

CLIENT PROFILE

Making coffee talk to a global marketplace

From Seattle to Shanghai, it seems you can't walk 10 feet without running into a Starbucks. Its PR team makes sure its communications flow as smoothly as the café latte. Claire Atkinson reports

If you thought you could go to China to get away from Starbucks, think again—the ubiquitous coffee conglomerate already has a shop in Shanghai, and has just announced plans to open up in a second Chinese city later this year.

The move is part of an aggressive expansion plan that has kept Starbucks' stock on analysts' "buy" lists for quite some time now. The speed of the global rollout even earned the company some fierce ribbing from Mike Myers' *Austin Powers: The Spy Who Shagged Me*. The headquarters of Dr. Evil's empire was a Starbucks.

Starbucks, named after the first mate in Melville's *Moby Dick*, is sailing along quite nicely. The company opens two stores a day and now has 2,800 of them operating in 35 states and 13 international markets. Most of its stores are light years away from the one in Seattle's Pike Place market, which started it all back in 1971.

Such rapid expansion has kept Wanda Herndon's public affairs team on its feet. The firm has the support of Edelman, its national agency, and three international PR shops. Meanwhile, nine agencies work on a regional basis, handling mainly store openings and community relations. According to Herndon, Starbucks' international operations rely heavily on the internal marketing staff, which is trained in PR.

More than just coffee brewing

The number-one mission of the Seattle-based PR team is to communicate the firm's success in bringing the Italian-style coffee drinking experience to the world. But it is also instrumental in promoting the firm's products through events such as "Coffee College," where the PR team shows journalists how to brew the perfect cup.

As well as the proliferation of stores, Starbucks has been expanding its range of product offerings. It has joint ventures with PepsiCo for the cold bottled drink Frappuccino; Breyers for coffee-flavored ice cream; and Capitol Records, which produces CDs sold in Starbucks.

Herndon, who served stints at DuPont and Dow Chemical, says she works hard to ensure the company is at the forefront of socially responsible programs. Starbucks has linked up with celebrities like Mark McGwire and makes a donation of \$5,000 to local literacy programs for each home run he slugs. It also has a joint venture with basketball legend Magic Johnson to open stores in underdeveloped urban areas such as New York's Harlem. Starbucks has even formalized



Herndon...striving for a more socially responsible image

Starbucks

PR client: Wanda Herndon, SVP worldwide public affairs

Internal PR staff: Alan Gulick, director of public affairs; Cheri Libby, manager of PR; Soon Bong Yeap, manager of international PR; Maura Donaghy, manager of internal communications; Helen Cheng, senior media relations specialist; Tracy Moran, IR manager

Agency of record: Edelman (San Francisco); two-year relationship

Regional agencies: Regan Communications, Price McNabb, Barnhart CMI, GCI, Brotman Winter Fried Communications, Douglas Cohn & Wolfe, Stanton Cresshaw Communications, MWW/Savitt, Metropolitan Group

Annual PR budget: \$3-5 million

this effort, installing a senior vice president of corporate social responsibility.

But it's not all warm-fuzzy coffee talk. One of the most significant tests of Starbucks' PR mettle came last year when three employees were killed in a robbery attempt on one of its Washington, DC stores. The Starbucks team called in its regional PR agency, Brotman Winter Fried, to clear the air of the horde of reporters and cameras from the front of the store.

Because the East Coast media were baying for some kind of statement from Starbucks, Herndon put out an initial release, which basically admitted that the team didn't have much information about the event. Herndon later identified a media spokesman, regional director Dean Toerenga.

Director of public affairs

"We try to be proactive. We purchase Fair Trade coffee, but who is to say what is enough for these people?"

Wanda Herndon, SVP worldwide public affairs Starbucks

Alan Gulick recalls, "It was a very sad day for the company. It was important to reach out to the partners [employees] and to the families."

The public affairs team was at the forefront of organizing a memorial service. Starbucks CEO Howard Schultz made the decision to donate net profits from the store to a charity benefiting victims of violence. At the end of the memorial service Schultz talked to the media, but Herndon answered all media queries.

Starbucks' PR chief reports directly to the CEO, a former marketing man himself. "I am looking directly at his office, that's how accessible he is," Herndon says, adding, "He is always involved in key communications. We strategize about how we can use him as a brand visionary." Schultz is often available for interviews and recently spoke to *The Motley Fool* financial Web site and the staff newsletter of retail giant Costco.

