



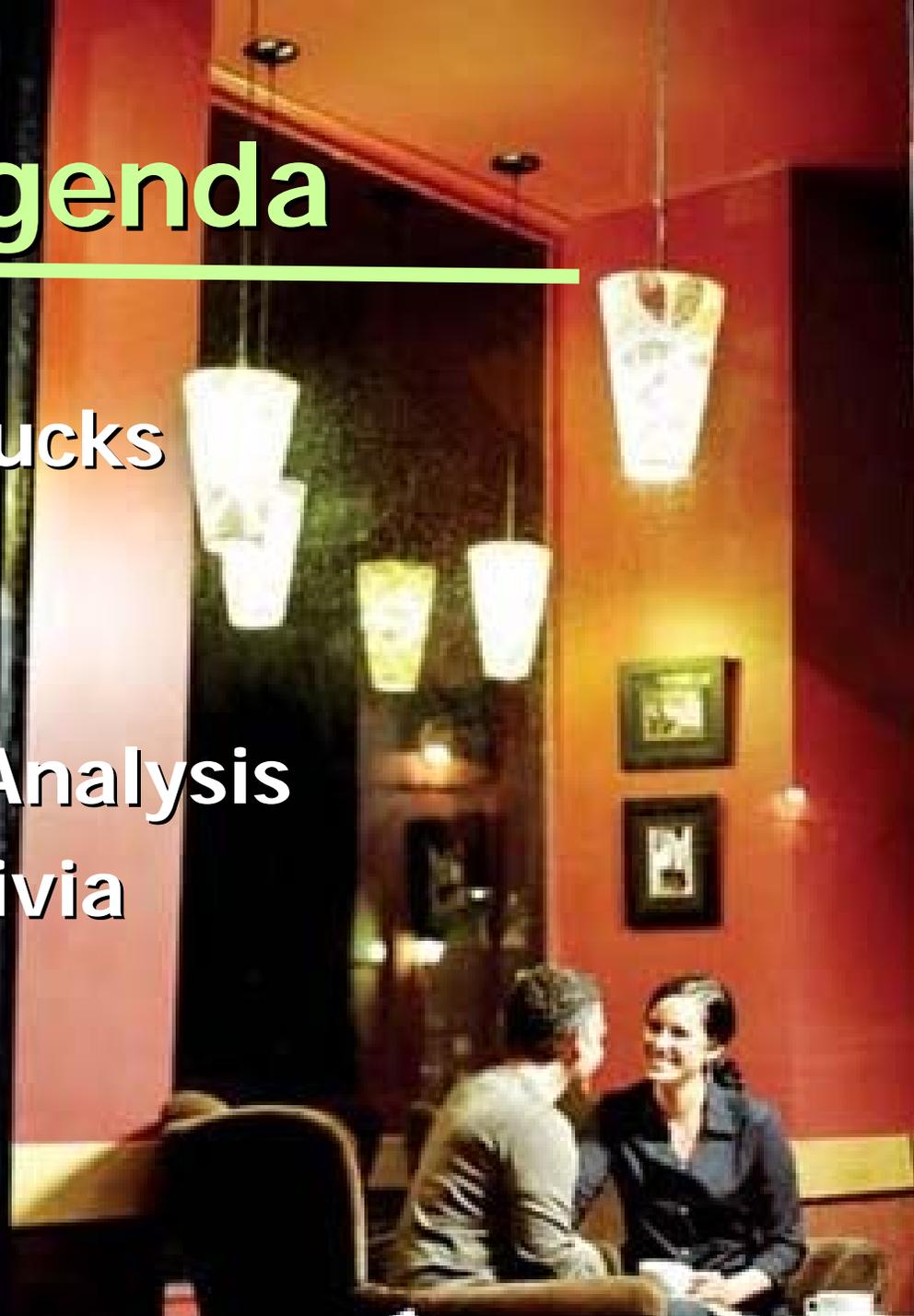
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Agenda

- Overview: Starbucks
- The Story
- Logistics
- Interviews and Analysis
- Game: Coffee Trivia
- Conclusion
- Q & A



Starbucks Analysis

- Founded in 1985 in Seattle, Washington.
- Over 13,600 Retail Stores
- Operates in US, Canada, UK, Ireland, China, Germany, Australia, and others.
- Variety of beverages and baked goods.
- Also sells pre-made drinks.
- Exceptionally strong and enduring growth and performance.



