



MARKETING STAR



## Howard Schultz: Chairman of Starbucks Corporation

[By Anique Gonzalez]

You may be unfamiliar with the name Howard Schultz, but you likely have an extremely intimate relationship with his brand and his company. You see its outlets on street corners and in Barnes and Noble, among other places, and now you can find its products in your grocery store and at the movies.

Yes, we are talking about the coffee magnate Starbucks, and Schultz is the man who made it into the coffee shop you know and love...or hate. However, regardless of your feelings toward the chain itself, we must applaud Schultz for taking an everyday item and, with unparalleled foresight and marketing innovation, turning it into the cultural and corporate phenomenon it is today.

"A heady aroma of coffee reached out and drew me in. I stepped inside and saw what looked like a temple for the worship of coffee...It was my Mecca. I had arrived," Schultz said, recalling his first encounter with a Starbucks coffee shop in 1981.

Founded in 1971 by two teachers and a writer, Starbucks Coffee, Tea and Spices originated as a coffee bean roaster and retailer. It wasn't until 12 years later, when Howard Schultz joined the company, that the Starbucks we know today was conceived.

After a trip to Milan, Schultz wanted the company to begin selling drinks in addition to coffee beans and accoutrements. However, the owners disagreed because they believed coffee making was an experience to be had at home, so Schultz decided to establish his own brand, Il Giornale, to actualize his idea.

Several years later, in 1987, the original Starbucks founders sold the company to Schultz, as they had recently bought competitor Peet's Coffee & Tea. After

acquiring Starbucks, Schultz merged it with Il Giornale and formed Starbucks Corporation.

So how did a company that offered *coffee* make such an impact? The answer is twofold. First, the company doesn't just offer coffee. In an interview with the organization Knowledge Networks, Schultz explained, "I can best describe it by stating that we are not in the coffee business serving people but in the people business serving coffee. The equity of the Starbucks brand is the humanity and intimacy of what goes on in the communities that exist in each and every location."

In addition to its drinks, Starbucks' environment has contributed to its success. Consumers choose Starbucks not only for its coffee but also for its atmosphere. Schultz wanted the company's stores to be seen as "third places"-the other two being home and work. If you are not at work or at home, the next place you should be, or at least *want* to be, is Starbucks. Locations usually feature large, comfortable chairs, relaxing music, and Wi-Fi.

"The interaction between customers themselves-with employees, the aroma, the music, the seating, and other things-all contribute to building this third place," Schultz explained.

And, if you so choose, you can sit in a Starbucks for hours even if your only purchase is a tall Americana.

"We try to create, in our stores, an oasis, a little neighborhood spot where you can take a break, listen to some jazz, and ponder universal or personal or even whimsical questions over a cup of coffee," Schultz said in his book, *Pour Your Heart Into It: How Starbucks Built a Company One Cup at a Time*. The goal is to create a bond with the consumer, thereby establishing unparalleled loyalty.

In fact, environment is of such paramount importance that throughout the world Starbucks is known for having stringent non-smoking rules. According to the company, the smell of cigarettes would dilute and/or overwhelm the coffee aroma, which is such an important part of the experience that, additionally, associates are asked not to wear strong-scented perfumes.

Interestingly, very little money is spent on traditional television and radio advertising. Instead, the company relies heavily on promotions that bring the consumer and the brand ever closer.

"It's not good enough to have a good ad, but everything you do helps complete the circle... the packaging, the community involvement, [and] the service all help build that emotional connection," Schultz stated.

And Schultz takes the brand, its equity, and its emotional connection with consumers extremely seriously. In a February 2007



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memo, Schultz warned top executives about oversaturation of the brand as well as recent decisions that have negatively impacted the company's image, taking it away from its original objectives.

"Over the past 10 years, in order to achieve the growth, development, and scale necessary to go from less than 1,000 stores to 13,000 stores and beyond, we have had to make a series of decisions that, in retrospect, have led to the watering down of the Starbucks experience and what some might call the commoditization of our brand," he said.

So now it is up to Schultz and the corporation's executives to reestablish Starbucks as the local coffee shop with

a global reach as well as strengthen the emotional connection between the brand and consumers that has allowed it to achieve unprecedented levels of success.

In the last portion of the now-famous memo, Schultz wrote, "I have said for 20 years that our success is not an entitlement, and now it's proving to be a reality...Let's get back to the core. Push for innovation and do the things necessary to once again differentiate Starbucks from all others."

He added, "We have built the most trusted brand in coffee in the world, and we have an enormous responsibility to both the people who have come before us and the 150,000 partners and their families who are relying on our stewardship."

## ON THE NET

Starbucks Corporation  
[www.starbucks.com](http://www.starbucks.com)

Peet's Coffee & Tea  
[www.peets.com](http://www.peets.com)

*Pour Your Heart into It: How Starbucks Built a Company One Cup at a Time*  
[www.amazon.com/Pour-Your-Heart-into-Starbucks/dp/0786883561](http://www.amazon.com/Pour-Your-Heart-into-Starbucks/dp/0786883561)

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