CASE IN POINT

Starbucks after Schultz: What will happen to activism?

New CEO must reckon with his predecessor’s outspoken social views

The big idea: When he took the reins of coffee giant Starbucks in early 2017, CEO Kevin Johnson faced a decision: Follow in the footsteps of his predecessor, Howard Schultz, and keep Starbucks positioned as a brand that would be active on social issues, or keep a quieter profile and focus on the company’s core proposition of offering coffee?

The scenario: Every facet of Starbucks bears Schultz’s imprint. It was his vision of Starbucks as the “Third Place” in consumers’ daily lives (home, work and Starbuck) that redefined coffee culture and made the company a major global brand. He served twice as chief executive, the second time reigniting growth and propelling the brand to $21.3 billion in sales.

Having 25,000-plus stores globally and 20 million customers each week meant that Schultz, an outspoken Democrat, had a big platform from which to speak on social issues. Increasingly, he used it. Starbucks weighed in on marriage equality, guns and the global refugee crisis. The company’s stock soared, and Schultz’s leadership was lauded, but Starbucks grappled with backlash, such as when its 2015 solid-red holiday cup was seen as “anti-Christian.”

The company stumbled with Race Together, a campaign meant to spark candid conversations about race between baristas and customers. Not everybody wanted to have a social or political discussion while grabbing their morning joe.

Starbucks, of course, is not alone in finding commerce and social commentary an uneasy mix. Chick-fil-A, Denny’s, Dove — and most recently Papa John’s Pizza — have all experienced backlash when executives commented on social issues or their marketing campaigns missed the mark. But other companies have successfully used social activism to strengthen sales and discussions with customers. In 2015, for example, shortly after President Trump’s election, outdoor outfitter Patagonia announced it would donate 10% of its Black Friday sales to grass-roots environmental protection efforts. Patagonia shattered its previous sales records, topping $30 million in a day.

The resolution: So, what will Johnson steer? With the pressure on earnings and a fourth-quarter revenue miss, Johnson needs to keep the core business strong. He has publicly said he “wouldn’t shy away from controversy” and, in his tenure so far, Starbucks has continued to take a stand on social issues. Along with Amazon.com and Microsoft, Starbucks supported a lawsuit fighting the repeal of the Deferred Action for Childhood Arrivals program, the Obama-era immigration protection. (Amazon CEO Jeff Bezos owns The Washington Post.)

But Johnson may be looking harder to find a middle way than his predecessor did. There was a Christmas Tree Fragrance on this year’s menu and a Christmas tree on this year’s holiday cup. But also a pair of gender-ambiguous interlocked hands, which some critics saw as straying a “gay agenda.”

The lesson: Culture wars can be fraught. Increasingly, however, companies are reckoning with a new dynamic as consumers align their spending with their values. Brands are considering ways they can engage and stand for more than just a product or service. By repurposing systems and processes that have served traditional commercial needs well, companies can limit their risk of backlash. Conducting stakeholder analysis and running small-scale experiments before social initiatives are implemented at scale can help ensure that a company’s well-intentioned efforts are also well-received.

Finally, and most critically, companies need to understand what they can stand for. Patagonia, an outdoor goods purveyor, has permission, perhaps because it has promoted conservation for decades and because it has a much smaller customer base than Starbucks. When you serve 30 million people each week, it may be dangerous to presume much in the way of community-held values or beliefs.

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An espresso machine at a Starbucks coffee shop in Phnom Penh, Cambodia. The company has more than 30,000 stores globally and serves 10 million customers each week.