



## MARKET

The Arab region is the birthplace of coffee and Arabic coffee has been part of the culture for centuries. It is a custom in all Arab countries for guests to be welcomed with a cup of coffee. Previously the traditional 'ghahwa' (coffee shop) with its Arabic coffee was a hub for males, nowadays coffee houses have gone upscale offering a place to catch up, where background music, chess games and books create a welcoming ambiance. The modern cafes are now fashionable for customers to drop in and cater to a variety of tastes with numerous blends and flavours of coffee and tea.

Operating in the Arab world for the past ten years, Starbucks is currently the market leader in the Middle East coffee shop business with over 225 stores operating across nine countries in the region. Starbucks initially started in Kuwait in 1999 through a licensing agreement with trading partner and licensee M. H. Alshaya Co. WLL, a private Kuwait family business. Today M. H. Alshaya Co. operates Starbucks stores in the Middle East and Levant region including Lebanon, Jordan, KSA, UAE, Oman, Qatar, Bahrain and Egypt under the following companies: Lebanon - Dareen International Co. KSA - Alshaya International Trading Co. Jordan - Alshaya Int. Co. P.S.C Limited Oman - Gulf Imports Est. UAE - M.H.Alshaya Co. Bahrain - Alshaya Trading Co. W.L.L. Qatar - Dareen International Co Egypt - Alshaya Egypt L.L.C



Far from reaching saturation point, the Middle East coffee shop market is set to continue its rapid growth.

## ACHIEVEMENTS

If there's one company which has fuelled the global coffee shop revolution and, in the

process, made latte and cappuccino part of the vernacular, it is Starbucks. The company's founder, Howard Schultz, introduced coffee house culture to Seattle and then exported the concept around the globe. Many others have followed but it all began with Starbucks - a journey that has taken the company from a single store to today's empire of over 14,000 coffeehouses in 42 countries. The Starbucks brand has become one of the best known in the world. According to the branding consultancy Interbrand, Starbucks is one of the 75 greatest global brands of the twenty first century. Furthermore in a recent brand tracking study Starbucks achieved twice the awareness and preference of any other brand in the branded coffee shop category as well as leading its competitors with regards to penetration and loyalty.

The company's growth has been truly dramatic. In 1997 it had an income of US\$975 million but, in 2001, it reported incomes of US\$2.65 billion. In becoming such a large and successful company Starbucks has not lost sight of its responsibilities. It has worked hard to improve social and economic conditions for coffee farmers as well as contributing to the communities in which it does business and provides the best possible working environment for its employees.

Starbucks is also very conscious of giving the farmers who grow the coffee used in its coffee shops a fair deal. They are paid approximately three times above the recognised market price. Furthermore, the coffee sold in Starbucks sells Fair Trade certified coffee as 'coffee of the day' and within its whole bean packaged coffee range. The principles on which Starbucks conducts its business have been recognised in the many awards the company has won. In 2007 The Financial Times listed Starbucks in the "Top 10 UK Best Places to Work" list and one of the "Top 100 Best Places to Work in Europe"; Fortune Magazine ranked Starbucks as second on its "Most Admired Companies" list in 2007; also in 2007 Starbucks was named one of "The 100 Best Companies to Work For" by Fortune Magazine for the ninth time.

In 2002 Starbucks committed to publicising its progress in meeting targets for business ethics and corporate responsibility by publishing its first Corporate Social Responsibility Annual Report.

## HISTORY

Starbucks opened its first location in Seattle's Pike Place Market in 1971. For the next ten years Starbucks remained a quality coffee stall in the bustling city market and only began expanding its horizons when the current chairman, Howard Schultz, joined the company in 1982. He spotted an opportunity to provide

coffee to fine restaurants and espresso bars. The coffee bar concept was still undeveloped in Seattle and, following a trip to Italy where Schultz was impressed with the popularity of espresso bars in Milan, he decided to test the concept in his home town. In 1984 the first Starbucks



coffeehouse opened its doors in downtown Seattle, serving the first cafe latte. Following the success of this experiment Schultz led a team to officially found Starbucks as a company in 1985. By 1987 it became clear that coffeehouse culture had the potential to spread further afield, leading to Starbucks outlets opening in Vancouver and Chicago. By the end of the decade Starbucks was growing fast with 84 locations. It opened a new roasting plant in Seattle to cater for the volume but it was also beginning to combine size with social responsibility. In 1991 it established a relationship with CARE, the international relief and development organisation, and also becoming the first privately owned US company to offer stock options to part-time employees.

The following year it completed an initial public offering, making its debut on the Nasdaq exchange under the trading symbol 'SBUX'. Having raised funds through additional stock offerings in the early 1990s Starbucks began expanding abroad:

- In 1996 Starbucks opened its first overseas store in Tokyo, Japan.
- It opened in Singapore in 1996.
- In the Philippines in 1997.
- In the UK, Taiwan, Thailand, New Zealand and Malaysia in 1998.
- In Beijing, Kuwait, South Korea and Lebanon in 1999.

- In United Arab Emirates, Hong Kong, Shanghai, Australia, Qatar, Saudi Arabia and Bahrain in 2000.
- In Switzerland and Austria in 2001.
- In Oman, Germany, Spain, Mexico, Puerto Rico, Southern China (Macau and Shenzhen), Greece and Indonesia in 2002.
- In Turkey, Peru, Chile and Cyprus in 2003.
- In France in 2004.
- In Jordan, Bahamas and Ireland in 2005.
- In Brazil and Egypt in 2006.
- In Romania, Denmark and the Netherlands in 2007.

