

## Starbucks Hikes Expansion Plans to 40,000 Stores

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**SEATTLE** - Starbucks Corp. on Thursday raised its long-term expansion goal to 40,000 stores from 30,000 and said it was nowhere close to exhausting opportunities in North America, even as possibilities appear internationally. The company, known for its ubiquity in parts of the United States, expects to have 20,000 outlets in the United States and 20,000 internationally, James Donald, chief executive, said in a meeting with analysts in Seattle.

Starbucks opened its first store in 1971 in Seattle, Washington and is named after the first mate in Herman Melville's novel *Moby Dick*. The world's largest coffee shop chain had 12,241 locations at the end of fiscal 2006, which ended October 1, and \$7.8 billion in full-year revenue. Starbucks said its customer base was broadening, with more Hispanics, females and less affluent and less highly educated customers buying its coffee. Donald forecast having 14,641 stores by the end of fiscal 2007.

"We don't believe that we are even 50 percent through to the unique opportunity we have in North America," founder and Chairman Howard Schultz said during the meeting.

Starbucks shares were up \$2.52, or 7 percent, at \$38.48 on Thursday afternoon on Nasdaq after the company on Wednesday afternoon posted a 6 percent increase in same-store sales for September, topping analysts' estimates. Starbucks, which has stores in 37 countries, has said it expects China, where it has more than 400 stores, to one day be its biggest market outside the United States. Starbucks can be found in all 50 states to include the District of Columbia. There are 5,393 company-operated locations; 2,952 of which are licensed.

Chief Financial Officer Michael Casey said in August that the company could have as many as five or 10 times the number of stores there than it has today. Starbucks this week raised drinks prices by 5 cents a cup in a bid to offset higher costs for fuel and labor. Analysts expect the move to boost its sales and earnings and do not expect customers to be spooked by paying an extra nickel for their morning cup of coffee.

1. What is the percent of change between Starbucks locations at the end of fiscal 2006 and the 2007 projection? Fiscal 2006 and the long-term expansion goal?
2. In a traditional non leap year, what is the average daily revenue of each location? Assuming each store is open for approximately 14 hours a day, what is the average hourly intake?
3. In accordance to the passage above, describe what is being referred to as *customer base broadening*. Thoroughly explain how reaching out to a more diverse population can be conducive to a company's success.
4. Create an input-output function table to determine the financial status via shares of stock for the following clients: Reavis (r) – 132,543; Powell (p) – 314,321; Gunderson (g) – 215,657; LaForest (l) – 43,432; Upton (u) – 87,643. Label all components of your table: input, output, function, domain, range, etc. Finally, assemble the financial data into a graph which best conveys the information.
5. What was the value of approximately one share of stock in Starbucks prior to the recent increase?
6. As their financial advisor, you collect 2.49% of all revenue. How much more will you collect from Powell in relation to Laforest?
7. Using the variables in question four, solve the following:  $-1/4x [ |(p - r)| + u = -1/8x |(g - l)| ]$
8. Similarly, to my colleagues in the great northwest, assume you too had an addiction to Starbucks which amounted to \$8.41(2 cups) - school day and \$11.83 (3 cups) – weekend. How much can you anticipate spending on coffee over the duration of one full school year? How much impact (financially) will the 5 cents a cup increase have on the hourly and annual figure?
9. Provide a brief synopsis in appropriate paragraph form outlining The Starbucks Story.
10. In the passage above, in paragraph form, explain at least five ways using the red "Four-Step Reading" poster simplifies understanding of the material. Be specific.
11. Using contextual clues only, explain the meaning of the italicized word: *ubiquity*.
12. In paragraph form, explain five legitimate and educational purposes behind The Daughtry Times.