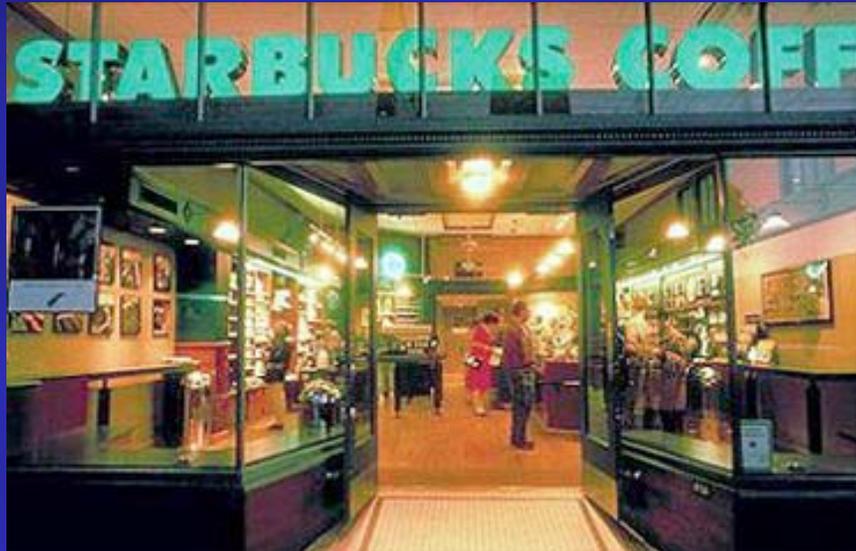


# The Starbucks Experience: Turning Ordinary Into Extraordinary



GSA

Joseph Michelli, Ph.D.

Monday, April 16, 2007

**Change**

# Change Today

**“The world is too big for us. Too much is going on, too much excitement. Try as you will, you get behind. It’s the incessant strain to keep pace. Science empties its discoveries on you so fast you stagger beneath them in hopeless bewilderment. Everything is high pressure. Human nature can’t endure much more!”**

**Atlantic Journal June 16, 1833**

# Progression of Economic Value



The Experience Economy  
Pine and Gilmore

# Staging

**1 800 GEEK SQUAD**  
4 3 3 5 7 7 8



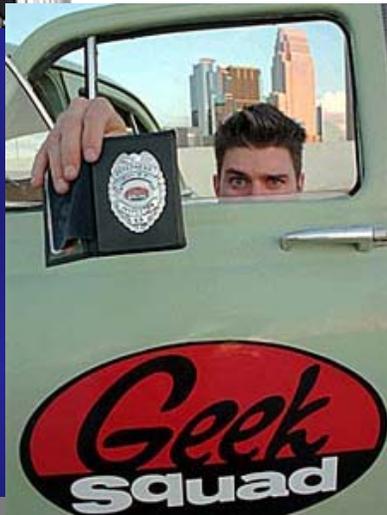
WE'VE SPENT MORE TIME WITH  
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# What Is Customer Experience



*A customer experience is the connection between a business and a customer. It is what the customer receives from the business in tangible , emotional, and sensory ways. It is the sum of measurements the business uses to evaluate all touchpoints of contact across business locations.*

