

# **Brewing Up a Storm: The Rise of Stars Coffee**

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## **TEACHING NOTES**

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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 notes & reflection

### Teaching plan

The goal of the teaching notes is to serve as a comprehensive guide for how this case should be presented, not only during the initial presentation but also in future contexts. The purpose of this document is to assist the teacher in preparing for the case and organizing it effectively, which will enable the presenter to deliver an engaging case that fosters insightful discussion in line with the established learning objectives. The teaching notes will begin with a summary of the case and important background information, followed by learning objectives and the chosen related theory. This will be followed by presenting the main discussion question, including possible assisting questions, that will form the basis of the in-depth group analysis. Finally, the teaching notes will provide suggestions for instruction, a time plan overview, and a case reflection from the instructional team to further discuss the challenges of an open-ended case.

### Case synopsis

When Russia invaded Ukraine on the 24th of February 2022 it shifted the dynamics of the West. The global economical, social, and political tensions were evident immediately after the dice were cast. After a large number of companies decided to scale down their operations or leave the Russian market, the coffee giant Starbucks Coffee closed its Russian stores on May 23 of the same year. In the following months, the vacant store venues of Russian cities started being filled with new types of corporations - Russian-owned duplicates of the global brands that had decided to leave Russia. Russian restaurateur Anton Pinskiy and rapper Timur "Timati" Yunosov decided to buy leasing agreements for the empty Starbucks venues and launch Stars Coffee - an almost identical coffee shop with a similar name, logo design, and menu. The resemblance between the iconic coffee brand and its new replacement was hard to ignore, which attracted the attention of international media. However, the situation remains uncommented by Starbucks itself, who historically has been eager to engage in possible trademark infringements of its brand. This case awakens curiosity in many senses; How should Starbucks act to protect its highly valued brand? What is legally the right thing to do? What is ethically the right thing to do? How can it affect Starbucks' reputation? This case illustrates the complexity of operating in politically uncertain markets and the importance of corporate brand reputation management in a legally compromised situation.

### Rationale for being an Evergreen case

We argue that this business case can be seen as an Evergreen case, due to its relevance and applicability. It is our belief that the educational key points of this case can be relevant to several different actors in several different situations in the future. Furthermore, this case highlights a multi-perspective view of a situation that involves multiple stakeholders and poses the risk of impacting the corporate reputation of a

corporation. Moreover, this case illuminates the challenge of balancing conventional trademark management and the reputational aspects of brand management in a company. The context of the case has an uncertain nature where aspects such as politics and global economics have a great impact on the outcome of the potential management decisions. Additionally, the company must act without knowledge of the future context, making it challenging to estimate which short-term and long-term decisions would be beneficial. This can be seen as a reflection of our ever-changing contemporary world and its dynamics where businesses operate. Lastly, we argue that this case is applicable to other industries and contexts than the one of Starbucks.

## **Learning objectives**

The subsequent paragraph will provide an overview of the case's learning objectives and their connection to relevant literature. The analysis and discussion of the case provides several learning objectives related to a company's corporate reputation. The case examines broad reputational topics such as corporate brand management and trademark management. Furthermore, the case pinpoints the essence and difficulties of balancing between these tangible and intangible assets of the brand. The case highlights the main challenges in balancing corporate brand management and trademark management and focuses on understanding how to ensure that the two align and reinforce each other and how to manage eventual tensions between legal requirements and business needs.

### *Corporate Reputation*

There are several different ways to define corporate reputation, depending on who you are asking. However, generally speaking, corporate reputation "is concerned with the overall estimation in which an organization is held" according to Roper and Fill (2012). The reputation of a corporation is not concerned with specific interests of particular groups of stakeholders, it rather embodies the overall perception of the brand. For the corporate brand, this means taking multiple stakeholder expectations into account at all times. Roper and Fill (2012) discuss that the most important stakeholders in terms of corporate brand reputation are the consumers and employees of the company. The reputation of a company goes hand in hand with its identity and image since the alignment of those elements (over time) can be seen as the foundation of a good corporate reputation. These internal efforts for the corporate reputation do however have a major weakness - the fact that they are in constant battle with uncontrollable, external factors that affect the general perception of the brand. These external factors can be summarized using the PESTLE model, which illustrates different types of likely influence on the corporate brand reputation of the company (Roper & Fill, 2012). In the case of Starbucks, a PESTLE analysis would identify different external influences. However, one could also imagine using the PESTLE model to analyze different influences in Starbucks' environment during the incident of this case. By doing so, one could pinpoint the external factors to consider when making management decisions, in this case political, economical, social, and legal influences.