Management

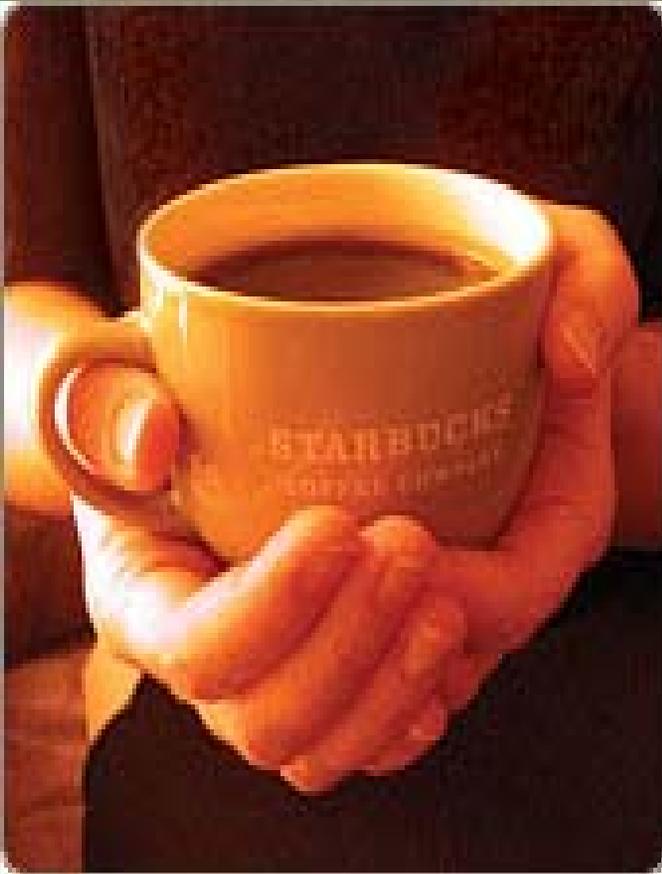


Howard Schultz
Chairman of the Board
Founder



James Donald
President
Chief Executive Officer

Comparables Multiple



Starbucks

- **EPS: 0.88**
- **EBITDA: 1.47 Billion**
- **NI: 675 Million**
- **P/E: 20.83**

Industry

- **EPS: .59**
- **EBITDA: 147.18 Million**
- **NI: 1.13 Million**
- **P/E: 25.10**

The Story

- **Problem.**
 - No foot traffic in Cal Student Store.
- **Solution?**
 - ASUC wants to replace convenience store.
- **ASUC approached a local coffee vendor to build an Internet coffee shop and other local businesses.**
- **Outcome**
 - Small businesses lack sufficient capital!

The Story

Starbucks will be able to increase traffic into the book store.

It is also big enough to compete against the new Walgreens.

- Local businesses expresses their concerns.
- ASUC will make their decision soon.

Logistics

- What did we do?
- Interviewed 9 coffee shops including:



