

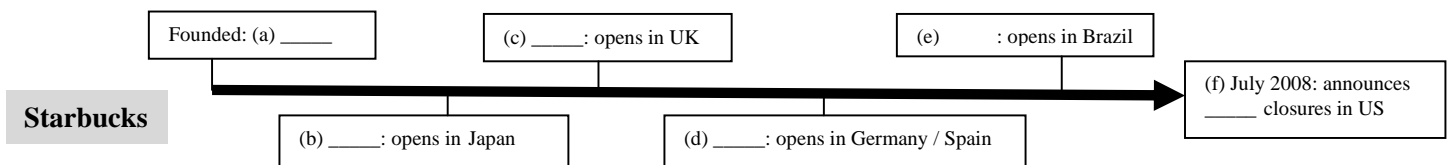
The future of Starbucks

After years of continuous growth, Starbucks is to close 600 coffee houses in the US. What does the future hold for the company?

1 Rank these factors in order of importance when deciding which coffee house to go to.

product range atmosphere price quality ethical policies brand name free wi-fi free re-fills

2 Complete the time line with the missing years and figures. Find the answers by scanning paragraph one of the article.



Starbucks, the largest coffee house chain in the world, has announced that it will close 600 branches across the US. Approximately 12,000 jobs are to go. Plans to expand next year have also been reduced. The problem is that the company has been growing too fast. Starbucks was founded in Seattle, Washington, in 1971. For many years, it only had coffee-houses in the States. After launching in Japan and Singapore in 1996, it followed what seemed like a bid for global domination, opening in at least one new country every year since then. It opened in the UK in 1998, Germany and Spain in 2002, and Brazil in 2006. Today, it has over 15,000 coffee shops in more than 40 countries, and employs over 170,000 people.

Starbucks have moved away from their core business – quality coffee – into becoming a ‘lifestyle brand’. It is now about more than just the coffee - it is about atmosphere. Starbucks has a record label and a book club. The company stresses its ‘social responsibilities’ in helping farmers in developing countries. You can even read philosophical reflections on the side of your coffee cup. The subliminal

message is that if you drink here, you are intelligent and have a social conscience. Ways of promoting customer loyalty include offering two hours of free wi-fi, a rewards card and free re-fills of brewed coffee.

Still, many people hate Starbucks. There is even an ‘I hate Starbucks’ website. One reason is perhaps due to its size. If the coffee is so special, it is argued, why are there so many outlets? Perhaps the company has reached saturation point in the US. Three quarters of the underperforming outlets set to close are the ones opened since 2006. Maybe there are too many Starbucks coffee houses close together; are they competing with each other?

While Starbucks considers its future, other coffee shops like Nero are doing well. Rival company, Costa, is planning to expand. Competition now includes lower-priced fast-food chains, like McDonalds. Although we all love an expensive espresso or cappuccino from time to time, perhaps price is becoming an issue now people are feeling the pinch. People love coffee, but will they continue to love ‘Starbucks’?

3 Read the whole article. In what ways has the company developed? What are the threats to the company?

4 Decide if the following words from the article are nouns (N), verbs (V) or both (B).

announce	grow	bid	domination	employ	brand
promote	reward	outlet	compete	expansion	plan
issue	price	reflection	quality	loyalty	launch

5 Work in small groups. Discuss the questions and report back your ideas to the class.

- (a) Do you think the price of coffee in Starbucks, Costa, Nero etc is too high?
- (b) Will Starbucks recover? How do you see the market developing for coffee house chains in the future?
- (c) Do you think it is good for a company to move away from its core product? Give examples.