

Tea Marriage of Starbucks and Teavana

TEACHING NOTE

The authors prepared this case solely as a basis for class discussion and not as an endorsement, a source of primary data, or an illustration of effective or ineffective management. Although based on real events and despite occasional references to actual companies, this case is fictitious and any resemblance to actual persons or entities is coincidental.

Teaching Plan

Part of the success of a live-based case discussion is strongly linked to a well-written guideline for instructors. The handling of the teaching notes will enhance the development of the case discussion and will help the instructor to manage the time available, make efficient use of the board and moderate an active discussion with the students. The following section will attempt to provide the lecturer with teaching objectives, opening questions, key learnings and further teaching suggestions. A case synopsis will be provided in order to outline the highlights and relevant details about the current event.

Case Synopsis

On December 31st 2012, Starbucks Coffee Company officially closed the acquisition of Teavana, known as one of the biggest chains for tea-based specialty goods. With a deal valued in \$620 million, Starbucks started to significantly increase in-store sales growth with the new product line of premium teas. Moreover, Teavana's extensive distribution channels across malls encouraged Starbucks to plan a further investment that included opening 200 stores by 2015. The uniqueness of Teavana's value proposition and customer attachment to the brand, were some of the drivers that boosted the new strategic decision. The plan behind the investment was to add a series of improvements, such as tea bars, to Teavana's existent business model with the purpose to run the stores as Starbucks did in the 1980s. Even though there was an increasing demand for tea in the United States, Starbucks was aware of the potential uncertainties and risks that might arise with the acquisition of a new business. The lack of experience in the tea industry was causing severe problems to Starbucks attempts to fully integrate Teavana into its business. Whether the new acquisition would become profitable in the long-term is closely related to the management decisions and strategies that Starbucks will employ. Therefore, the question that prevails is what the best developing plan for Teavana will be.

Learning Objectives

There will be multiple learning objectives of this case study, the most prominent ones are presented as primary learning objectives and the remaining as secondary learning objectives.

Primary Learning Objectives

The students will be able to:

- Analyze alternative ways of developing an acquired brand
- Base decisions on situation evaluations
- Understand the importance of short-term vs long-term decisions

Secondary Learning Objectives

The students will also be able to:

- Apply previous knowledge of brand management to a real-life based case
- Get encouraged to provide own solutions to problems
- Understand the reasons behind managerial decisions
- Learn that decisions change with circumstances

In **Table 1** an overview of the various levels of learning that the students will go through is provided. To offer different levels of learning means that the case has been effective, and the learning objectives have been fulfilled.

Verbs for Levels of Learning		
Verb	Learning	Theory
<i>Remember</i>	The corporate brand spirit of Starbucks	Video “What It’s Like to be a Starbucks Partner”
<i>Understand</i>	The reasons leading up to the acquisition	Background information
<i>Apply</i>	The identity to the different brands	CBIRM (Urde & Greyser, 2016)
<i>Analyze</i>	The difficulties that might occur as a result of the acquisition	Acquisition culture clash (Roper & Fill, 2012)
<i>Evaluate</i>	Different possible options for managing the new brand	Brand Architecture Theory (Kapferer, 2012)
<i>Create</i>	An action plan for managing the Teavana brand, both for the short-term and the long-term	Based on the CBIRM (Urde & Greyser, 2016) and the Brand Architecture Theory (Kapferer, 2012)

Table 1: Verbs of Learning

Corporate Brand Identity and Reputation Matrix

The students will have multiple learning outcomes from the case of the Starbucks acquisition of Teavana. Key learnings can be drawn from the Corporate Brand Identity

and Reputation Matrix (CBIRM) developed by Urde and Greyser (2016). By applying the matrix to the case, a solid foundation for recommending decisions will be established.