### *Corporate brand management*

Corporate branding relates to the brand of the whole corporation and concerns its all stakeholders (Roper & Fill, 2012). Corporate brand management, therefore, involves the development of a distinctive identity, communicating this identity to the stakeholders, and eventually building a reputation (Urde, 2021). Corporate brand management is a holistic approach with many advantages such as differentiating from competitors, building brand loyalty, and driving sales (Roper & Fill, 2012). Roper & Fill (2012) also argue that effective corporate brand management is essential for building and maintaining a strong reputation, and should be a strategic priority for companies across all industries. Furthermore, a strong brand can cultivate trust and competitive advantage (Roper & Fill, 2012).

### *Trademark management*

However, a strong brand can also inspire other businesses to imitate you in order to thrive on your success and brand exposure can lead to counterfeits (Kapferer, 2012; Yohn, 2014). Therefore brand management is not a stand-alone concept, it has to be balanced with brand protection (Yohn, 2014). Trademarks are seen as one of the most important and valuable assets of a company and function as a protection for the brand (Yohn, 2014). A trademark can consist of a word or a combination of words, symbol, sign, drawings, letters, numerals, sounds, fragrances, shape, and packaging etc (Wipo, n.d). The trademark implies the exclusive rights to the owner and the trademark usually last for ten years and can be renewed regularly (Wipo, n.d.). There is an importance of defending your brand and trademark because otherwise the brand risks losing its rights (Kapferer, 2012). Diamond (1967) emphasizes the importance of being proactive and vigilant in managing and protecting your trademark to ensure it retains its value and legal protection over time. Diamond (1967) refers to different steps of protecting your trademark, among them are selecting strong and distinctive trademarks, consistent use of the trademark and monitoring and enforcing the trademark rights. The process of monitoring and leveraging a company's trademarks can also be referred to as trademark management.

### **Overview of key learning objectives**

The aim of this case is to display the importance of viewing a business situation from different perspectives and later consider the different outcomes of those perspectives. In order to reach that objective, the ambition is that the discussion will shed light on the internal as well as external complexity of the Starbucks case. At last, it is intended that the discussion will capture the complexity of successfully managing the corporate reputation. This part will display the different expected key learnings of this case. Using Bloom's taxonomy we will illustrate different measurable action verbs that relate to the learning objectives of the participants (Bloom, 1956).

**Table 1.** Key learning objectives



	<b>General</b>	<b>Starbucks</b>
<b><i>Remembering</i></b>	...to consider all internal perspectives when making fast decisions.	...the importance of being equally attentive to the opinions of different internal departments.
<b><i>Understanding</i></b>	...that addressing an issue might allow external factors to negatively influence the corporate reputation.	... that the ongoing war and other world situations may affect your usual course of actions.
<b><i>Analyzing</i></b>	...the short term and long term consequences of different decisions.	...how different courses of action could play out differently during vs after the war.
<b><i>Evaluating</i></b>	...the external factors and taking ethical aspects into consideration.	...that different decisions might impact those who are already affected by the war and evaluating how the public opinion on the company's ethics might change.
<b><i>Comparing</i></b>	...the risks of different outcomes.	...the risks for the corporate brand reputation and legal trademark rights.

## Discussion questions

In this part of the teaching notes, the main and assisting questions for discussion will be presented. These questions are created with the intention of facilitating the development of a thorough and multi-dimensional case discussion. The objective of the chosen question(s) is to create a discussion that is objective and open, whilst still leading the students to achieve the learning objectives of the case.

Main question:

- How should Starbucks react and take action against Stars Coffee?

