

Heart of

Starbucks, whose relevance once seemed to manifest itself on nearly every street corner, is closing 600 stores. Why?

The *New York Times* ran a piece suggesting that Starbucks had gotten sloppy about where it was building new stores — that basically it was putting stores where people didn't necessarily want them, going where they were not relevant.

Our reader survey did not exactly support that theory. An overwhelming majority (62 percent) said that the number of Starbucks in their neighborhood was “about right.” However, 56 percent said they would *not* be upset if Starbucks closed a store in their neighborhood. Interesting.

Our survey results did suggest that the ubiquity of Starbucks locations does not necessarily work in its favor. While “convenience” ranked high on the list of things people like about Starbucks, the chain's rapid expansion evidently has exacted a toll.

“It was cool when it was rare. Now it's a 7-11 of caffeine,” said one respondent. “It's spread too thin to really create community anymore,” commented another. “At the end of the day, it's a chain,” said a third.

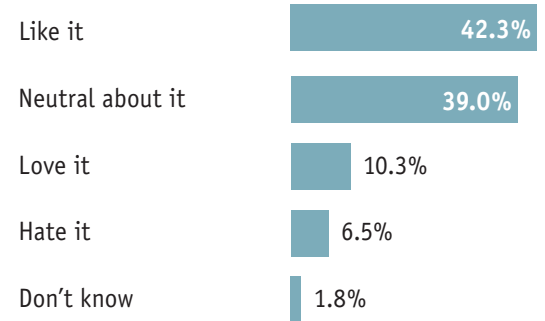
For some, this meant the end of their love affair with Starbucks, while others saw it as a natural part of any brand's growth. “The whole ‘third place’ phenomenon around Starbucks served its purpose 10-12 years ago ... which enabled Starbucks to become the chain it now is,” one participant commented.

For others, it meant it is time for Starbucks to retrench and rejuvenate. Prevailing opinions are that the service isn't what it used to be, the stores aren't as clean or comfortable, and attempts at innovation have missed the mark. As one respondent put it: “Stop trying to sell me music and all that other crap!”

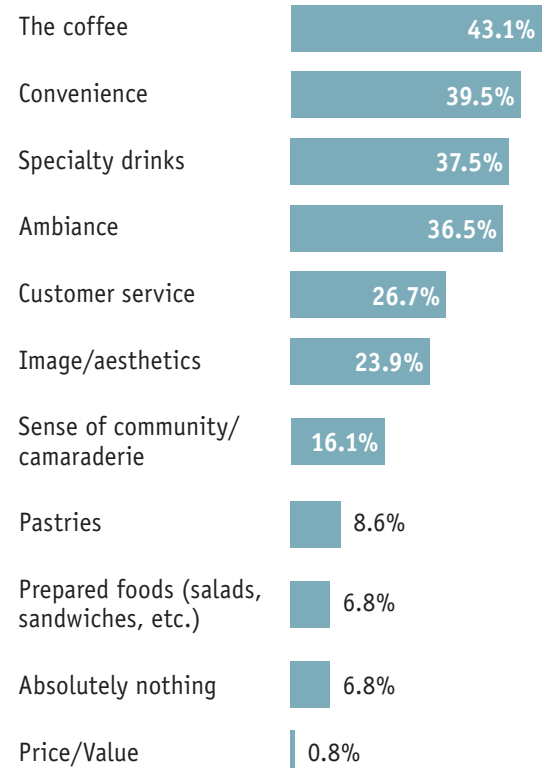
Because, after all — as 43 percent of the survey respondents indicated — Starbucks is still all about *the coffee*. Yes, some people love it and others don't, but almost everyone seems to have a strong opinion about the taste of the Starbucks brew.

That the brand elicits such passionate reactions perhaps bodes well for its potential to

In general, how do you feel about Starbucks today?

