

Starbucks to focus on advertising, training during slowdown

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BERJAYA Starbucks Coffee Co Sdn Bhd plans to open fewer outlets next year in view of the current economic slowdown.

Executive director Datuk Francis Lee says the company will open eight to 10 branches compared with an average 12 stores it opened annually in better times.

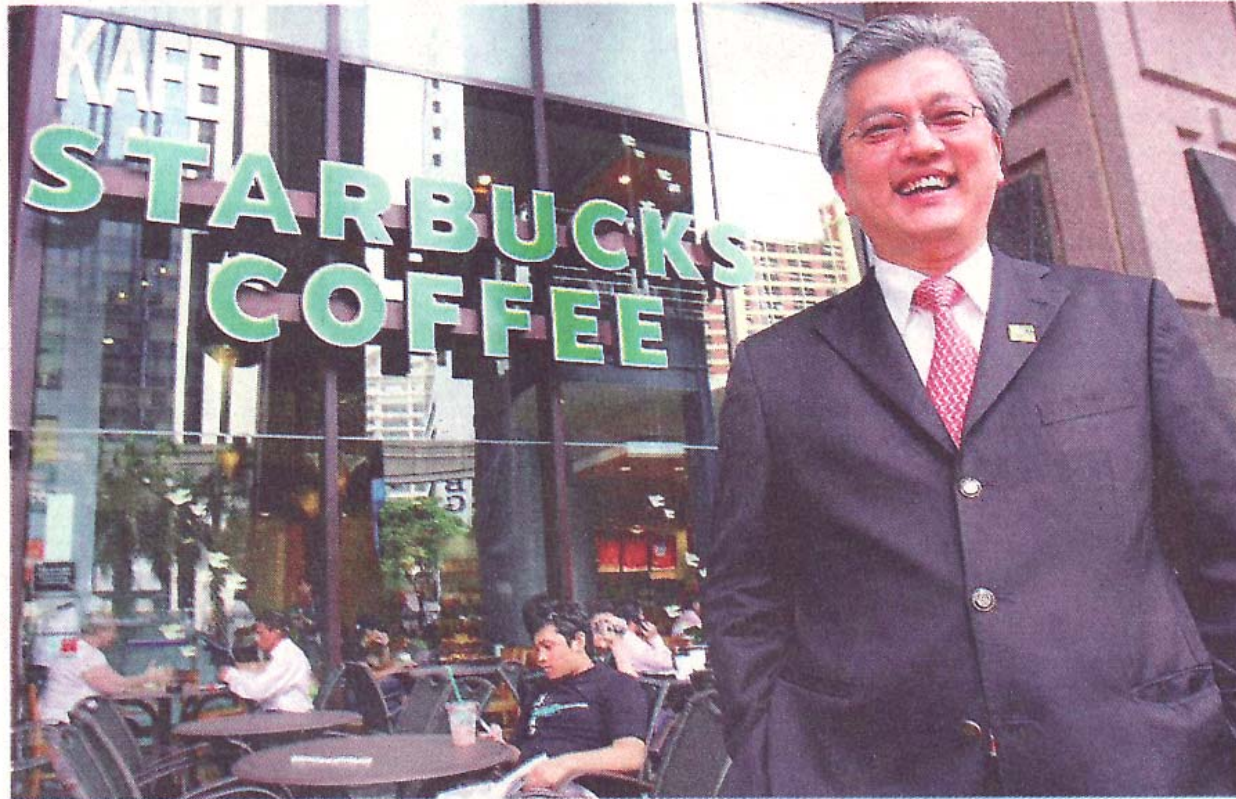
"We are not going to be aggressive in opening branches but would like to maintain our advertising expenditure to generate higher profit from existing outlets," he tells *StarBizWeek*.

"If we use our pool of money for store expansion, the new stores will eat up our cash, leaving little money for advertising as well as staff training. It will be eating into our cash flow."

He says it will be more cautious on the locations when opening new stores.

With plans to open two more outlets in Johor and one in Tropicana Mall by the year-end, Starbucks should have a total 120 outlets in the country. Recently, the company opened an outlet at Skypark Terminal 3 in Subang.

Although Starbucks has yet to feel the impact of the global financial crisis, Lee says it will remain



Datuk Francis Lee in front of a Starbucks outlet

prudent with expenditure.

However, it will continue to allocate 3% to 4% of its revenue for advertising and promotions and a further 1% to 2% for store-level marketing activities.

"At the same time, we will

double our efforts to retain customer loyalty through various programmes next year.

"Despite the weakening consumer demand, we are optimistic of a sales growth of 10% to 15% and a profit growth of 8% to

10% next year," says Lee.

As Starbucks' niche is its people and services, the company is mindful that it only employs locals and train them well on how they present themselves, Lee says, adding that it spends at least 5% of

its turnover on staff training.

"Our staff of over 1,500 nationwide were sent for at least three weeks' training on the ingredients of our drinks and the different kinds of coffee beans we have in store," he says.

According to Lee, the staff is also trained to address customers by name and to know their favourite drinks because most regulars come in knowing exactly what they want for their "daily fix".

With an average 20,000 customers a day, Starbucks sells 600,000 to 700,000 cups of drinks per month.

Its best seller, Mocha Frappucinos, which is popular among the 15-30 age group, contributes 8% to 10% to total beverage sales.

Generally, the younger crowd is skewed towards cold beverages while the older group prefers hot drinks and premium coffee such as lattes and cappuccinos, he says.

"We will always be on guard to keep track with competitors, especially in the premium coffee segment," he says.

In the last 10 years, the company posted an average growth of 20% to 25% yearly in the number of stores, profit and revenue.