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At Starbucks, Data Pours In. But What to Do With It? One Quarter of Sales Come Via Loyalty Cards

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Understanding the pools of information pouring into the databases of Starbucks has become a major focus at the international brew chain, even though its high-profile CEO doesn't much care for it.

"Howard [Schultz] doesn't care about data. He has absolutely no head for data," said Joe LaCugna, director of analytics and business intelligence at Starbucks during a session at the [Big Data Retail Forum](#) in Chicago today.

So, Mr. LaCugna makes sure to relay the important takeaways from his team's data analysis to Mr. Schultz. He saves the quant talk for colleagues, like the ones he sits down with during pizza lunch-and-learns.



"My job is to create an analytics community," said Mr. LaCugna regarding the midday events he spearheaded to congregate Starbucks data staffers along with people from other firms. Last week representatives from Taco Bell were there to talk data, and, evidently, not eat tacos.

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A full quarter of Starbucks transactions are made via its popular loyalty cards, and that results in "huge amounts" of data, Mr. LaCugna said, but company isn't sure what to do with it all yet.

The same goes for social media data, he said. Starbucks has a team who analyzes social data, but, "We haven't figured out what exactly to do with it yet," he said. It's a common refrain among brands, and many of the speakers and attendees here at the conference.

The caffeine purveyor is wasting no time trying to decipher what's nestled in its loyalty card data, though. The firm has 6 million registered card customers and has profiled half of them, said Mr. LaCugna.

"We know who you are. We know how you're different from others," he said.

Starting in May, Starbucks will allow purchasers of its packaged-coffee [products in grocery stores](#) to rack up points on their loyalty cards for use towards drinks and munchies at its own store locations. That should help the firm reach an expected 9 million by the end of this fiscal year.

The company uses its card information to segment consumers and set up business rules based on purchase behavior, then pumps out offers immediately to them, often via their mobile devices. In the past, that purchase information may have only been available on a weekly basis.

Often, that means targeting deals to people the firm worries are at risk of not returning soon. As for the ultra-loyalists who show up multiple times each week, "Why would we give them a discount?" quipped Mr. LaCugna.

As Starbucks takes in its own continuous streams of purchase data, and attempts to integrate new data sets from recently-acquired tea seller Teavana, data governance is a concern, he said, noting recent hacking occurrences of government data.

Data governance is also about ensuring information is uniform enough to be integrated readily, and that remains a challenge.

Starbucks had "no budget" to integrate Teavana's data when it bought the loose leaf tea merchant in November. "We had let our data governance lapse," he said. "We don't have a good competence yet when it comes to integrating these acquisitions."

As firms like Starbucks navigate their shifting data terrain, these types of problems will become more commonplace. Yet, Starbucks appears to be making strides, as is evinced in the culmination of a two-year effort to reorganize its system of reporting information to its store operators.

The company once served up 300 reports to its managers on a regular basis for them to evaluate and employ to improve store operations. Now, in the same way Starbucks has

simplified some of the coffee selections in its stores, it's whittled down its reporting structure to a manageable 11 key performance indicators that can be downloaded by store managers. Those include store cleanliness, productivity, and customer satisfaction ratings derived from surveys provided to every 30th customer.

The 300 reports of yore? "They were really just noise," said Mr. LaCugna.

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