# Survey Says

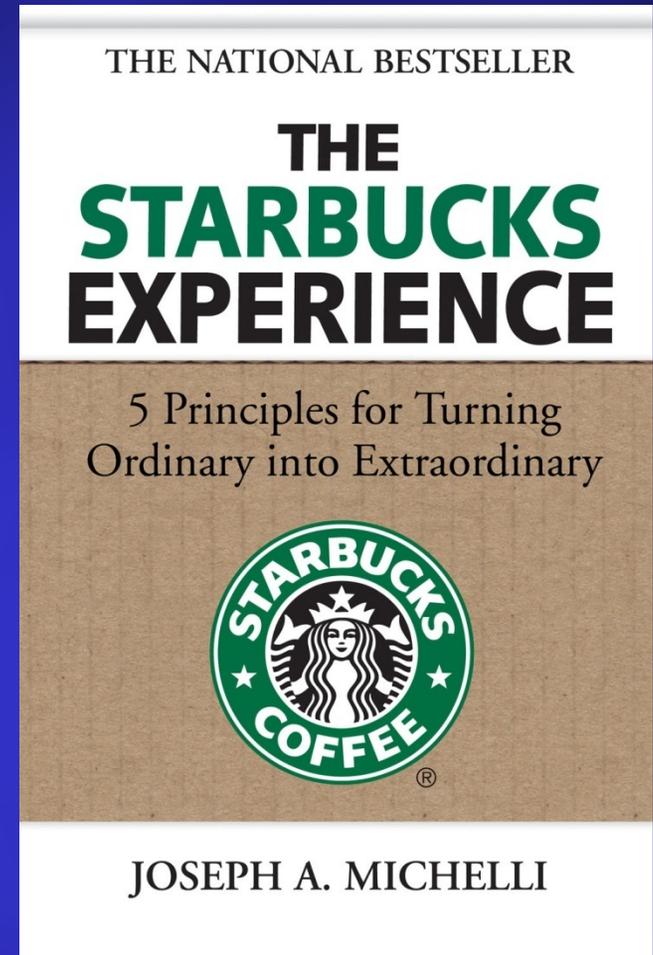
7 of 10 customers say their emotions count for most of their experience

Nearly 1/2 of customers say the majority of their experiences are uneventful or bland

95% of senior business leaders say that "customer experience" is their next competitive battleground

More than 8 of 10 leaders also said that differentiation on physical aspects of their product or service is no longer a sufficient business strategy

# The Starbucks Experience:





**Howard Schultz**



# Extraordinary Customer Experiences

- Emerge from inspirational leadership, an empowering culture, and empathetic employees who are happy and fulfilled
- Result from consistently exceeding customer expectations
- Offer a long-term competitive advantage

# Extraordinary Customer Experience (cont.)

- Produce a planned emotion
- Deliver on the brand promise
- Are designed from the “outside in”,
- Are consistent across all locations representing the brand
- Have business demarcations that are invisible to the customer, and



## **Bain and Company Survey**

**Of 362 firms surveyed 80 percent believed they delivered a "superior experience" to their customers.**

**According to customer surveys only 8 percent of those were rated as superior.**

# The Distinctions

- They DESIGN the right offers and experiences for the right customers.
- They DELIVER these propositions by focusing the entire company on them with an emphasis on cross-functional collaboration.
- They DEVELOP their capabilities to please customers again and again—by such means as revamping the planning process, training people in how to create new customer propositions, and establishing direct accountability for the customer experience.
- Together, they transform the company into one that is continually led and informed by its customers' voices.

# Inward Looking Businesses



Companies that focus more on their business' needs at a cost to the customer. They are "inside out" either because they are misguided or they actually lack empathy

# Is All Profit Created Equally?

- The Case Against Bad Profit
  - Customer Loyalty
  - Customer Churn



# Production Based Companies

## Character with Internal Customers/Employees

- **Highly Product focused**
- **Efficiency and productivity are most important business indicators**
- **Divisions in the business are separate**
- **Employees have limited autonomy in creating customer solutions**

# Production Based Companies

## Character with External Customers

- Don't measure customer reactions
- Deliver a "product based" customer experience
- Have customers interact with departments independently

# Employee Experience in A Production Based Business

The logo for BBC News, featuring the letters 'BBC' in a white box above the word 'NEWS' in white capital letters, all on a red background.

A tax office official in Finland who died at his desk was not found by his colleagues for **two** days.

The man in his 60s died last **Tuesday** while checking tax returns, but no-one realized he was dead until **Thursday**.

The head of personnel at the office in the Finnish capital, Helsinki, said the man's closest colleagues had been out at meetings when he died.

He said everyone at the tax office was feeling dreadful - and **procedures would have to be reviewed**.

An anonymous government official told BBC News Online the man had been working in his own office with the door closed.

**"People thought he wanted to work in peace and noone disturbed him,"** the official said.

# Customer Experience in a Production Based Business

Customer often  
feels like an  
after thought or,  
as if the  
company feels  
they are  
"stupid"



# Customer Experience in a Transactional Company



# Companies in Transition

- J C Penney “Myron” Mike Ullman
  - Shift to consistency across business units
  - Shift to incentives for store managers and district managers developing processes to create a more seamless experience
  - J C Penney opened 28 new stores in 2006 while its rivals stayed stagnant in growth (projecting news store openings in excess of 50 for 2007)
  - Share prices increased 38% in 2006

# Full Experience Based Companies

Fully committed to the customer experience. Proactive and add sensory experiences and theatricality to customer contact.



