Starbucks Balanced Scorecard

Develop the strategic objectives for your business in the format of a Balanced Scorecard. The strategic objectives are measures of attaining your vision and mission. As you develop them consider the vision, mission, and values for your business and the outcomes of your SWOTT analysis. Be sure to consider all of the following four quadrants of the Balanced Scorecard when developing your strategic objectives:

Shareholder Value or Financial Perspective, includes strategic objectives in areas such as:
â€¢   Market share
â€¢   Revenues and costs
â€¢   Profitability
â€¢   Competitive position

Customer Value Perspective, includes strategic objectives in areas such as:
  Customer retention or turnover
  Customer satisfaction
  Customer value

Process or Internal Operations Perspective, includes strategic objectives in areas such as:
â€¢    Measure of process performance
â€¢    Productivity or productivity improvement
     Operations metrics

Learning and Growth (Employee) Perspective, includes strategic objectives in areas such as:
â€¢   Employee satisfaction
â€¢   Employee turnover or retention
â€¢   Level of organization capability
â€¢   Nature of organization culture or climate
â€¢   Technological innovation

â€¢Develop at least two strategic objectives for each of the following four Balanced Scorecard areas identified above (Financial, Customer, Process, Learning & Growth). Your objectives should be selected, in part, based on an evaluation of a number of potential alternatives to the issues and/or opportunities identified in the SWOTT Analysis paper and table you completed in Week Three. Identify potential risks and mitigation plans, as well as a stakeholder analysis which includes mitigation and contingency strategies. You should also incorporate the ethical implications of your solutions into your selection.

Please note:For each strategic objective, develop a metric and target using a Balanced Scorecard format. (For example a strategic objective in the shareholder or Financial Perspective is "Increase in Market Share". A metric to actually measure this strategic objective of market share increase is "The percentage of increase in market share." The target is the specific number to be achieved in a particular time period. The target for the metric of "Increase in Market share" could be to "Increase market share by 2% for each of the next three years" or an increase of 2% per year for 3 years.)

Write a 700- to 1,050-word summary that explains your critical thinking on how you derived your objectives from your vision, mission, values, and SWOTT analysis.

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The proposed scorecard strategic objectives are shown attached (last page) and are based on my SWOT analysis. Porter and Norton’s balanced scorecard show that the perspectives would interact with each other, with learning and growth improving both internal business process and customer satisfaction for example. Then, in turn, the improved business process and customer satisfaction would impact and improve the financial perspective. These relationships are shown in Exhibit 7.1 (cite book).

Given this cause-and-effect relationship among the perspectives, I started with the learning and growth section. Two strengths and opportunities discussed in my SWOT analysis are appealing to students and creating inviting drink sensations that would motivate a special visit and acceptance of a higher price. I have proposed two objectives. First, that Starbucks aggressive create new distinctive recipes, such as the Chip Coffee, that establish Starbucks as the drink innovator in the industry. Currently other brands create “knock offs” of Starbucks drinks. I propose that Starbucks continue to create drinks that create “knock off” envy. The initiative is to create an email and tweet campaign among starbuck card users (most loyal customers) to suggest new flavor sensations. Give awards for most creative, most non-coffee like and so forth. Create drink buzz! The measure would be number of introductions with the goal being at least two major innovations a year.

The second strategic objective in learning and growth would be to offer “study friendly” drinks for the student population. This would entail offering free “extra shots” with an exam schedule and more advertising the week before midterms and finals on campus. The measure is the share of the student drink market and the goal is 20% or more.

For the internal business process, I recommend three strategic initiatives. One, I believe Starbucks needs to stick to its “perfect” drink commitment to maintain its quality image and price point. This requires backing up the promise with rework and redemption coupons, however, I would measure this and keep it low. Second, I believe that Starbucks must compete during the rush by offering a better drink but not at the expense of getting to work on time. During rush, the most experience baristas will serve the window and being the shift fully stocked. Finally, the third strategic objective will be to ofer more access to Starbuck items at non-Starbuck locations. This will be achieved through partnerships with local event venues with the goal of having an event monthly and one event for every 30,000 of the population.

The customer perspective has two strategic initiatives in addition to add to the benefits that will accrue from the strategic moves suggested in the learning and growth and internal business process perspectives. First, Starbucks will position themselves as the “affordable treat” in the downturn. You can’t go on vacation or buy that new car, but you can have a great mini-get-away for less than $5. The goal would be to get folks to feel good about small treats and increase volume and habit trips. Second, we would start offering cell phone and tweet coupons to regular customers to try the new innovative drinks and get free coupons if any of their flavors are adopted. This would appeal to the technologically-advanced market segment.

Finally, the financial perspective should enjoy the benefits of the strategic initiative and objectives in the other three perspectives. To make sure the benefits cascade into financial results, I propose two measures that are classics. First, return on sales. Even though we offer targeted discounts, we have to maintain a certain margin to offer a reasonable return on equity to our owners. So, we have to maintain our average margins. We will do this by limiting discounts to those opportunities where we are creating new customers, or new “addictions” to high margin untried flavors. The goal is to create a new solid customer base that will continue and growth through the economic recovery. Second, the strategic objective is to create additional transactions without added “bricks and mortar” by offering Starbuck drinks at local venues. The measure is return on assets and should exceed cost of capital by a historical margin.

Overall, the strategic objectives suggested create ideas that capitalize on strengths and support areas of weakness as noted in the SWOT analysis. That is, great brand recognition, high quality image, leader in taste sensations, trendy and technology savvy and perfect custom drinks. The ideas here address the high price, especially during a recession, competitors coming up with knock-off drinks, and lack of distribution.

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|  | **Objectives** | **Measure** | **Target** | **Initiative** |
| **Financial** |  |  |  |
| **1** | Profitable transactions | Return on sales | Return on sales will be 9% or higher | Limit discounts to special flavors and high transaction customers. |
| **2** | Leverage assets with non-store profits | Return on assets | Return on assets will exceed cost of capital by 5% or more | Event sales will increase transactions without increasing assets employed |
| **Customer** |  |  |  |
| **1** | Be the "affordable treat" in a down market | Percent increase in number of servings | 5% increase in sales volume | Advertise the "affordable get-away": a Starbucks visit |
| **2** | Appeal to the technology savvy, educator buyer | Number of coupons redeemed from tweets and cell phones | 15% redemption rate | Offer discounts on particular new flavors using tweet coupons and cell phone coupons |
| **Internal Business Process** |  |  |  |
| **1** | Perfect drink every time | Number of re-made drinks or redemption tickets distributed | Rework/redemption tickets are below 1% of drinks served | Offer redemption ticket or rework for any drink that is not perfect. |
| **2** | Quick drive through during rush mornings | Drive through orders completed in two minutes or less | 95% of drink-only orders completed in two minutes | Put experienced baristas on drive-through during 6-9 am rush. Have all stations stocked prior to 6am. |
| **3** | Create access to Starbuck products at social, sporting and fun events | Number of non-store events offering Starbucks each month | One event for every 30,000 in the population per month | Create partnerships with event suppliers in area |
| **Learning and Growth** |  |  |  |
| **1** | Create new taste sensations -- be the drink innovator of the industry | Number of new drinks introduced each year | Two major innovations a year (or more) | Solicit customers for ideas; offer rewards for flavor suggestions |
| **2** | Offer trendy "study friendly" drinks for student | Share of market of student population | 20% or more of student market | Advertise on campus the week before midterm and final exams. Offer free extra shots with final exam schedule. |