

Starbucks occupies a remarkable place in everyday life: a business can sell someone a drink for a few dollars and, through repetition, become part of how that person begins the day, travels, works, meets friends, or rewards themselves for getting through something difficult. That position is commercially powerful. A customer who visits once has purchased a product. A customer who begins arranging a morning around the visit has given the company a place in a routine. Starbucks grew by making that routine recognizable across thousands of locations. Its difficulties have emerged when the familiar sign outside promised more than the experience inside delivered. The company's history therefore reaches well beyond coffee. It reveals how businesses create value around ordinary things, how expansion can weaken what made them distinctive, and how expensive it becomes to recover trust after customers and employees feel that something has been lost.

The story begins in Seattle in 1971 with Jerry Baldwin, Zev Siegl, and Gordon Bowker. Their original business sold coffee beans and related equipment. It was not the modern Starbucks, with a line of customers ordering customized iced drinks and waiting for their names to be called. The founders wanted people to appreciate better coffee and prepare it themselves. Their enterprise grew out of an existing specialty-coffee tradition, influenced by coffee merchant Alfred Peet. That matters because the familiar version of business history often gives one famous executive credit for an entire industry. Starbucks did not invent coffee culture, the coffeehouse, or the idea of paying attention to beans and roasting. It entered a world of established knowledge and traditions, then eventually organized parts of that world into an unusually effective commercial system. Howard Schultz, the person most closely associated with its expansion, was not one of its original founders. Starbucks history.

Schultz joined Starbucks in 1982, and a visit to Italy the following year helped change his understanding of what the business could become. He saw the social life surrounding espresso bars: skilled preparation, conversation, recognition, and a place that people returned to throughout ordinary life. Espresso is a method of brewing concentrated coffee by forcing hot water through finely ground beans; it is not a separate species of coffee. Schultz saw an opportunity to bring an interpretation of that experience to the United States. Starbucks experimented with serving espresso in 1984, but its founders remained focused on selling beans. In 1985, he left to establish Il Giornale. Two years later, that business acquired Starbucks and continued under the Starbucks name. The disagreement was consequential because both sides were looking at the same ingredient and imagining different businesses. One emphasized the product customers would take home; the other saw the possibilities surrounding a prepared drink and a repeat visit. Starbucks' account of Il Giornale.

There is useful discipline beneath the romance of that beginning. An attractive idea becomes a business only when people will pay for it often enough to cover the cost of delivering it. Schultz's interpretation required premises, equipment, employees, training, ingredients, and enough transactions to support them. A comfortable room could attract

people, but comfort alone would not pay the bills. Excellent coffee could earn praise, but praise would not automatically create sufficient demand. Starbucks had to connect the setting, the drink, the service, and the price into an offer that enough customers considered worthwhile. A *value proposition* is simply that offer: the reason someone chooses a business over available alternatives. For Starbucks, it developed around a combination of prepared beverages, recognizable surroundings, customization, convenient access, and a degree of predictability. Different customers could value different parts of the same package.

That combination helps explain why arguments about whether Starbucks serves “the best coffee” often miss much of its commercial appeal. Taste matters, but customers also make decisions about time, location, familiarity, and convenience. Someone catching a flight may choose a familiar order because there is little time to investigate another café. A parent may appreciate being able to order ahead. A person working away from home may value somewhere to sit. Another customer may simply enjoy a sweet, cold beverage and have little interest in the distinctions between coffee-growing regions. None of these preferences makes someone foolish or sophisticated. They are different reasons for buying. The business benefits when several reasons overlap: the drink is enjoyable, the location is useful, the service is dependable, and the purchase fits the customer’s day. It becomes vulnerable when the price remains elevated while those supporting benefits deteriorate.

The phrase closely associated with Starbucks is the *third place*: a gathering place outside home and work. In its strongest form, the coffeehouse can offer a small degree of social belonging without requiring a formal invitation. People can arrive alone, meet someone, read, or briefly occupy a space where other people are present. Yet a commercial café has limits that a comforting phrase can obscure. Seats occupy expensive floor space. Restrooms require cleaning. Employees must manage disruptive conduct while completing their other responsibilities. Customers who remain for hours may make few purchases. A company operating such spaces must reconcile hospitality with the costs of maintaining them. The third-place idea is therefore both a meaningful aspiration and a difficult operating responsibility. Its credibility depends on what actually happens in the room, including who feels welcome and how fairly rules are applied.