# The Third Place



**Make it Your Own**

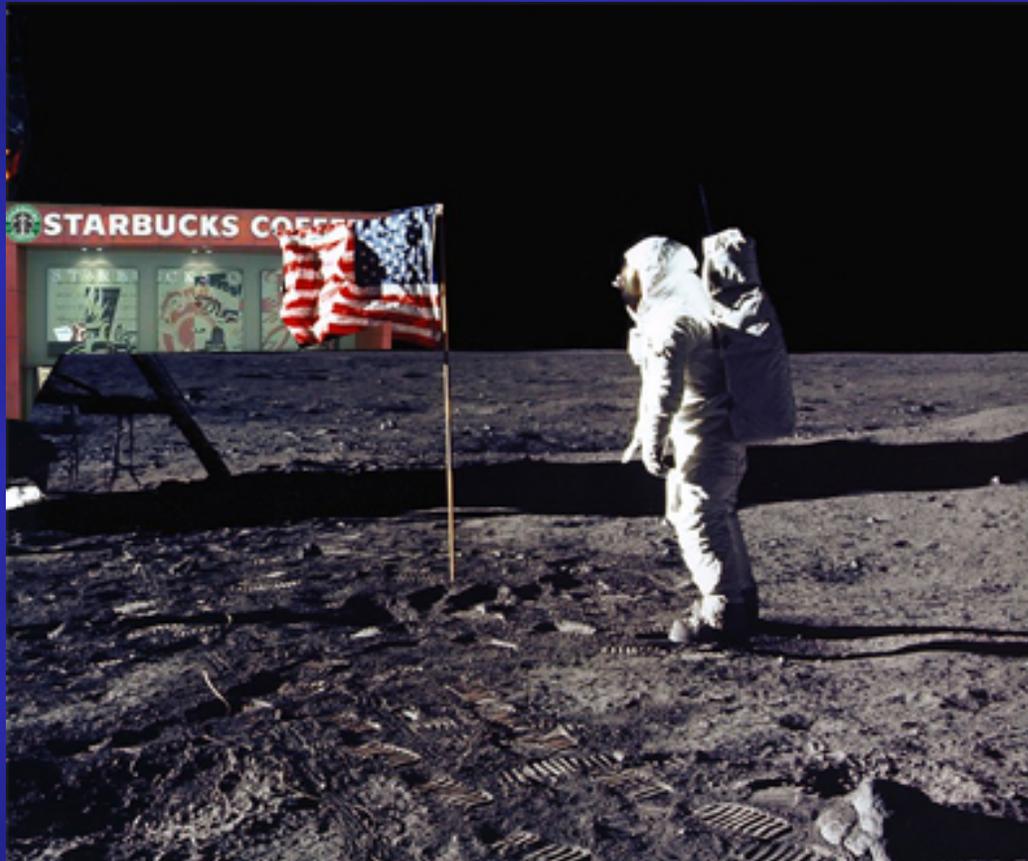
**Everything Matters**

**Surprise and Delight**

**Embrace Resistance**

**Make Your Mark**

# Make It Your Own



# Claiming and Creating



# The 5 Ways of Being

- **Be Welcoming**
- **Be Genuine**
- **Be Considerate**
- **Be Knowledgeable**
- **Be Involved**