During the case discussion the students will be able to argue and reflect upon the factors included in the matrix to establish a clear overview of both brands. The mapped overview of the brands will guide the students in their discussion of recommendations for the brand management team of Starbucks in terms of how to manage Teavana. They will be able to draw parallels and compare the components in the different models in order to see the fit between the brands and reach a recommendation decision. Also, the students can reason about which component they think is the most important one for this particular case, augmenting for their opinions will deepen their understanding of the topic. The matrix has been filled out for both companies in advanced and can be found in **Exhibit 1**.

The main focus when using the matrix should be the compatibility of the brand cores but also try to predict how the acquisition of Teavana might influence the reputation of Starbucks and vice versa. It will also provide the students with the opportunity to explore which aspects need to go through major or minor restructures in order for the acquisition to be successful.

Lastly, the Starbucks Teavana Case will provide a deeper understanding of the course literature and how the CBIRM can be used to map a brand. This knowledge will be useful in students' potential future career within branding.

Brand Architecture

Figure 1 displays one way the instructor can portray the possible solutions so that the audience can have a clear perspective of the feasible managerial decisions.

<p>One Level</p>	<p>Mother Brand</p> <p>Starbucks</p>	<p>Daughter Brand</p> <p>Teavana</p>
<p>Two Levels</p>	<p>Mother & Daughter Brand</p> <p>Starbucks Teavana</p>	<p>Daughter & Mother Brand</p> <p>Teavana By Starbucks</p>
	<p>Corporate Brand in Focus</p>	<p>Product Brand in Focus</p>

Figure 1: Brand Architecture

It is recommended that the instructor takes sufficient time to explain what the implications are for each option. The Mother Brand solution (left superior corner), is regarded as an umbrella strategy, characterized by a single brand level that covers several product categories (Kapferer, 2012). The Daughter Brand (right superior corner) is also characterized by a single level, but the strategy is focused towards a product brand. Following a daughter brand strategy would mean that the new product, in theory, will receive its own brand name (Kapferer, 2012). Mother & Daughter Brand (left inferior corner), also called source brand strategy, in which the mother brand is more prominent, but products still have their own name (Kapferer, 2012). Daughter & Mother Brand (right inferior corner), also known as endorsing brand strategy, is by which the endorsing brand is located lower down because it has the role of base guarantor (Kapferer, 2012).

After the brand architecture approach is explained, the instructor can proceed to ask the audience for their personal opinion or position towards the resolution of the case. The instructor can also proceed to conduct a vote in case the opinions are equally distributed among the options. If the voted solution does not correspond to the managerial decision, the instructor should express the real decision and the arguments behind it.

Discussion Questions

The opening question of this case will be:

- How should Starbucks manage the Teavana brand name?

Assisting Questions

The assisting questions will further help guide the discussion and move it forward.

- Which option could be more suitable for Starbucks?
 - Mother Brand - Replace Teavana brand name with Starbucks
 - Daughter Brand - Keep the Teavana name
 - Mother Daughter Brand - Use Starbucks as the prominent factor in the name, and call it Starbucks Teavana
 - Daughter Mother Brand - Use Teavana as the prominent party in the name, and call it Teavana by Starbucks
- Please elaborate on your choice (If the audience is not participative, select someone to answer)
- Do you agree or disagree on the management's final decision?

Teaching Suggestions

The supporting material that can be used to display the case information varies upon availability or upon the instructor discretion. PowerPoint slides, overhead projector transparencies or other internet-based presentation software could be employed to raise interest from the audience and help the instructor to smoothly exhibit the information regarding the case. It is recommended that when using visual aids, the lecturer should consider displaying the relevant data only.

Including images in the presentation could help the audience to have a better understanding of the topic. Showing pictures of the Teavana's shops, for instance, could be a way of reinforcing the main idea of the case. However, it is important to mention that having too many slides could affect the discussion time and therefore, undermine the purpose of the session. The use of speakers' notes is strongly suggested in order to recall important details and manage an efficient control between what is said and what is written in the visual aids.