Seattle remains Starbucks’ headquarters, but the business’s physical presence extends through a vast network of locations. By the end of fiscal 2025, it had more than 40,000 stores worldwide and annual revenue of approximately \$37.2 billion. *Revenue* means money earned from sales before subtracting the expenses necessary to generate those sales. It should never be confused with the amount owners get to keep. A company can report enormous revenue while experiencing disappointing profits, declining customer traffic, or costly operational problems. Starbucks’ scale also makes its identity unusually complicated. A neighborhood coffeehouse, an airport counter, and a suburban drive-through may display the same symbol while serving substantially different purposes. The brand connects them, but each location still has to work within its own circumstances. [Overview of Starbucks’ business and fiscal 2025 revenue.](#)

Consider the decisions behind a single location. A busy street may look promising, but traffic is useful only if people can conveniently reach the entrance. A drive-through can benefit from morning commuters, yet an awkward turn or inadequate space for waiting cars can undermine demand. An office district may be active during weekday mornings and quiet on weekends. An airport offers travelers and limited alternatives, but it also brings special operating requirements and potentially expensive agreements. These are general retail considerations that help explain why counting nearby people is insufficient. A location needs the right pattern of potential customers, at the right times, with a workable cost structure. Rent, staffing, accessibility, visibility, nearby competition, and the physical arrangement of the premises all influence whether a promising address becomes a successful store.

Opening several stores close together can make sense because convenience has value. Customers may be unwilling to cross a congested road or walk several additional blocks for a beverage. More locations can also relieve pressure on an overcrowded shop. However, nearby stores may take sales from one another, a process businesspeople call *cannibalization*. Imagine that a new café generates \$10,000 in weekly sales, but \$6,000 of those sales previously belonged to another café operated by the same company. The new location has added only \$4,000 in sales to the combined business while creating another set of operating expenses. Those numbers are hypothetical, but the problem is real and widely relevant to chains. Expansion must be evaluated by what it adds to the whole enterprise, not simply by whether the newest location attracts customers. A crowded map can indicate useful convenience or expensive duplication.

Starbucks also reaches customers through different ownership arrangements. In a company-operated store, Starbucks runs the business and bears its operating costs. At a licensed location, another operator runs the outlet under an agreement allowing use of Starbucks' brand and business system. Starbucks can receive income through product sales, royalties, and other contractual payments. A *royalty* is a payment for permission to use property such as a brand, often calculated in relation to sales. These arrangements help explain why Starbucks counters inside larger institutions or retail businesses may operate differently from freestanding cafés. Employees may work for the licensee, and certain promotions or benefits may vary. The visible logo does not tell the customer everything about the business underneath it. For Starbucks, licensing offers reach with less direct investment, while creating an ongoing need to protect standards across operations it does not manage in exactly the same way.

The name travels beyond coffeehouses as well. In 2018, Starbucks and Nestlé established a major licensing agreement involving Starbucks-branded products sold outside its cafés. Nestlé paid \$7.15 billion for the rights covered by the arrangement. It did not purchase Starbucks Corporation. The distinction is fundamental: a company can grant another business permission to sell particular branded products while retaining ownership of the underlying brand and its own stores. Background on the Nestlé agreement. The relationship also involves a practical division of capabilities. Starbucks supplies and roasts coffee for products covered by the extended Nestlé–Keurig

arrangement reported in April 2026, while the partners contribute manufacturing and distribution capabilities. A household buying Starbucks coffee pods participates in a different commercial channel from someone ordering a latte, even though both purchases reinforce the same name. Reuters on the extended distribution partnership.

Inside the café, the financial calculation begins with an easily misunderstood difference between ingredients and total cost. A drink selling for six dollars does not produce six dollars of profit, nor does subtracting the coffee and milk reveal the final answer. The sale helps cover wages, occupancy costs, utilities, equipment, maintenance, payment processing, waste, and the organization supporting the store. Some expenses rise closely with each additional order, such as ingredients and disposable packaging. Others, including much of the rent, remain relatively stable over a certain range of sales. Those are commonly described as variable and fixed costs. The distinction explains why a reasonably busy shop can become substantially more profitable when it serves additional customers using existing space and equipment. It also explains why a modest sales decline can hurt: the landlord does not automatically reduce the rent because fewer people ordered breakfast.

