WORKING PAPER

Starbuck's: Enhancing Marketing Efforts with Geography Information Systems

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Abstract

While Starbuck uses many different models and strategies to optimize its marketing efforts, more recently it has relied on powerful tool know as Geography Information Systems (GIS). GIS is utilized by Starbucks to determine the optimal locations for new stores, to profile its customer base for more precise targeting, to help customers locate their stores, and to support other marketing activities.

Introduction

Starbucks was founded in 1971 with the main objective to sell top of the line quality whole bean and ground coffees. Just over thirty years later, Starbucks had grown to over 1,100 stores across the globe, with stores in Europe, Asia, and N. America and Latin America. Today, Starbucks products include a full line of coffees, tea, and coffee-related accessories. Starbuck's continues to expand their operations both domestically and internationally with thousands of stores worldwide.

While Starbuck uses many different models and strategies to optimize its marketing efforts, more recently it has relied on powerful tool know as Geography Information Systems (GIS). GIS are a suite of computer programs designed to store, analyze, manipulate and create output like maps, charts, and reports from geographic data linked to descriptive attribute data. The ongoing work on maintaining this GIS requires a staff of three to four programmer analysts and several technicians, all of whom have special training in GIS software.

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Determining Optimal Locations for New Stores

In a period of rapid expansion, determining an optimum location is a serious on-going challenge. Starbuck's employs mobile assessment teams, which travel to potential store locations and assess the characteristics of the site and the surrounding community. Issues such as cost of real estate, access, parking, pedestrian traffic and proximity to features such as theaters, restaurant districts and a host of issues are considered. An essential tool for this analysis is a geospatial data base that is analyzed using GIS tools developed by ESRI and Microsoft that are accessed by high powered laptop computers; the Internet is used to facilitate up-load of these data sets from the corporate GIS office.

Profiling Customers

In addition to identifying locations, a further challenge faced by Starbuck's GIS analysts and market researchers is profiling the archetypical Starbuck's customer. Starbuck's caters to a wide range of customers from every strata of society; however young upwardly mobile adults are a key customer group. To get a better handle on where this

key target group is present, Starbuck's has used Microvision data from Claritas, which divides the population into 50 categories; each category is developed based on age, income, educational attainment, race and other factors. Starbuck's has identified how these 50 groups correlate to patronizing of their stores. Thus, an a priori estimate of the number of potential customers in a given location can be made. Of course the transient population must be added to the resident population to get a complete picture of the potential customer base and the demographic characterizes of each group considered.

Helping Customers Locate Stores

A convergence of technologies is allowing Starbuck's customers to use signals from space-based GPS satellites along with GIS and PDA devices to find their way to the nearest Starbuck's coffee house. A recent innovation related to GIS and featuring Starbucks as one of the companies on the cutting edge of the technology is the use of PDA devices to receive wireless Internet and GPS signals and to use GIS-based maps to provide directions on these devices. The system allows users to enter an address and do a search of a five mile radius from that address for store locations or simply enter a name like Vancouver and a country like Canada and get a map pinpointing the store locations.

Other Marketing Applications

Although location studies are the key application using GIS technology at Starbuck's, there are a growing number of other areas that GIS is being used to provide decision support for various functional areas at Starbuck's. For example, GIS is helping with the analysis of routes for delivery vehicles and other logistical issues. It is being used to access at which units might be appropriate to add a drive-up window. It is being used to determine the nearest bank branch to existing units so that employees need not travel longer distances than necessary to deposit receipts. As Starbuck's begins to penetrate an ever-higher proportion of its potential markets, the key to increasing revenues and profits is to better and more efficiently serve existing units. Thus, these logistical applications of GIS are receiving increased attention.

Future Directions for GIS at Starbuck's

Starbucks is being very aggressive in the world market. Starbucks is preparing to open 1,300 stores next year. Approximately 575 company owned stores and 375 licensed locations in North America and 50 company owned and 300 licensed sites outside North America. To support their efforts, Starbuck's use of GIS technology is likely to expand into areas including…….