

Who's minding the stores?

D&Co. president tells Bloomberg Starbucks could lose steam under new retail strategy.

Dorsey & Company President Julius C. Dorsey, Jr. comments in the recent Bloomberg Businessweek article, "Starbucks Leaves Stores Unfixed as McDonald's Perks Up."



Dorsey

Dorsey's experience in directing national marketing for the Quick-Service Restaurant sector—namely his responsibility for the national launch of McDonald's breakfast—came in handy. The article examines Starbucks' plans to revamp certain stores in identified target markets, while cutting capital expenditures and spending half of what it would normally spend for store upgrades—all while McDonald's is pouring money into upgrading its stores *because of its growing coffee sales.*

Said Dorsey: "I have concern over Starbucks setting expectations that don't get fulfilled by a visit to a typical store."

Dorsey acknowledges the coffee powerhouse must be doing something right, as its sales growth for the last quarter measured exceeded 10 percent. However, he holds to his original caveat and suggests the chain might take further steps to bring the rest of the stores into the new 'green' strategy whereby the chosen stores will be outfitted with green building characteristics such as reclaimed materials, low-flow faucets and energy-efficient air conditioning.

"It appears as if Starbucks sees these isolated

Bloomberg Businessweek

Starbucks Leaves Stores Unfixed as McDonald's Perks Up

By Burt Helm - Nov 4, 2010 9:53 AM ET

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Starbucks refurbishes its stores after five years and then again after 10. Photographer: Ramin Talaie/Bloomberg



Starbucks hired architect Kambiz Hemati, seen here, from BCBG Max Azria Group Inc., to design the new stores. Photographer: Ramin Talaie/Bloomberg



Patrons have beverages at a renovated Starbucks Corp. coffeeshop on Spring Street in the SoHo section of New York. Photographer: Ramin Talaie/Bloomberg

Less is more at [Starbucks Corp.](#)

The Seattle-based coffee chain is betting it can increase sales by spending the same amount of money as usual, about \$250 million a year, to renovate only about half the approximately 1,900 shops due for a facelift in 2011.

Emphasizing stores in precincts like Manhattan's Soho district, and employing such eco-friendly touches as reclaimed furniture, will lift the whole brand, [Arthur Rubinfeld](#), Starbucks' global development chief, said in an interview.

Starbucks is trying to caffeinate sales growth, which may have topped 10 percent in the most recent quarter for the first time since March 2008, while paying investors dividends. The strategy risks alienating customers at the unimproved stores as [McDonald's Corp.](#), now pushing its own coffee drinks, plans to pump \$1.2 billion into restaurant renovations this year.

"I have concern over Starbucks setting expectations that don't get fulfilled by a visit to a typical store," Julius Dorsey, the president of the Cleveland-based management consultant Dorsey & Co., said in a telephone interview.

Starbucks, led by Chief Executive Officer [Howard Schultz](#), is scheduled to announce its fourth quarter and full-year earnings today. Quarterly sales are projected to rise 14 percent, with

[Read more at www.bloomberg.com/news/2010-11-04/starbucks-leaves-many-stores-unrenovated-as-mcdonald-s-perks-up.html](http://www.bloomberg.com/news/2010-11-04/starbucks-leaves-many-stores-unrenovated-as-mcdonald-s-perks-up.html)

remodels as a consumer play to burnish the overall brand across the chain rather than only in the immediate trading areas," Dorsey said. "If this is the case, perhaps the group would do well to make small, yet visible 'green' changes to the rest of the stores to at least pay off the green claim made so loudly in the selected stores.

"On its face, at the moment it appears the green strategy seems to me to be directed more towards the investor side of the equation."

Founded in 1987, Dorsey & Company Strategic Consultants to Management is a carefully assembled group of more than 40 associates who offer a wide range of marketing expertise to thoughtfully approach every engagement according to its unique competitive and marketing challenges and requirements. The Dorsey & Company approach has consistently yielded favorable results for leading clients in automotive, energy, utility, branded and consumer goods, retail, higher education, telecommunication, government and nonprofit, financial and professional services, health and pharmaceutical, and other industries. Visit www.dorsey-co.com to learn more about Dorsey & Company.