Time Plan

Having a well-structured teaching plan strongly relies upon good management of a schedule. For this reason, it is suggested that the instructor takes into consideration the available time that she or he counts with in order to effectively manage the case presentation and discussion. It is important to mention that each session entails a different situation, in which time structures might vary. The following diagram is a way the instructor can have a more efficient time control in which the performance of each activity is based on a percentage. In a 45-minute time frame, the introduction of the case should be about 11 minutes. The application of the CBIRM should last about six minutes; the discussion could take approximately 20 minutes; the managerial decision should last around five minutes and finally, the remaining time could be used for further questions and opinions. An illustration of the time structure is provided in **Figure 2**.



Figure 2: Time Plan

Board Plan

The Tea Marriage of Starbucks and Teavana Case is designed to encourage the target learners to come up with creative solutions themselves and argue why is that the most suitable option. During the discussion, it is recommended to use a whiteboard to write down the main ideas or thoughts that result from the audience. This will not only help the instructor but also the students to keep in mind the key findings for further analysis. The whiteboard can later be used to display three to four of the most supported solutions. The next step should be to conduct a vote in which the majority of the students can choose the most appropriate option based upon their own knowledge and analysis.

After the solution is selected by the audience, the instructor can communicate the managerial decision and explain the arguments behind the actual solution. The lecturer can leave a couple of minutes to ask the students for their opinions about the managerial decision or if there are further questions.

It is convenient to keep in mind that audiences might behave different than expected. Students might not be willing to provide solutions by themselves and the discussion might not be as interactive as it supposed to be. If this is the case, providing the audience with possible solutions in the discussion section that could be beneficial to increase participation and arise more interest. The instructor can use the whiteboard to write down the four brand architecture options.

Reflection

With the intent to give students a more corporate perspective, the Corporate Brand Management and Reputation course was designed to incorporate a case-based method into the teaching structure. Students were given the opportunity to learn from real-life case studies and enhance their ability to analyze a managerial decision from different perspectives. As a group assignment, the students were required to gather into groups of three so they could write a case and combine the main concepts of corporate brand management.

Having worked together in other group projects, we did not have a hard time gathering together once again. Because the three of us participated in the Strategic Brand Management course, we were very excited to receive a corporate focus this time and embody all those learnings into a case study of our choice. The challenge began with the selection of a topic for the assignment.

Part of the requirements for the supervision was to prepare a document of one page with three potential case topics based on literature from the course. Each of the group members suggested several options in order to have an extensive bank of topics to discuss. Once the possible options were written down, the group members

proceeded to make a narrower selection of the three topics we were going to present in the supervision. The final options that were chosen were based on different criteria such as interests in common, rich audience discussion and intriguing managerial decision.

During the supervision, we received valuable feedback from the professor Mats Urde who helped us to select a topic from the three options we had prepared in advance. After the discussion, we decided to write about the Changchun Changsheng vaccine case as it seemed a very interesting topic to develop. We agreed to schedule a meeting to discuss further details about the case and our approach to the assignment. After a long conversation and debate, we decided to change the topic as the vaccine case was too complex in the sense that it involved the Chinese government and other Institutional parties that required a more in-depth investigation. The meeting, then, turned to finding a new topic of interest in which we could all agree and feel comfortable with.

The Starbucks and Teavana acquisition called our attention as the three of us are very interested in the tea and coffee topic. We thought it was going to be more appropriate if we gathered more information about Starbucks situation so we could later decide if this event could be turned into a case study.

During the case study, we gathered very interesting information that we could use for the assignment. However, one of the challenges that we faced was when we had to plan on how to manage the discussion. We thought that this aspect was fundamental to develop a case study, as students had to contribute with opinions and thoughts. In order to ensure that most of the students could be involved in the activity, we decided at first to separate the class in two and develop the discussion as a role play. Taking into account that we had previously participated in activities like this, we thought it could work. Nevertheless, we did not take into account the number of students that were going to be present during the session, as we all have different time slots to present. We thought that due to the uncertainty of how many students we were counting with, it probably was not going to be a good approach.