Assisting questions:

- Are there different internal and external perspectives to consider in this case? Which would these perspectives be?
- How should Starbucks act short-term vs long-term?
- What are the risks of legal action and what are the risks of not doing anything?
- What role does the media have in the situation?

## Teaching suggestion

This section of the teaching notes provides the teacher with suggested instructions and recommendations on how to prepare, present, and lead the discussion of the case. The purpose of the teaching suggestions is to provide the presenter with the right tools to make sure that the students can create a deep and thorough discussion. The overall objective of our suggestions is to ensure that the students can evolve their understanding and learning, while simultaneously improving their complex problem-solving skills.

### *Pre-presentation phase*

To accurately prepare the students for this case discussion, we recommend ensuring that the students have had the opportunity to read the full written case prior to the presentation. This material will provide the students with enough background information to fully understand the context of the incident, while still leaving some parts to the imagination of the reader. Additionally, it is required that the teacher is well-read into all parts of this case. This includes the written case, the management decisions, as well as the teaching notes. Although this teaching notes includes both main and assisting discussion questions, we invite teachers as well as students to introduce new questions for discussion to further evolve this case.

### *Introduction phase*

Before making use of this case in a classroom setting, we encourage the teachers to fully plan all parts of the case in order to ensure an insightful student experience and successfully manage the time. Given the nature of this open-ended case, its success depends on the ability of the students to adapt to different perspectives in the discussion phase. Therefore, it is the responsibility of the teacher to ensure that the case is presented in an open, relaxed, and inspiring environment with enough time to create an extensive discussion. Moreover, we encourage the teacher to present the case in a way that captures the dramatic feeling of the incidents. This is recommended in order to prepare the students for the fictional setting of the discussion, a last-minute crisis meeting. We highly recommend the use of compelling visuals that aligns with the story of the written case, while initially presenting the case to the students.

### *Discussion phase*

The discussion phase is the core of this case. It is created with the intention of creating curiosity in the students that will enable a fruitful and sharp analysis of the Starbucks incident. To do so, it is required to make the students fully aware of the fictional setting that they are to create the discussion in. The fictional setting is a crisis meeting at the Starbucks headquarters in Seattle. The participants have been gathered rapidly with the intention of deciding on a response to the opening of Stars Coffee in Russia. The teacher's objective is to capture the essence of that critical situation by being compelling in the way they visualize the significance of the situation. We envision the students to consider different perspectives as Starbucks executives from different business departments such as legal, marketing, financial etc. After informing the students about the different perspectives and fully explaining the fictional context of the discussion, it is recommended that the students remain in their roles as executives for the remainder of the discussion phase. If the teacher moderates a large group of students it is possible to assign each student or a group of student-specific executive team roles. However, we do not explicitly recommend doing so since it may hinder the flow of the discussion, since the student would only consider one perspective.

In order to make sure that all of the participating students get the chance to express their thoughts on the case, it is important that the teacher moderates the conversation. It is recommended that this is done by following already established rules of etiquette. With this being said, it is also important to ensure that the discussion is allowed to develop in an organic manner without too much interference from the teacher. When the teacher does interfere with the discussion, it is suggested that the teacher remains objective during the discussion phase. Throughout the discussion, the teacher is encouraged to take notes of the key points that are brought up by the students. We suggest that this is done by dividing the different topics into different categories in a chart. An example of how this can be done is shown under "Board plan". This way, the students are assisted in trying to grasp a holistic view of the situation and its possible solutions and consequences.

One part of the discussion that remains optional for the teacher, is the possibility to divide the discussion phase into two separate parts. In that case, the teacher would follow the instructions of the discussion phase as previously presented. The teacher would then stop the discussion at a given time and present the management decisions part to the students. The discussion would then proceed for a given period, with additional context being given to the part decisions. This would be done in order to illustrate the differences in the suggested solutions with and without being presented with expert commentary. Lastly, it is important to be clear regarding the fact that the provided expert commentary is merely suggestions on how to solve the situation. Therefore, they should not be viewed as the actual management decisions.