More orders are beneficial only if the operation can handle them. Suppose, purely as an illustration, that a café serves 100 customers spending an average of six dollars each. Revenue is \$600. If 110 customers spend an average of \$5.75, revenue rises to \$632.50, despite the lower average purchase. But that comparison still does not establish which period was more profitable. The additional customers might require another employee, create more waste, or order products with different costs. Conversely, a higher average purchase could conceal the departure of regular customers. This is why analysts examine both *transactions*, the number of purchases, and *average ticket*, the average amount spent per purchase. A company raising prices can temporarily report stronger sales while serving fewer people. Over time, losing the habit of those visits can become more damaging than the initial revenue figures suggest.

Customization sits directly inside this calculation. Allowing customers to choose milk, sweetness, temperature, extra espresso, or toppings can make a standardized chain feel personally accommodating. Some additions also increase the price. Yet every choice has an operational consequence: another ingredient to stock, another instruction to read, another opportunity for a mistake, and sometimes another preparation step. A modification that seems tiny to one customer may become significant when repeated across a rush. This is not an argument against accommodating preferences. It is a reminder that personalization needs adequate preparation space, training, and time. A menu can grow more appealing on a screen while becoming harder to execute behind the counter. When the complexity of the promise exceeds the capacity of the store, customers experience delays and employees absorb the pressure.

Mobile ordering intensifies that challenge because it separates the act of placing an order from the visible queue. A person walking into a café can see three customers and reasonably expect a short wait, without realizing that many digital orders are already

ahead. Technology has removed friction from purchasing, but it has not removed the physical steps needed to prepare the drinks. A blender, espresso machine, warming oven, and employee can each become a *bottleneck*, the point limiting how quickly work moves through the system. Imagine ten cars entering a narrow lane that accommodates only one at a time: making the entrance wider will not solve the congestion farther along. A well-designed ordering system must account for capacity and communicate realistic timing. Otherwise, making it easier to buy can make the eventual experience worse.

The rewards program gives Starbucks another way to encourage return visits. Customers accumulate Stars and receive benefits according to the program's rules. In March 2026, Starbucks introduced Green, Gold, and Reserve membership tiers, with different earning rates and benefits. Reporting on the rewards changes. The business logic is straightforward: when purchases contribute toward a future reward, a customer has an additional reason to choose the same company again. Account-based purchasing also gives the company information about purchasing patterns, which can support more relevant offers. However, a reward program succeeds through the customer's perception of value. If benefits become confusing or feel harder to reach, the system intended to strengthen loyalty can create irritation. A useful way to judge any such program is to consider whether its rewards accompany purchases someone already wanted, or encourage additional spending whose cost exceeds the benefit.

Seasonal drinks operate through a different kind of repetition. Starbucks introduced its Pumpkin Spice Latte in 2003, and its recurring arrival became associated with the beginning of autumn for many customers. The company did not invent pumpkin spice, but it helped turn a particular seasonal beverage into a widely recognized commercial event. Associated Press on the drink's history. From a business perspective, a familiar seasonal offering solves a difficult problem: it gives customers something to anticipate without requiring the company to invent an entirely new identity each year. The surrounding presentation can change while recognition remains. There is also an operating advantage when variations share ingredients or preparation methods with existing products. The challenge is distinguishing additions that produce meaningful demand from additions that merely enlarge the menu. Public attention can be brief; the burden of preparing an unnecessarily complicated product lasts through every shift in which it remains available.

A company this large must also recognize that American success does not guarantee acceptance elsewhere. Starbucks announced in 2008 that it would close 61 of its 84 Australian stores. The episode is often reduced to a simple story about Australians rejecting American coffee, but that explanation leaves too much out. Established café culture, local preferences, competition, pricing, and the speed of expansion all belong in the analysis. Starbucks continued operating in Australia, so the closures were not a permanent departure from the country. Starbucks' Australian expansion and retrenchment. The broader point is that international customers already have habits and alternatives. A famous name arriving from abroad must offer something worthwhile within that existing world. Local people are not an empty market waiting to be taught how

to consume. A business that misunderstands their expectations can spend heavily establishing locations before it understands what those locations need to provide.