# Everything Matters



# Front and Center



# Surprise and Delight



# Creating the Familiar

- Predictability in Product



- Predictability in Experience

# Creating the Unexpected

- Surprise In Store

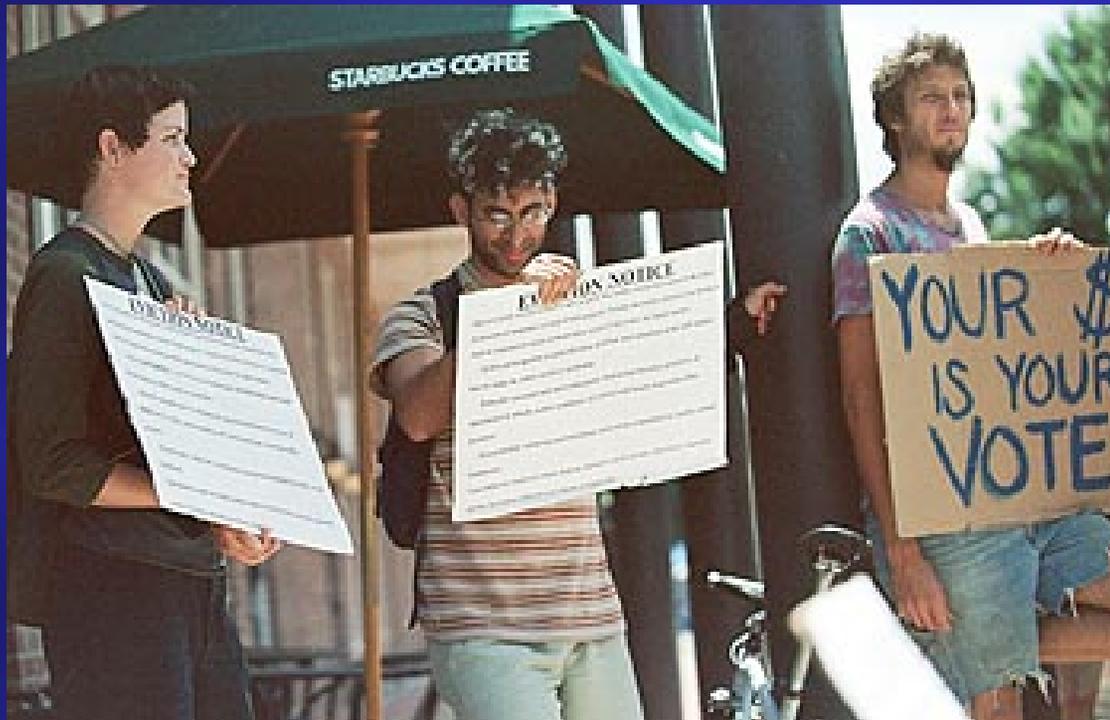


# Experiences Out of Store

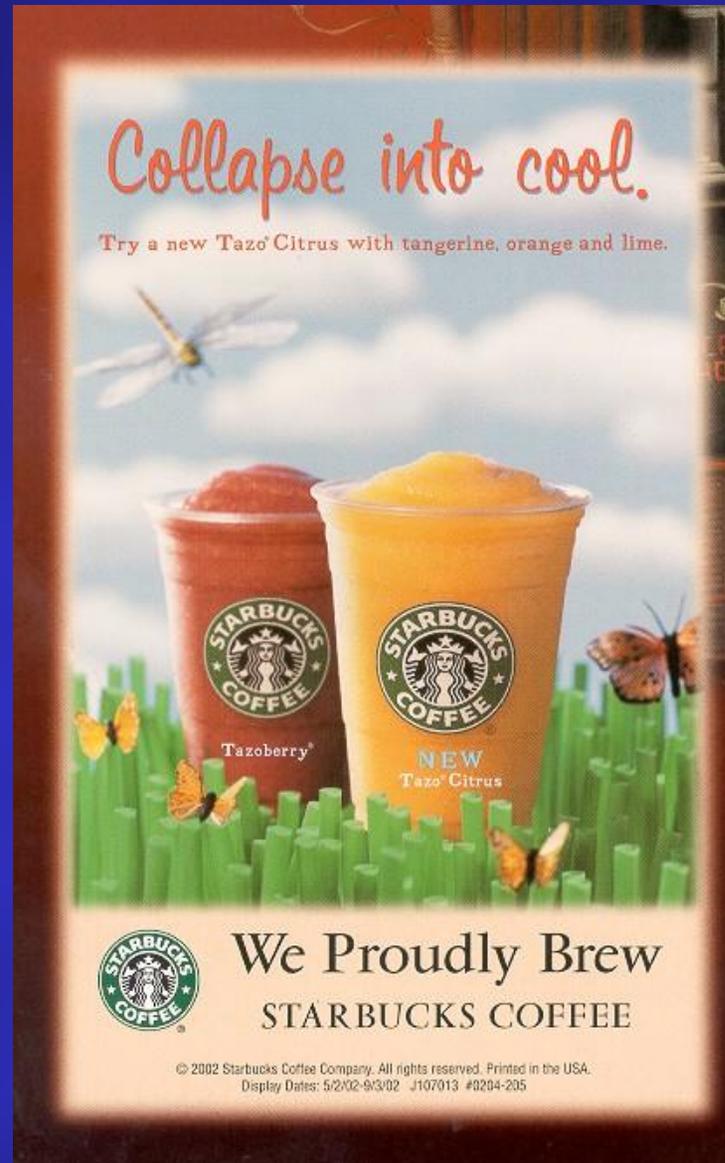


ABOUT 100 Boston cabs have added the Starbucks ad campaign to the top of their car roofs.

