

8

Providing Customer Service through the Servicescape

'At Your Service' Spotlight: Hospitality Starbucks-style

Everything about Starbucks is staged: the cozy sofa and coffee table arrangements often around a charismatic fireplace, the cheery staff with the 'Can Do' attitude, the pungent aromas of coffee beans, the stories around the walls and on the cups and coffee products, the Italian-sounding names of the drinks. It is a highly recognizable theme which has transcended cultures and borders, persuading even the tea-drinking nations of the world such as China and Japan to switch to coffee.

But none of it came about by accident: it was the brainchild of Howard Schultz who visited Italy in the early 1980s while working for the original Starbucks Coffee Company, a roasting and coffee bean distributor in Seattle, Washington. Having been inspired by the atmosphere and bonhomie of Italian espresso bars, Schultz gave in his notice and set up two coffee shops called Il Giornale – one in Seattle and another in Vancouver – to play out his innovative theme.

He wanted his coffee shops to be everyone's 'third place', a home-from-home for work, play and community interaction. 'If home is the primary or "first" place where a person connects with others, and if work is a person's "second place" then a public space such as



Howard Schultz, at the company's 40th anniversary celebration at Starbucks Headquarters in Seattle on March 8, 2011. Photo courtesy of Starbucks.

a coffeehouse – such as Starbucks – is what I have always referred to as the “third place”, he says in his book *Onward*. ‘A social, yet personal environment between one’s house and job, where people can connect with others and reconnect with themselves.’ By 1987 Schultz was able to buy Starbucks Coffee Company from his former employers and use it as the basis for his global chain of coffee shops.

What Schultz did from the outset was create an inviting, comfortable and compelling servicescape full of sensory pleasures designed to make his customers relax and linger. Determined to bring the romance of Italian coffee drinking to the US, he re-created the ambiance he noticed in Milan and Verona, paying minute attention to layout, furnishing, decor, lighting, temperature, smells and social interaction between employees and customers.

There were flashbacks to Italy in the decor and in the terminology he developed. Waiters were called *baristas*, drinks were given names such as *latte* and *frappuccino* and sizes such as *grande* and *vente*. These musical names being shouted out by the *baristas* added to the geniality which he also encouraged by creating a system of writing the first names of each customer on the paper coffee cups. This personal touch went a long way towards making Starbucks seem like a friendly oasis in the midst of the anonymity of a sprawling city.

A Starbucks cafe looks less like a bar or restaurant and more like a home with its comfy chairs, fireplaces, coffee smells and camaraderie. Adding free WiFi was an inspirational touch, designed to stop Americans, in the first place, and every nationality eventually, from grabbing a drink and going. Fighting the whole fast food fad, he encouraged people to use his coffee shops for computer work, social networking, a meeting place for clients, a community hub, that ‘third place’.

Schultz is famous for his personal visits to stores and it was during one of these in 2006 that he realized that new espresso machines were undermining his carefully crafted servicescape. The machines were too tall, creating a physical barrier between the *barista* and the customer, precluding conversation and engagement in the coffee making process. He wrote about this in a memo to his top executives: ‘When we went to automatic espresso machines, we solved a major problem in terms of speed of service and efficiency. At the same time, we overlooked the fact that we would remove much of the romance and theater that was in play...’ Naturally he put this right, commissioning different machines.

After more than a decade of expansion, Schultz stepped down as ceo (all job titles are written in lower case at Starbucks) and became chairman to focus more on global strategy than on day-to-day operations. However, he came back to the ceo position in 2008 when he noticed that the leap from 1000 stores in the mid-1990s to 13,000 stores by 2006 had led to a watering down of the Starbucks’ Experience. His mandate was to restore Starbucks to its original goals and refocus on the customer experience.

One of the things that had slipped through during his absence from operations was the breakfast sandwich introduced in 2003. Although it was profitable, it became his mission to eradicate it. And his reasoning was totally founded on the servicescape: the smell of melted and burnt cheese was ruining the coffee aromas for which Starbucks was renowned. In his book *Onward*, he wrote 'Where was the magic in burnt cheese? As far as I was concerned, nothing could be further from the romance of the Italian espresso bar.' In fact, he considered the smell of coffee to be 'perhaps the most powerful nonverbal signal' in Starbucks' stores.

He tried everything he could think of in order to eradicate the cheesy odors: he instigated research into different ovens, retrained baristas in cleaning up, replaced the parchment paper which wrapped the sandwiches, narrowed cooking times to prevent cheese dripping, got manufacturers to rework oven vents, improved stores' ventilation, heating, and air conditioning to help extract odors – all to no avail. So, he announced the demise of the breakfast sandwich in January 2008. However, due to divisions among his top executives as well as a public internet campaign, 'Savethebreakfastsandwich.com', they were reinstated with improvements in ingredients, as well as eliminating artificial flavors, dyes, trans fats and high fructose corn syrup. In order to preserve the coffee aroma, Schultz also banned smoking among his employees (dubbed 'partners' internally) and asked them not to wear strong perfumes or colognes.

When he returned as ceo, the huge conglomerate had been threatened by competition and the economic recession. After closing 900 under-performing branches and firing thousands of employees, Schultz started adding new products and slowed down the momentum of expansion. By 2010 Starbucks had increased sales by 10% and doubled its profits, notching up \$10 billion per year in revenue, serving nearly 60 million customers per week in 16,000 stores in 54 countries with more than 200,000 employees. In April of 2017, by which time the number of stores had increased to over 25,000 in 75 different countries, Schultz stepped down from ceo to take on the role of executive chairman, 'focusing full-time,' he explained in the announcement, on developing a chain of upscale coffee shops known as Starbucks Reserve Roasteries.

Sources: Schultz (2011); Thompson and Arsel (2004); Venkatraman and Nelson (2008); Strauss (2011)

Elements of the servicescape

An important part of customer service is the physical environment. Because many tourism and hospitality services are intangible, customers often rely on tangible cues, or physical evidence, to evaluate the service before its purchase and to assess their satisfaction with the service during and after consumption. The physical evidence is the environment in which the service is delivered and in which the firm