China presents another version of that adjustment. Starbucks completed its transaction with Boyu Capital in April 2026, with Boyu taking a 60 percent interest in its Chinese retail operations and Starbucks retaining 40 percent while continuing to license its brand. Competition included lower-priced domestic chains such as Luckin and Cotti. The partners described a long-term ambition to expand from approximately 8,000 stores to 20,000; that figure was a goal, not an accomplished store count. [Reuters on the completed China deal](#). The arrangement illustrates how continuity sometimes requires changing who operates the business. Sharing ownership can provide local knowledge and spread financial commitments, but it also means sharing future economic benefits and decision-making. A company can preserve an international presence while substantially altering how that presence is financed and managed.

The ownership change also affects how financial results should be read. A company directly operating stores generally records the sales from those stores as revenue and records their expenses. After moving an operation into a differently structured partnership, the parent's accounts may instead reflect licensing income and its share of the venture's results. Consequently, reported revenue can change even when customers continue buying drinks from the same locations. This is one reason a headline number needs explanation. Starbucks' fiscal third-quarter 2026 revenue was approximately \$9.3 billion, down about one percent, with the China transaction affecting the comparison; comparable-store sales nevertheless increased 7.9 percent globally and in the United States. [Associated Press on the quarter's results](#). *Comparable-store sales generally track* qualifying established locations against the corresponding earlier period, helping separate performance at existing stores from growth created by opening new ones.

Behind every discussion of speed, service, and expansion are the people performing the work. Starbucks has offered benefits that deserve serious recognition. Its Bean Stock program began in 1991, extending stock-based compensation to eligible employees and helping establish the company's practice of calling employees "partners." [Starbucks' Bean Stock history](#). Its College Achievement Plan, launched in 2014 with Arizona State University, provides eligible employees with tuition coverage for an undergraduate degree through ASU's online program. Participants are not required to remain with Starbucks after graduating or repay tuition merely because they leave. [Reporting on the College Achievement Plan](#). Such benefits can materially change a person's opportunities. They can also help a company attract and retain employees. Those two outcomes can exist together: a program can serve a business purpose and still be genuinely valuable to the people using it.

Benefits, however, do not answer every question about working conditions. Employees may value educational assistance while seeking more predictable schedules, adequate staffing, better wages, or a stronger voice in decisions affecting their work. The organizing drive that gathered momentum in Buffalo in 2021 grew into a national

movement, accompanied by disputes over conditions and bargaining. By late 2025, unionized workers were still seeking their first collective bargaining agreements. Reporting on the organizing campaign and strikes. *Collective bargaining* means employees negotiate through their chosen representative over matters such as pay, hours, and working conditions. Its significance lies in moving beyond benefits that management offers on its own initiative toward terms negotiated with workers. Calling employees partners is a statement about company culture; it does not, by itself, establish that employees have equal influence over the decisions shaping their jobs.

The legal record requires equal care. In the 2024 case *Starbucks Corp. v. McKinney*, the Supreme Court addressed the standard courts must apply when the National Labor Relations Board requests certain temporary injunctions while labor proceedings continue. An injunction is a court order requiring an action or stopping one. The Court held that the traditional four-factor test applied. That ruling favored Starbucks on the legal issue before the Court, but it did not establish that every disputed firing was lawful or clear the company of every allegation concerning union activity. The Supreme Court's opinion. In April 2026, Starbucks also announced expanded tipping, weekly pay, and performance bonuses for U.S. store employees, with changes at unionized locations subject to bargaining. Workers United criticized aspects of the incentives and continued pressing its demands. Reuters on the compensation changes. The employment relationship cannot honestly be described using company benefits alone or union criticism alone.

The promise of belonging faced a particularly painful test in Philadelphia in April 2018. Two Black men waiting for a business meeting were arrested after a Starbucks employee called police because they had not made a purchase and remained in the store. Video of the incident generated widespread anger. Then-CEO Kevin Johnson apologized and called the decision to involve police inappropriate. Reporting on the Philadelphia arrests. Starbucks subsequently announced an afternoon closure of more than 8,000 company-owned U.S. stores for racial-bias training. Reporting on the training response. The incident carried particular significance because waiting is an ordinary part of coffeehouse life. For Black customers familiar with having harmless behavior treated as suspicious, the issue extended beyond one badly handled interaction. A brand offering welcome had to confront how unevenly that welcome could be experienced. Training was an action the company took; its scale alone could not prove that discrimination had been eliminated.