Starbucks broke ground in April 2002 for the new roasting plant in Amsterdam, the Netherlands. Full plant operations began in spring 2003. With more than 14,000 stores in 42 countries, Starbucks is becoming one of the most respected brands in the world. Howard Schultz stepped down as CEO in 2000, but remains the company's chairman and chief global strategist.

## PRODUCT

Starbucks sells more than 30 blends of coffee, espresso, blended drinks, teas and the Frappuccino range. Coffees are available in a variety of different beverage combinations - 87,000 to be exact - including low fat/skimmed milk and decaf and different types of milk, syrups, sugar, etc.

It also sells home espresso machines, coffee brewers and grinders, freshly baked pastries, chocolate and sandwiches. As the Starbucks brand is now so well known, it also sees great demand for its branded merchandise, such as coffee mugs and coffee accessories. In some of its 14,000 global stores it sells CDs, books and gifts in addition to the regular merchandise.

## RECENT DEVELOPMENTS

A major new product launch for Starbucks came during Ramadan 2007, when it introduced for the first time to the Middle East the Starbucks Date Frappuccino®, the first culturally localised



beverage to be created for the Middle East. The Date Frappuccino® deliciously combines date juice - the favourite Arab festive fruit - with Starbucks finest coffee beans, blended with milk and ice topped with a swirl of rich cream and date drizzle giving it a distinguished traditional Arabic taste.

Starbucks and its licensed partners support the local communities in which they operate. In the Middle East Starbucks-Alshaya Egypt L.L. have partnered with the Egyptian NGO "4ourkidz" to create knowledge corners at schools in underprivileged areas. So far Starbucks-Alshaya Egypt L.L. have helped to create two knowledge corners; one in Cairo and one in Alexandria. In Lebanon Starbucks-Dareen International Co. SARL have also partnered with Mentor

Arabia Foundation to implement regional projects on drug prevention among youth.

Starbucks also joined hands with "A Friendly Talk on Autism" Campaign in Bahrain by holding an informal discussion on autism in one of its Bahrain main stores. Parents of autistic children initiated the campaign with the aim of creating awareness about autism and seeking support from the community. Starbucks store hosted and participated in the discussion in an effort to educate Starbucks partners on how best to accommodate autistic children in the stores. Parents in the group shared their experiences of living with autism and advised the staff on how to help care for and serve autistic children.

Embracing its fifth guiding principle, "contributing positively to communities and environment" Starbucks launched in its selected stores across the Middle East an environmentally friendly CSR initiative known as "Flowers love Coffee...too". This programme distributes free used coffee grounds to customers and communities for use in gardens and compost piles, which serves as an excellent source of nutrition for soil.

## PROMOTION

Summer and autumn 2007 saw a major publicity drive behind the launch of Starbucks coffees and beverages in the Middle East. It started off with the Banana Frappuccino® early summer, followed by the Java Chip Frappuccino® late summer. During the summer Starbucks also introduced the Black Apron Exclusive line of coffees to customers in the Middle East, featuring the "Zambia Terranova Estate" coffee followed by the "Sumatra Siborong-Borong" coffee. Coming up from the same special line of exclusive coffees is the "Costa Rica Lomas al Rio" coffee.

Starbucks stays locally relevant by developing food products that aim to meet local preferences



as cuisines vary from one region to another. An example of this, and on the occasion of the holy month of Ramadan, Starbucks launched delicious pastries such as the "Pistachio Date Cake" and "Almond & Date Delight" to complement the Date Frappuccino®, the first localised beverage to be specially created for customers across all stores in the Middle East.

In autumn Starbucks launched the Signature Hot Chocolate that was offered in three variations; chocolate, hazelnut and caramel. To welcome the festive season Starbucks will also be offering the "Christmas Blend" coffee returning for its 24th year. This seasonal coffee can be paired with different foods to bring out and highlight the distinct flavours and notes. Starbucks seasonal treats introducing "Swiss Roll" and the juicy "Meat Pie" which serves as the ideal food pairing.

Starbucks believes innovation in beverages, food and the customer experience has resulted in increased visits and loyalty and has been credited with creating and growing the modern coffeehouse culture.

Starbucks also is well known for its food pairing, where customers can enjoy a variety of pastries to complement and maximise the distinctive flavour of our special coffees. Some of our most popular food items include pastries, sandwiches, bars, biscuits, cakes, cookies, fruit salad, muffins, shortbreads, salads and recently the hot grilled panini.

## BRAND VALUES

Starbucks is the world's leading retailer, roaster and brand of speciality coffee. It is a coffee company driven by its values and is inspired by a passion and dedication to quality. Furthermore, it is guided by strong principles to care for the environment, the community and improve social and economic conditions for coffee farmers.

[www.starbucks.com](http://www.starbucks.com)

## Things you didn't know about STARBUCKS COFFEE

Coffee is second only to water as the world's most popular drink with over 400 billion cups consumed every year.

Starbucks is named after the first mate in Herman Melville's book, Moby Dick.

Starbucks formed a partnership with Conservation International in 1998 to encourage environmentally sound coffee growing practices. The success of the joint project in Chiapas, Mexico is serving as a model for new and future projects.

Starbucks opened a store in Moscow, Russia in September 2007.

Superbrands