# Embrace Resistance



# 2002 Poster Controversy



Collapse into cool.

Try a new Tazo® Citrus with tangerine, orange and lime.

Tazoberry®

NEW  
Tazo® Citrus

 We Proudly Brew  
STARBUCKS COFFEE

© 2002 Starbucks Coffee Company. All rights reserved. Printed in the USA.  
Display Dates: 5/2/02-9/3/02 J107013 #0204-205

The poster features two Starbucks cups filled with smoothies, one red (Tazoberry) and one orange (Tazo Citrus), set against a background of a blue sky with a dragonfly and butterflies. The cups are placed on a field of green grass. The Starbucks logo is visible on the cups and at the bottom left of the poster.

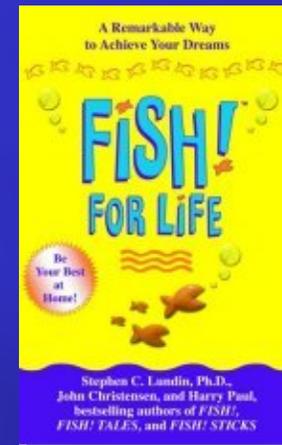
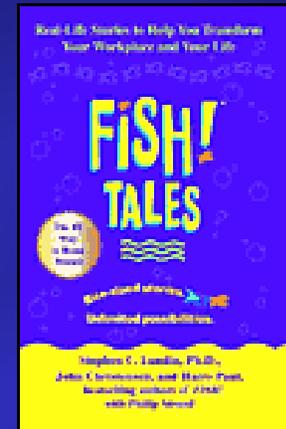
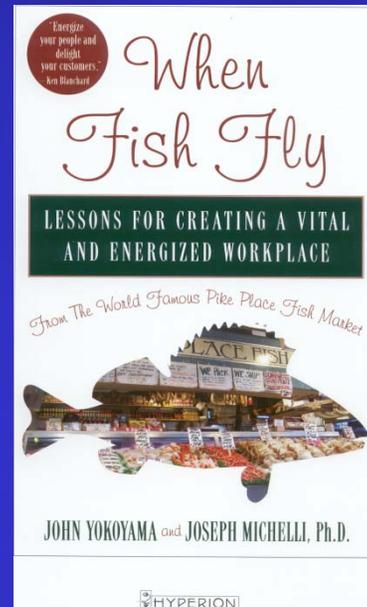
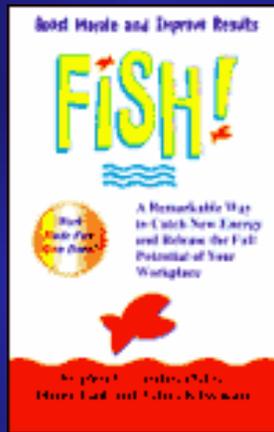
# Experiences in Small Business



# From Bankruptcy to World Fame



# The Conversation Continues



# The Fish Philosophy



- 🐟 Choose Your Attitude
- 🐟 Make Their Day
- 🐟 Be Present
- 🐟 Play

# All Business is Personal



# From a Child's Eye View



# Stop By For A Cup of Joe

[www.josephmichelli.com](http://www.josephmichelli.com)

[www.starbucksexperience.net](http://www.starbucksexperience.net)



Free "The Starbucks  
Experience" audiotips  
[drjosephm.podbean.com](http://drjosephm.podbean.com)