Stock drop

Although Starbucks was voted one of *Fortune* magazine's "Top 100 companies to work for" last year, it is not without its critics, from button-down financial analysts to environmentalists.

Around a third of Starbucks' stock value vaporized on June 30 of last year when Schultz discussed the firm's new Internet strategy and announced a \$19 million profit shortfall for the fiscal year. Herndon says the investment community was briefed a few days earlier. "We were open and honest that we'd

miss the quarter and we advised the analysts of that," she says.

But it was Starbucks' Internet strategy— which involved buying stakes in the likes of Cooking.com, Oxygen.com and TalkCity.com, among others— that frightened off investors. CEO Schultz acted swiftly to assure Wall Street that the firm would not pursue Internet activities that would dilute earnings per share or divert attention from the retail business.

Salomon Smith Barney equities analyst Mark Kalinowski was impressed by Starbucks' ability to bounce back. "Restaurants are a very difficult concept to run well. Everyone wants them to be as focused as possible. To their credit they reacted quickly, and I think the company learned a lesson from it," Kalinowski, who has just initiated coverage of Starbucks, gives them "very high marks" at communicating.

A more recent deal with urban delivery service Kozmo.com received a warmer welcome. Starbucks is set to receive \$150 million over five years by allowing Kozmo customers to return rented items to its stores.

Starbucks has been under pressure from environmental groups such as Global Exchange to pay coffee growers better prices for their product. Although Starbucks issued a press release in March that encouraged customers to come and recycle used ground coffee, many felt it wasn't enough.

To assuage its critics, the public affairs team announced an agreement to purchase so-called "Fair Trade" coffee beans from Nicaragua and Guatemala, which are approved by monitoring organization TransFair USA. But Herndon admits that pleasing environmental advocates is a thankless task: "We try to be proactive. We purchase Fair Trade coffee, but who is to say what is enough for these people?"

Steve Gelsi, a reporter at CBS Marketwatch, covered Starbucks while at *BrandWeek*. He says the PR team is responsive and deems it "a category killer, just like Nike." But sometimes it's not a boon to be in the same boat as Nike—a downtown Seattle Starbucks was looted during the unrest surrounding the World Trade Organization's summit late last year.

Starbucks has yet to run a national brand advertising campaign, which is probably the greatest testament to the success of its public relations. In addition to its appearance in the *Austin Powers* sequel, the brand has also appeared on numerous TV shows and movies, including *Ally McBeal*, *Bowling* and *You've Got Mail*. But according to Herndon, none of this onscreen promotion was her team's doing. It just goes to show you how popular those grande lattes can be.

BELLYWAY

tail a leg, and how many legs will we guess how many pols aren't sure

If there is a single mantra that should be memorized and repeated internally by every Washington PR practitioner, it should be the great maxim of Alfred Korzybski, the founder of the modern scientific study of semantics. "Words," Korzybski said, "are

powerful statement, and one wishes it understood these days, not just by lobbyists, but by columnists, senators—just about the whole establishment.

I could have educated some of the folks who took up a great amount of time in the past year to amend the Constitution so that it is a crime to "desecrate" the flag.

So stalwart conservatives, Robert Byrd of West Virginia and Charles Robb of Virginia set them straight. Byrd talked about the antiquity of the Constitution's First Amendment, but it was

Robb—fighting a right-wing ex-governor in a tough re-election contest—who was the real profile in courage. A Vietnam veteran, Robb spoke eloquently about the difference between words and symbols like flags and flag burning, and real things, like liberty, free speech and even dying in war for those things, which prevailed, once again.

James Fitzgerald, whose *Fire in the Sky* exposes the folly of the Vietnam War 30 years ago, gives support to maxim in her current book, *Way the Blue*. It's a devastating review of military and defense industry convince lawmakers to build a missile that can destroy incoming cruise missiles. It's the "Strategic Defense Initiative" its backers and "Star Wars" to those who understand it won't work—how many billions of dollars are

being spent on all something a missile defense system is long as the things described by don't and can't work, they're still being spent. Abraham Lincoln pre-figured Korzybski's cabinet debated an early version of a Proclamation before there was a chance to enforce it. "If you call a dog a dog, how many legs will he have?" and back came the answer: "four." said Lincoln, "he'll have four legs." calling his tail a leg won't make it

our eye on the campaign finance system. George W. Bush and George W. Clinton you to believe that campaign finance reform is necessary, but if we know anything, we know that words are not things—or vice versa.

April 10, 2000