

Innovation Profiles, June 12, 2011
Starbucks Corporation Innovation Profile Only¹
Retail industry - global market

| Starbuck's Innovation Profile² | | |
|--|---|--|
| Type of Innovation | Evidence of Innovation by Type | Comment |
| Science | | |
| Fundamental Science | None | Not expected in this industry |
| Applied Science | VIA development based on the chemistry of 'freeze-dried' technology/ Roast curve relationship | Unusual depth for this industry |
| Technology | | |
| Research | R&D spending as a % of sales/ Intent to be the 'coffee authority': maintaining a watchful eye on developments/'Know how' | Coffee is in Starbucks DNA |
| Emerging technologies | ? | Unclear |
| Differentiating technologies | Quality of product/ R&D to develop less expensive soluble powders [eg. VIA]/ Sandwiches without a cheese smell/ Ethically-sourced coffee/ Merging coffee with a 'place' | Combination of 'technologies' provides the differentiation |
| Common-use technologies | Loyalty program/ Clover equipment/ Mastrena equipment to improve quality, speed, and view | Keeping up to date with technology |
| New business models | | |
| | Store design/ Integrating coffee roasting with sales and with both bean and drink | Fundamental shifts in the industry |
| New products | | |
| | Store design [seating, wi-fi, comfort/'Street-named' stores/ Coffee quality and price/ Pike Place Roast/ Frappucino/ Coffee – 'bold'/ Sandwiches/ Branding realization [eg. Digital Ventures]/ VIA/ Renaming coffee to designate taste rather than bean | Probably the strongest Starbucks type of innovation |
| Product extensions | | |
| | Store openings/ Coffee variations/ Sandwich selections/ Coffee but in out-of-store locations/ Limited release reserve coffees | This type of innovation has propelled growth |
| Business/continuous improvement | | |
| | IT/ In-store information systems/ Mastrena = speed | Came as an afterthought after Starbucks decline |

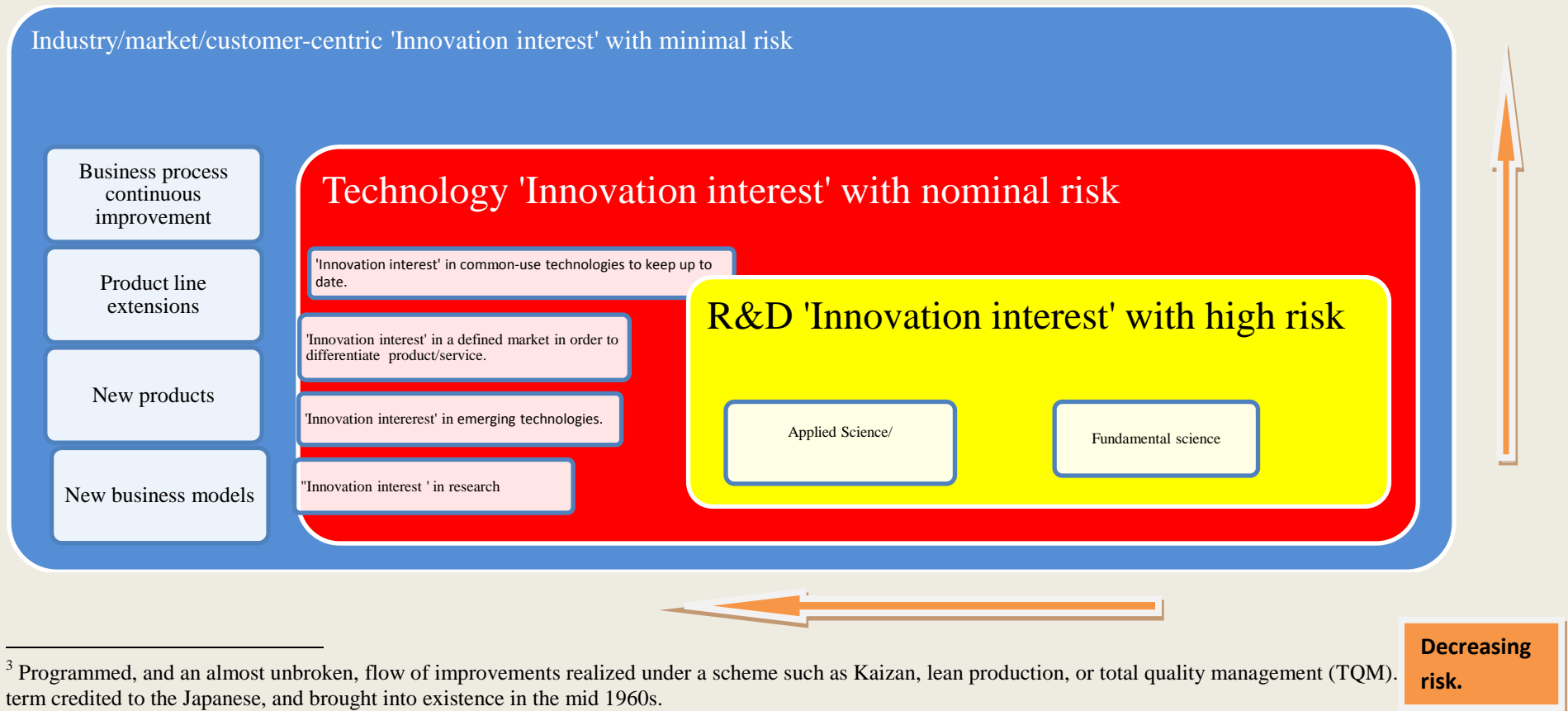
¹ For more information on the development of this innovation profile, please reference Starbucks Innovation, <http://www.corporateinnovationonline.com>

² Starbucks believes that innovation is in their DNA². The company has introduced many innovations of all types over its history. Some innovations are more important than others. In an attempt to better understand the focus of Starbucks' innovation, this paper groups innovations under explicit topics. In so doing it is easier to identify areas of successful and not-so-successful innovation, as well as gaps in innovation performance.

The Spectrum of Innovation

Innovation is often hard to define. The word 'innovation' has become common place and has a host of meanings. For the sake of discussion in this paper innovation embraces the exploration or adoption of new ideas from the most 'fundamental research' through to 'continuous improvement'³. See **The Spectrum of Innovation** set out below.

The Spectrum of Innovation From Fundamental Research to Continuous Improvement



³ Programmed, and an almost unbroken, flow of improvements realized under a scheme such as Kaizan, lean production, or total quality management (TQM). term credited to the Japanese, and brought into existence in the mid 1960s.