After having discarded the option of the roleplay, we discussed other discussion methods we could use and decided to go for a more natural way of communication. With this approach, students were going to be asked the opening question and be encouraged to give their immediate thoughts. However, we thought about the situation of not having participative students in our session, which was something that we were really worried about. We discussed about the actions we could take during the presentation of the case in a position where the students would not give their thoughts to the opening question. We concluded that if this was the situation, we would proceed to give the students possible managerial decisions and ask which one could be the most suitable one. We thought it was a good idea to have a backup plan in case the first one will not go as expected.

Even though we struggled at first to find a topic of interest, we really enjoyed developing a case study for this course. We think that the best way to learn is to apply the knowledge into practice and with this assignment, we certainly learned more. One of the main factors that helped us during the development of the case, was having good communication between us. We scheduled several group meetings and established due dates to keep track of the progress. Furthermore, we assigned tasks to each of the group members, but we decided to assist one another if needed, which made the assignment less difficult. Despite having different schedules for this term, we all found sufficient time to meet and work together as a team in order to meet our common goals.

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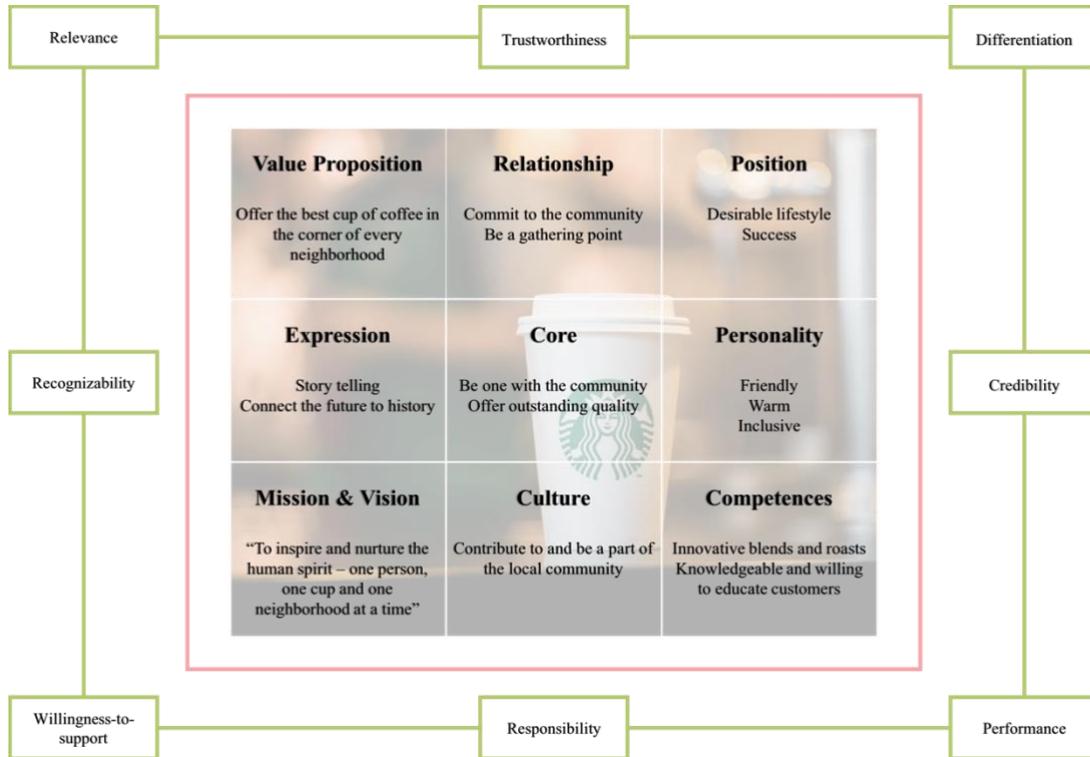
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Exhibit 1: Application of CBIRM

Starbucks



Teavana