The challenge of access continued. In January 2025, Starbucks changed its North American policy to reserve its facilities for customers making a purchase and their companions, reversing the broader access policy introduced after the Philadelphia incident. The company framed the change around safety and the experience of paying customers. Reporting on the policy change. Commercial premises need workable rules, and employees should not be expected to manage every difficult social situation without support. Yet enforcement requires judgment, consistency, and respect. A written rule cannot guarantee equal treatment if staff apply it differently depending on who enters.

The issue also exposes a larger civic problem: when people depend on cafés for seating, restrooms, or somewhere to exist between appointments, a private company becomes responsible for needs that extend beyond selling beverages. Its decisions then affect people who have little influence over them.

Responsibility reaches farther than the store itself. Coffee passes through farms, processing facilities, exporters, transport systems, roasters, and distributors before reaching a cup. Starbucks uses its C.A.F.E. Practices program—Coffee and Farmer Equity—to evaluate sourcing against economic, social, and environmental criteria. A sourcing standard sets requirements and a process for checking them; it is not automatic proof that every worker at every linked farm experiences acceptable conditions. In 2025, International Rights Advocates filed a lawsuit alleging that Starbucks benefited from coffee associated with abusive conditions at Brazilian farms. Starbucks denied the allegations and defended its independently audited sourcing system. Associated Press on the lawsuit and company response. Those allegations should not be presented as a final judicial finding. They do, however, show why ethical claims require examination beyond attractive packaging. Meaningful accountability depends on detecting violations, correcting harm, and understanding how purchasing arrangements affect the people doing the least visible work.

The company's more recent effort to repair its business has centered on Brian Niccol, who became CEO in September 2024 after leading Chipotle. His “Back to Starbucks” program emphasized service, simpler operations, and a more inviting coffeehouse experience. In February 2025, the company announced roughly 1,100 corporate support job cuts while outlining changes to reduce complexity. Reporting on the restructuring. Later that year, it announced additional support-role cuts and store closures within a broader restructuring effort. Some locations, management said, could not provide the intended experience or achieve a viable financial future. Reuters on the September 2025 announcement. This is the less comfortable side of reinvention. Improving the remaining business can involve lost jobs and the disappearance of neighborhood locations. Those consequences remain real even when management has credible reasons for making the changes.

By July 2026, there was evidence of improvement: Starbucks reported its fourth consecutive quarter of global comparable-sales growth and raised its annual sales and adjusted-profit forecasts. Menu simplification, staffing, and shorter waits were central to the turnaround explanation. Reuters on the July 2026 results. Those results support a more hopeful assessment than a story of uninterrupted decline, but they do not guarantee that the repair is complete. A recovery must last beyond an encouraging quarter, and forecasts describe expectations rather than accomplished outcomes. More fundamentally, the business still has to justify its price through an experience customers want to repeat. Reintroducing comfortable surroundings will mean little if the store is chronically understaffed. Faster service will not resolve every concern if customers feel rushed or unrecognized. Improvements have to work together.

Starbucks' future relevance rests on recognizing which changes help people and which merely produce activity inside the company. A new beverage can create interest. A better schedule can help an experienced employee stay. A reliable pickup estimate can spare a customer an unnecessary wait. A sensible store layout can reduce mistakes without asking workers to move faster every minute. These changes differ in visibility, but the less glamorous ones may determine whether the attractive new product becomes a pleasant experience. The company also competes with several different alternatives at once: cheaper chains, independent cafés, convenience stores, and coffee prepared at home. Each can satisfy a different part of the customer's need. Starbucks cannot assume that its size makes those alternatives insignificant, or that recognition entitles it to another purchase.

What deserves respect in Starbucks' story is the coordination required to make an ordinary transaction dependable across an extraordinary number of places. What deserves scrutiny is the temptation to measure that achievement only through revenue, locations, or the fame of its leaders. The business exists through farmers, logistics workers, store employees, customers, and communities whose interests do not always align. Its strongest work brings those relationships into a functioning service that people willingly return to. Its failures reveal the cost of overlooking them. At the counter, the customer does not experience an expansion strategy or a corporate earnings forecast. The customer experiences the price, the wait, the drink, the room, and the person handing over the cup. However large Starbucks becomes, those encounters remain where its reputation is earned—and where its next visit is either secured or lost.