Logistics



Logistics

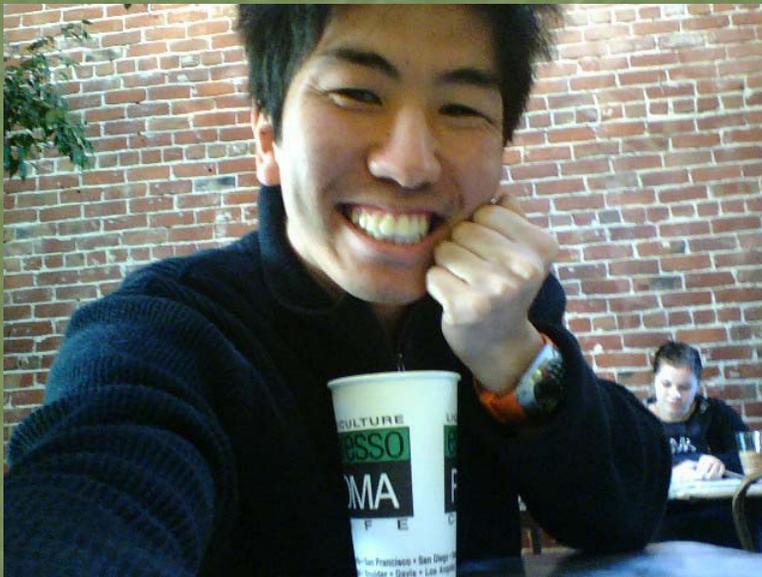


Logistics

- We also interviewed:
- Jessica Kwong, Daily Cal reporter.
 - Dr. Nadesan Permaul, Director of ASUC
 - Manuel Buenrostro, Former President of ASUC
 - And Cal students (coffee consumers)



Logistics





Why Starbucks?

- 3 National coffee shops were approached
- **Coffee Bean and Tea House:**
 - No response
- **Peet's Coffee:**
 - Don't want to compete with their own franchises

Why Starbucks?

- **Starbucks:**
 - have the capital to invest
 - pay the ASUC fair market value for their rent
 - cover the investment in construction without taking resources from the ASUC
 - attractive enough to students, in order to increase foot traffic to the bookstore

Benefits



- Students have more coffee options
- Increase foot traffic of Bear's Lair and increase the revenue of the nearby stores
- Increase the competition between the coffee shops, and hence improve their qualities

Impacts

- increase competitions between the cafés
- May drive other local traditional cafés out of their businesses (unlikely)



Would ASUC intervene if Starbucks drives all other local cafés out?

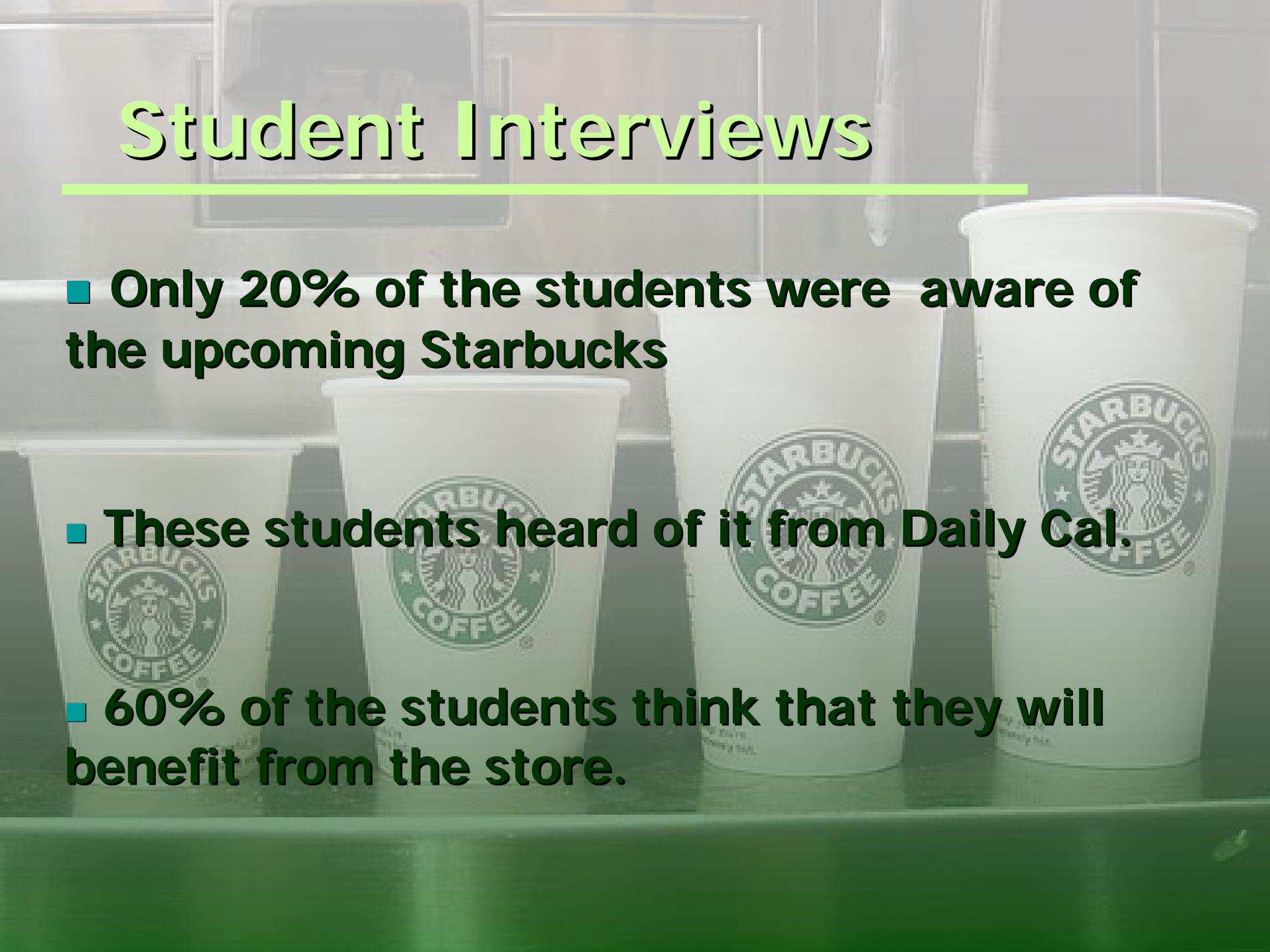
- Store Operations Board makes all business decisions for the ASUC
- ASUC will not intervene. “There is room for everyone as far as coffee goes”.