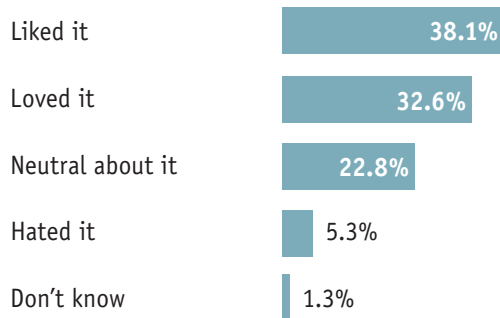


What do you like BEST about the Starbucks experience? (pick all that apply)

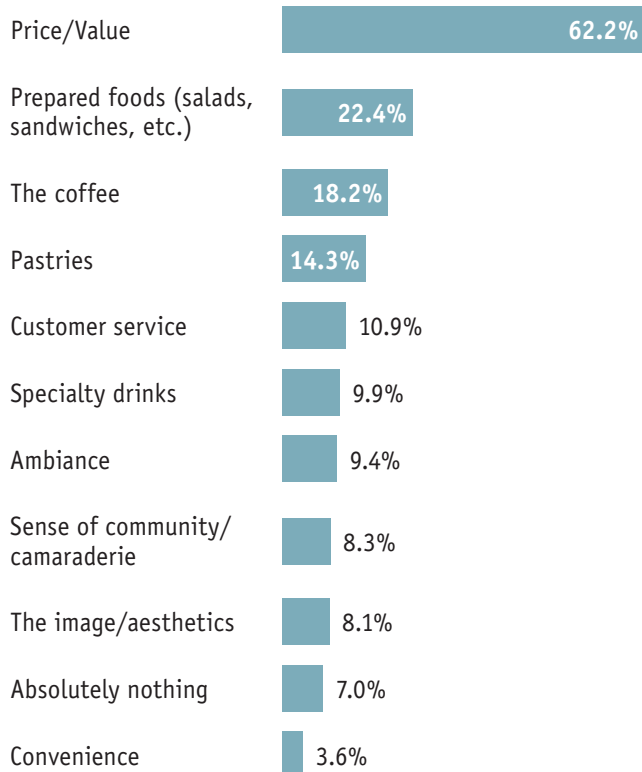


Starbucks

In general, how did you feel about Starbucks five years ago?



What do you like LEAST about the Starbucks experience? (pick all that apply)



mount a comeback. Indeed, many of the survey respondents sounded almost desperate for the Starbucks they say they loved and lost.

The encouraging news for Starbucks is that roughly the same percentage of respondents said that they “liked” Starbucks about as much today as they did five years ago. However, the percentage saying they “loved” Starbucks has dropped precipitously, from 33 percent who said they loved it five years ago to just 10 percent today.

In addition, the percentage saying they are “neutral” about Starbucks has increased to 39 percent, up from 23 percent who said they were “neutral” toward Starbucks five years ago.

While these shifts are no doubt the result of a variety of factors, one issue stood out more than any other: Sixty-two percent of respondents said “price/value” was the thing they liked *least* about the Starbucks experience. The chain’s oft-criticized foray into “prepared foods,” at 22 percent, wasn’t even a close second.

Increased competitive pressures from McDonald’s, Dunkin’ Donuts and various regional chains also are dogging Starbucks. But the greatest threat, as suggested by a strong plurality of 34 percent of respondents, is not from another big brand but from the “Long Tail” of any number of local coffee shops.

As one respondent said, “(My) local coffee shop is more personable, more knowledgeable, has better quality control and has better, fresher coffee, which Starbucks no longer has.”

And yet some are hopeful: “Thank God (CEO Howard Schultz) is back... They had it right from the start. Don’t treat coffee as a commodity, treat it as an occasion and make it special.”

RESPONDENT PROFILE

A total of 402 survey respondents included brand marketers (23%), consulting firms (22%) and agencies (15%).

Twenty-five percent worked in packaged goods firms, 10% in media/entertainment and 6% in retail. A majority were senior-level executives with 70% reporting more than ten years of experience in marketing. ■