### *Conclusion phase*

After thoroughly discussing the different risks and opportunities in terms of decisions for Starbucks, it is appropriate to conclude the key points with the students. This can be done by allowing one or a few of the students to conclude the main

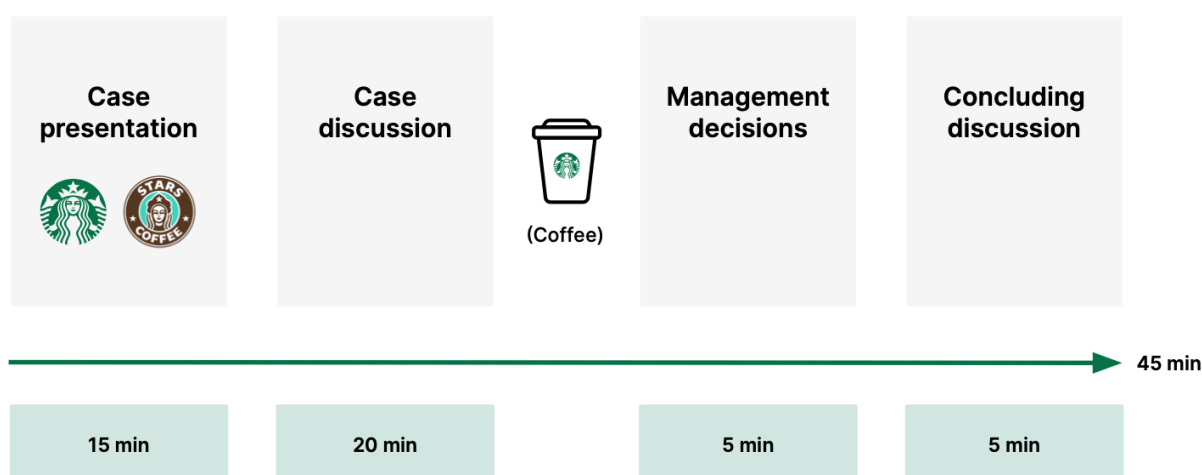
takeaways from the discussion and present these briefly. One way of fully summarizing the discussion is by allowing the students to vote for the different discussed solutions. This can be done using a simple raise of hands in the classroom, or in a more anonymous manner using tools such as Menti. By voting for the different solutions, the participants can come to a general conclusion which can be seen as their management decisions.

After voting, it is time to reveal the management decisions to the students. Given the fact that this case does not have actual management decisions, this means enlightening the students on the fact that the case is open-ended. After doing so, the different expert comments presented in the management decisions document should be presented using similar visual tools as when presenting the case. If the time plan allows it, this could be followed by a short discussion, where the students have the opportunity to proceed with the discussion after the expert comments. The last step of the conclusion phase is for the teacher to discuss the key learning points of this case, by connecting the discussed aspects to the previously mentioned topics under “Overview of key learnings”. This can be executed by writing down 10-13 final bullet points on the whiteboard, that are concluded by the students.

### *Time plan*

In this section, a proposed time for each segment of the case presentation is provided. The suggested time plan is designed to ensure thorough coverage of each aspect of the case, allowing enough time at the end of the presentation to facilitate discussion and reflection. The time frame for this case is 45 minutes, as illustrated in *Figure 1* below.

1. Case presentation (background, the incident, management question)
2. Case discussion
3. Presenting management decisions and expert comments
4. Concluding discussion and summary