# First Impressions

Belonging



Knowledgeable Service

Making It Right

Emotional Connection with the  
Regular Customers

# More Than Meets the Eye

- Baristas Helping Each Other



- Behind the Scenes

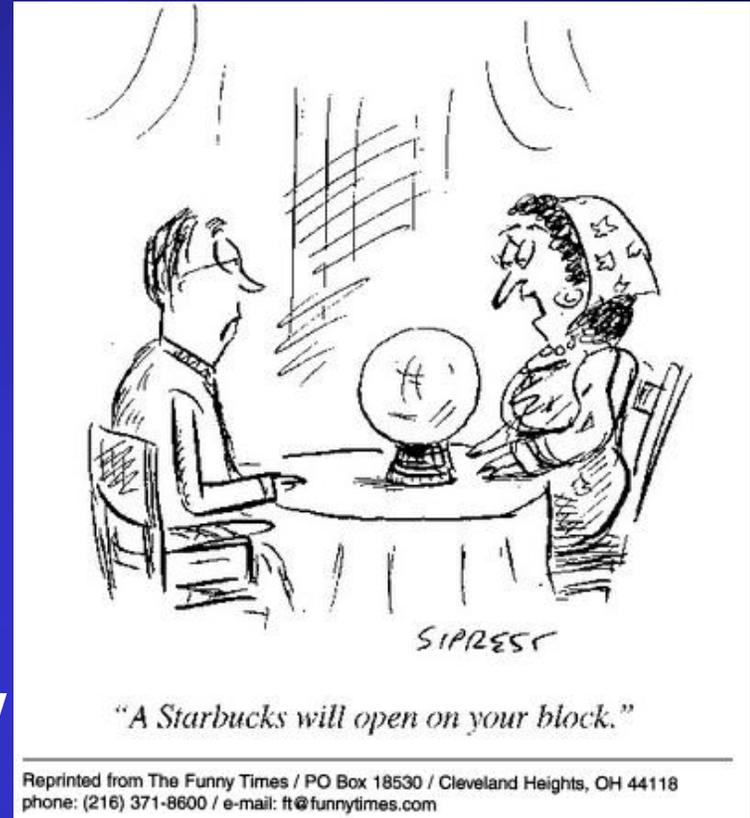


# Delight From Unexpected Sources



# Listen to the Rumbblings

## Hearing the Wisdom



## Resistance Locally

## Resistance Outside Your Doors

## Listening in the Broader World

# Make Your Mark



**What experience is your bookstore creating?**



**What are the sensory and emotional connections you are making?**





# Transaction Based Businesses



They have a very basic focus on customer service at the transaction level. Many aspects of the customer experience are left to chance or are poorly coordinated.

# Fully Customer Based Companies

## Character with External Customers

- Have a deliberate customer service plan and customer experience statement
- Develop systems to improve customer experiences
- Infuse a sense of the theatrical
- Understand customer sensory needs
- Make all business decisions through the lens of the customer experience
- Broaden the experience to the community

# Transaction Based Companies

## Character with Internal Customers/Employees

- Recruit for attitude not just skill sets
- Train on customer service issues like dealing with difficult customers
- Given some authority to staff in customer matters
- Introduce customer service indicators but they typically focus on the quality of the interaction

# Transaction Based Companies

## Character with External Customers

- Consider customer transactional expectations
- Reorganize with an awareness of how to simplify the customers experience
- Offer limited contact between senior managers and customers
- Develop systems like 800 numbers with numerous call menus

# Fully Customer Based Companies

## Character with Internal Customers/Employees

- Recruit for empathy
- Train in depths of emotion and creating desired emotional states
- Train in detail focus for customer experience and listening skills
- Make customer experience indicators critical in staff assessment
- Encourage staff innovation in customer experience

# Emerging Experience Based Business



Coordinate and integrate the customer experience. They work to evoke their defined emotions and include customers in the creation of their own experience.