Currently



- negotiating terms of contract
- decision hopefully will be made this Spring by Stores Operation Board

Student Interviews

- Only 20% of the students were aware of the upcoming Starbucks
 - These students heard of it from Daily Cal.
 - 60% of the students think that they will benefit from the store.
- 
- The background of the slide features four Starbucks coffee cups lined up on a counter. The cups are white with the Starbucks logo (Siren) and the words 'STARBUCKS COFFEE' printed on them. The cups are arranged in a slightly receding line from left to right, creating a sense of depth. The overall lighting is soft and even.

Student-Interviews Continue

- However, only 20% of the students think that Starbucks would affect their consumption of coffee in other stores.
- 60% of the students would purchase more Starbucks due to the location (convenience).
- Upon the statistic, we have bias. Some respondents do not consume coffee in a regular base due to the health related issues corresponded to **caffeine** consumption.

Student Interviews

- Most students think that location is the main factor determining where to get their cup of coffee for the day.
- Shortly followed by the quality of coffee.
- In conclusion, price do not have a huge effect on determining where students would buy their coffee from.

Interview: Coffee Lab

(located near Latimer Hall, interviewed a student worker)

- Not aware of the upcoming Starbucks.
- Do not think that Starbucks would affect their business, because it's too far away **from their location**.
- Strong relationship with the customers including: professors, graduate students, **staffs, and students**.
- Same customers everyday, so knows their demand and taste.
- They might lower the price of coffee and increase breakfast variety like hot items. **However, they might have difficulty to add hot items due to their limited working area.**

Interview: FIFO Café

(located in Haas, interviewed store manager, Briana Schwartz)



- Not aware of the upcoming Starbucks.
- Do not think that Starbucks would affect their business, due to the location.
- Main customers: Haas students, staffs, MBA students, not much of outsiders.
- There's always in competition, but upcoming Starbucks is too far away. Although, they have been competing with the café in I-House, Strata for years, their profit has been increasing recently.

