successful business and delight without an occasional surprise may create the familiar for your customer but it can lead to too much predictability. Scott McKain, author of *All Business is Show Business*, notes that about $\frac{3}{4}$ of customers say that all things being equal they would frequent a new business if their experience at the new business would be more fun.

EMBRACE RESISTANCE

Starbucks receives many forms of resistance from communities, international organizations, and at times, customers. Both at the leadership and front line levels, Starbucks has benefited from criticism and utilized it to become stronger and better able to meet the needs of those who share their input.

LEAVE YOUR MARK

People want to do business with and work for companies that are socially conscientious. In addition to their corporate philanthropy and grant-giving, Starbucks encourages its employees to be involved in their communities; matching cash contributions in support of their partners' efforts. Furthermore, Starbucks leadership makes business decisions in accord with their social values.

This commitment to extending memorable customer experiences beyond the walls of their business also affords many benefits to the company as well – with research suggesting that:

- People prefer to do business with and work for socially conscious companies.
- The most talented and qualified applicants increasingly consider a company's ethics and community support when selecting their employer.
- Employee morale is three times higher in firms actively involved in the community compared to their lesser-involved counterparts.
- When employees' work environments match with their personal values, they are more productive.
- Companies that focus on environmental impact typically are valued up to 5 percent higher than comparable organizations without that focus.
- The participation of employees in community-based activities strengthens their teamwork, leadership skills, and corporate identity

At the end of the day, Starbucks - like many other great businesses - understands that all business is personal. People are looking for a complete personal experience that engages them, attends to the details, surprise and delights them, listens to them, and makes a memorable difference both within and beyond the walls of the business. Have you elevated your products and services in the ultimate customer experience?

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