# **Emerging Customer Based Companies**

## **Character with Internal Customers/Employees**

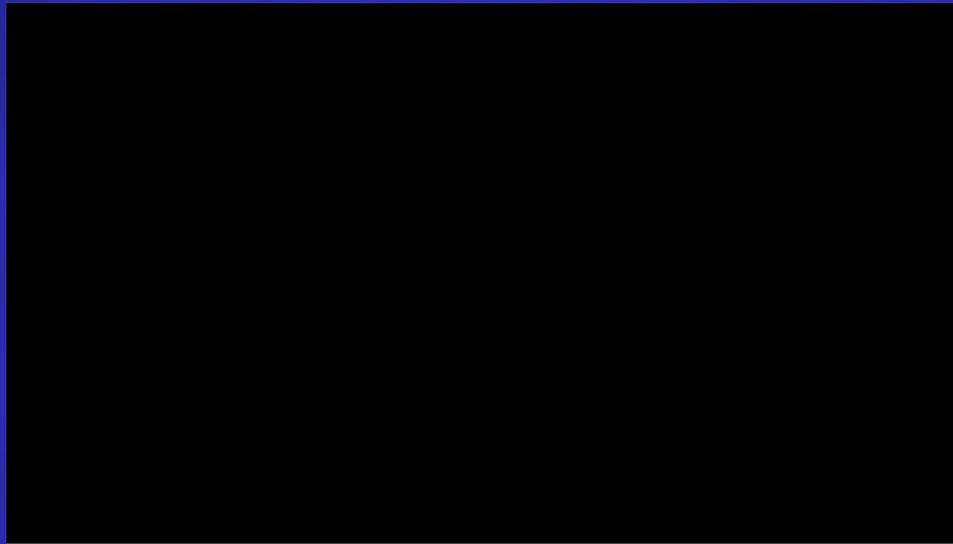
- Begin to align the employee experience with the customer experience**
- Create a position for a customer experience director or customer experience council**
- Make customer experience measures a part of employee bonuses**
- Hire people with emotional intelligence**

# Emerging Experience Based Companies

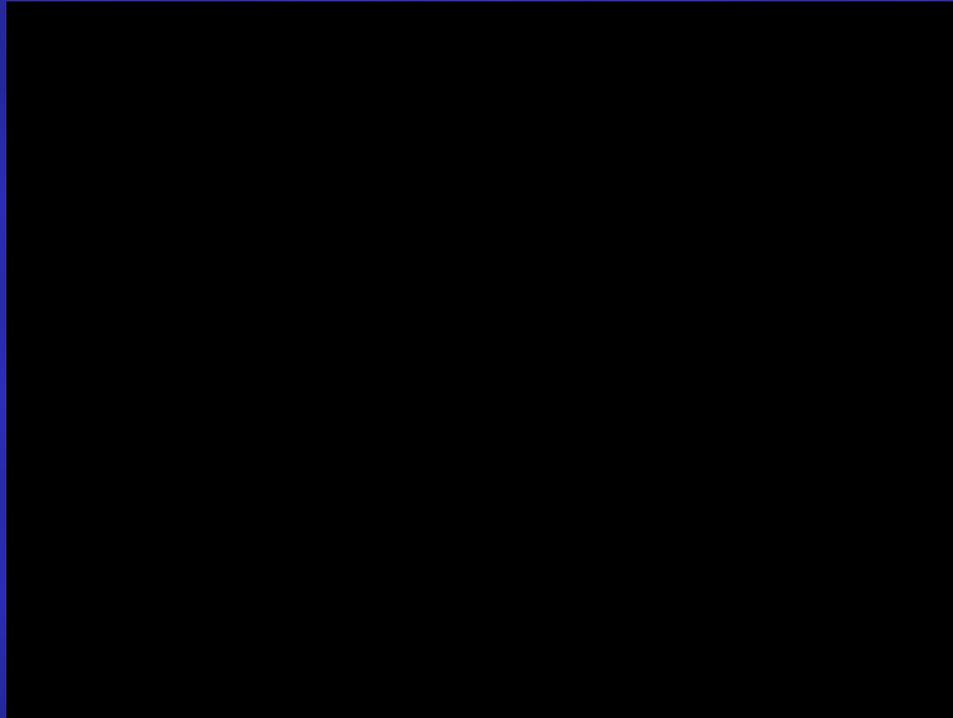
## Character with External Customers

- Clearly define the customer experience
- Understand their desired emotion & evoke it
- Have an integrated view of customer experiences from the “outside in”
- Involve customers in creating the experience
- Understand emotional expectations for customers and exceed them

# Too Many Choices



# Engaging the Playful





**Bringing  
More People  
In The Door  
Increase  
Efficiency  
Sell More to  
Existing  
Customers**



- **Generate Breakthrough Products**
  - **Enhance Pleasure**
  - **Create Opportunities**