FIFO continue

- No future response is necessary, very confident about their “cup of coffee” which Starbucks can not offer.
- Rates of coffee were fine, \$1.25 for a cup.
Extended business hours: the coffee carter opens at 7 am every morning and café opens at 8am.
- Serves hot items, which Starbucks do not offer.

The Coffee Spot

(located inside of Bear's Liar, interviewed owner Haithan)

- The rumor that Starbucks is moving into campus has been going on for 5 years.
- It's face to face competition, it will affect **them** a lot.
- Starbucks have a huge web of clients, people like their **brand-name** although they're 2-3 times more expensive for a cup of coffee.
- **The UC Management tried to convince them**, that **they** will not be affected due to the difference of price of **their** coffee.
- However, Starbucks is a franchise, they intended to be here for advertisement instead of profit.

The Coffee Spot continue

- **They** offer fresh and healthy foods while keeping prices as low as possible.
- **They** take and give back to the community everyday unlike Starbucks maybe once or twice a year.
- Students should stand up and say "NO" to franchise.
- Once Starbucks **comes into the student-run building**, there will be more franchises **coming into** Cal.
- **He foresees that if Starbucks comes into Cal**, then after a short period of time (like 5years), Cal will be covered with franchises.

The Coffee Spot continue

- Rent is not cheap, **they are** family operated business, so cost is as low as possible.
- Been here for 20 years, knows what the demand of students are like, and knows what is good and healthy for the students.
- Starbucks promised to pay **for the remodeling and building a bathroom in the ASUC building**, and that is why ASUC is considering Starbucks as a potential candidate.

Milano Café

- The manager of Milano Café is aware of the upcoming Starbucks Café in the student convenience store
- Overall, customers at Milano are not aware of the upcoming Starbucks in the student convenience store

Milano Café

- The manager of Milano Café said that the upcoming Starbucks Café would affect not Milano Café because Milano is competitive and uses high quality coffee beans
- All of the customers at Milano don't think that an upcoming Starbucks Café will be beneficial to them
- In general, an upcoming Starbucks increases the student's choices for coffee shops

Milano Café

- Manager's reaction.
- Students' reaction.



Interview: Free Speech Café

- The manager is aware of the up-coming SB.
- His reaction to it: Not much as he doesn't think it will affect their business.
- Reasoning: The Library is here.
- Short-run plans: Keeping current price.
- Long-run strategies: Adding more variety. (not as in competition with SB, but as a long run business growth plan in general)

Café Strada

- The manager is not aware of the up-coming SB.
- His reaction: he doesn't think it will affect their business.
- Reasoning: Haas Business School is here and they have a outdoor area, the students love it.
- Short-run business plans: No comment.
- Long-run business plans: Adding more new items.

Interview: Peet's Coffee & Tea

- All the chain stores do not know the coming Starbucks.
- There will be few effects on chain stores.

Interview: Starbucks (Oxford)

- Reactions.
- Future response.
- Strategies (Long run and Short Run)
- Affect business?

Coffee Trivia!



Question 1: Where is The Coffee Lab located near?



Question 2:

Which coffee shop is family operated?

Question 3:

Name one café that worries about the upcoming Starbucks?

Question 4:

Provide one reason why some cafes are not worried about the upcoming Starbucks?

Question 5:

What do you think of the idea of an upcoming Starbucks? Do you think that it would affect local business? Why or why not.

Conclusion

- 3 Main Points:
 - Do students benefit?
 - Absolutely
 - 1) Convenience
 - 2) Variety
 - 3) Possible quality improvement

Conclusion

- Will it negatively impact local businesses?

Not really. Most of them are overreacting.

1) Most businesses have “first movers’ advantage” and have loyal customers.

2) Location is important. Students are not likely to walk an extra mile just for Starbucks.

3) While Starbucks is a bigger chain, the campus community could find room for both national and local businesses.

Conclusion

- Campus Store benefits from increasing foot traffic and revenues!
- Stay tuned for ASUC's decision.

Q & A

Thank you for all your support!