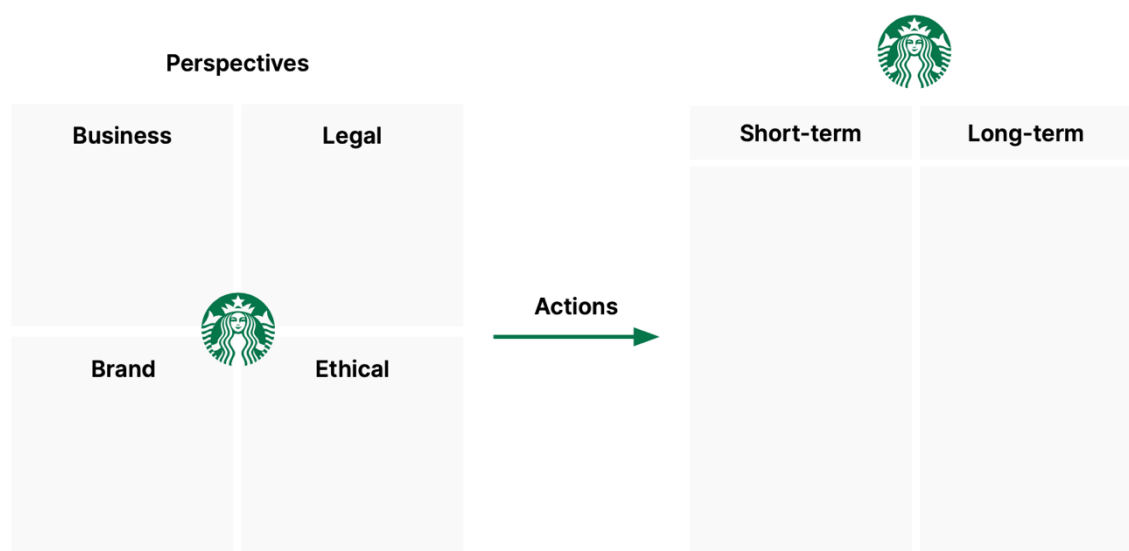


**Figure 1.** Time plan



## Board plan

The following part consists of a suggested structure for taking notes throughout the discussion phase. During this phase, the teacher is encouraged to take notes of the key points that are brought up by the students. To do so in a structured manner and accurately connect the discussion with the learning objectives, we have created a suggested structure to follow. We suggest dividing the different topics into four different categories: Business, legal, brand, and ethical. This can be done using a 2 by 2 chart on the whiteboard. We believe however that it is best to start the discussion phase with a clear chart, which can be labeled with the different categories as the discussion develops. That way, the discussion can remain organic and participating students will not be led by the teacher to explore different perspectives. We also recommend that the suggested actions are divided into two different lists, one being short-term and the other being long-term, during the concluding parts. This way, the students are assisted in trying to grasp a holistic view of the situation and its possible solutions and consequences. This type of chart is illustrated in Figure 2.



**Figure 2.** Board plan

## Case reflection

The creation and execution of this Master case is a part of the Corporate Brand Management and Reputation Course at Lund University, taught by Professor Mats Urde. During this course, and especially during the writing of this case, we have had the opportunity to steer away from conventional theoretical learning and instead deep dive into the challenges of writing and solving practical cases. This opportunity has been shown to be a stimulating, useful and demanding experience. There are several aspects of that challenge which have caused us to stop and reflect during our process. One of the main challenges of writing the Starbucks case is the fact that it is open-ended. Not having the guidance of actual management decisions has made our work process more independent and creative, where we had to find alternative material by using expert commentary. Consequently, this case lacks an objective direction of right

and wrong that an already existing management decisions would have provided. This has made both the writing and discussion process harder, since we and the discussion participants do not know how the situation with Starbucks and Stars Coffee will evolve.

However, as we wrote this case, we came to the conclusion that the uncertainty of this case can be seen as a strength as well as a weakness. For people making use of this case, one can choose to interpret it in different ways and moderate the discussion to certain wanted directions, by altering the discussion questions. While analyzing this case, we have gained an understanding of the consequences of our uncertain contemporary society. This was illustrated when attempting to solve a demanding situation that happened during an ongoing war. We believe that the Starbucks case serves as an example of a situation that other companies will face as our world becomes more socially, politically, and economically unpredictable. Therefore, we hope that this case can act as a resource for further understanding the internal and external complexities that come with most business dilemmas and its decisions today. For future explorations of similar incidents, we encourage analyzing the corporate reputation with a further focus on corporate identity and image. We would like to seize the opportunity to express our genuine gratitude for the educational opportunities that this course has given us. Finally, we hope that this business case can be as inspiring, educational, and thought-provoking for others as it has been for us.

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