

Starbucks: Your Neighbourhood Coffee Shop or a Technology Giant?

Starbucks coined the term “**digital flywheel**” for its digital strategy - a powerful proprietary asset that drives deep customer engagement, revenue, and profit growth around the world. There are 4 pillars around the mobile platform:

1) Virtual Rewards - loyalty program:

With every \$1 spent, customers will earn 2 “stars”, in addition, customers will also get the point (star) when buying Starbucks products through the system of grocery stores, affiliates and via email login. Stars will be converted into free food/beverages.

2) Mobile payment:

Customers have a very pleasant experience when it comes to using **cashless options on a Starbucks wallet**. This wallet can be linked to a credit card, Apple Pay, Paypal, Chase. More importantly, this wallet is linked to the barcode payment system. Customers only need to scan the barcode and do not need to pay cash at all.

3) Customers can also choose to order through mobile app and pick up items at the store later:

This **reduces peak queues, saves time for customers, and “partners”** of Starbucks (the way Starbucks addresses its employees). In particular, all members, not only members of the Rewards program can use this feature.

4) Personalized experience is an integral part of the “digital flywheel” strategy:

Starbucks went one step further with **personalization based on historical customer data** on the application. Through this operation, Starbucks can upsell (according to research, people ordering over the mobile often spend more per order) based on, customer data such as order history, product placement preferences, location, email, objective information such as weather, from third parties, etc. Starbucks can also provide **personalized one-on-one customer promotions** which encourage customers to purchase more (in some cases to make customers buy things they do not know of before) of products at Starbucks.

In 2016, Starbucks tested **AI technology** for sending **personalized e-mails**: Before adopting AI technology in personalization, Starbucks sent only 30 variant of email templates to customers. After applying AI, Starbucks was able to automatically generate and send **400,000 personalized variants** of email templates to customers, all in real time basis. By 2017, Starbucks caught up with Industry 4.0 trend by releasing a **virtual assistant called My Starbucks Barista** that allows users to order and pay by speaking with this virtual assistant. This emulates the experience of interacting with the barista in real life.

By personalizing the app and pushing new products to upsell customers to more expensive or additional items, Starbucks has drawn **more value from their customers, besides positively impacting customer loyalty.**

Going forward, Starbucks plans to grow membership and increase personalization through **customized push alerts** triggered by things like weather. Furthermore, they are **integrating the app data into the store experience**, so baristas will know when it's someone's birthday or other information about the customer so they can give them special treatment. As their database of customers grow and they learn more about spending habits, their mobile loyalty program will drive great growth at an increased rate. Starbucks is also developing the **Digital Order Manager (DOM)**, a barista-like tablet device that tracks incoming orders and manages real-time orders better. It has invested heavily in the cloud computing platform, which will be the foundation for seamless integration of customer experience across countries.

As per Starbucks **CEO Kevin Johnson**, amidst the massive disruption that the retail sector is experiencing, **“winners”** will be companies that can **integrate digital with their in-store experience**. And this is exactly what Starbucks is trying to do with their mobile app and digital partnerships. They've found a way to meaningfully connect with consumers in a manner that changes consumers' paying and ordering habits. Their success in this mission, as borne out by numbers, is comparable to that experienced by any technology company, especially given its massive physical foot print of over 30,000 stores worldwide.

References:

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