The Financial Statement Analysis of Starbucks

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Abstract: This article analyzes the business strategy and financial performance of Starbucks corporation. Starbucks is currently the biggest retail coffee store chain in the industry, and it has just been through the COVID-19 period with the demand of expansion of their business. It is worth to take a deep look at Starbucks performance to gain an understanding of what strategies Starbucks is taking and how Starbucks performed during this unique period of time. We identify Starbucks strategies by using Porter's Five Forces analysis, SWOT analysis, PESTLE Analysis and give a general strategy that Starbucks has been taken. Next, we give an overview of Starbucks' annual report at first. Then, we demonstrate common-size analysis and ratio analysis on its three financial data. Finally, we project the following five years' revenue for Starbucks. The analysis reveals the Starbucks ability to operate well and generate revenue in the future. Hopefully, implication on business operation in a retail store can be provided, and stakeholders could have a fresh perception on Starbucks.

1. Introduction

Starbucks is the one of the largest coffee chains in the world that is listed in the United States. It serves coffeehouses and also offers cake and snacks. Starbucks is in the industry of retail coffee and snacks store, or beverage store. It has opened its stores worldwide and its main market is in U.S. and East Asian. Starbucks has a long operating history and is worth to analysis and discuses from the perspective of business performance.

1.1 Background

Starbucks opened its first store in Seattle's historic Pike Place Market 1971. Howard Schultz joined the company ten years later, in 1982. Howard Schultz first visited Italy's coffeehouses in 1983, and he returned to Seattle inspired to bring the warmth and artistry of its coffee culture to Starbucks. By 1987, Starbucks had switched from brown to green aprons and was embarking on their next chapter as a coffeehouse. Starbucks quickly expanded to Chicago and Vancouver, Canada, followed by California, Washington, D.C., and New York. It crossed the Pacific in 1996 to open their first store in Japan, followed by Europe in 1998 and China in 1999. Over the next two decades, it would grow to serve millions of customers in tens of thousands of neighborhoods worldwide. Starbucks are always committed to their Mission: to inspire and nurture the human spirit – one person, one cup, and one neighborhood at a time [1].

It is necessary to recognize a significance of coffee shops to urban area and its residents. Chadios [2] concludes coffee shops, with the advancement of technology, particularly Wi-Fi, may now serve as crucial public places in times when traditional public space eclipses. Ferreira et al. [3] states, while many people visit the coffee shop for a cap of coffee, a bit of bakery, or just take some break, there is the potential for coffee shops to have a greater impact on their local communities through the creation of spaces that is conducive for public activities, whether this may be accomplished by forming a group based on a common interest, providing a chance to collaborate with others in a similar circumstance, or just providing a connection to others in your local community.

1.2 Motivation

Starbucks have been running their business successfully for decades. Due to the important role that coffee shops could play in cities and communities, we would like to provide a more comprehensive analysis on Starbucks recent industry and financial performance, especially when it experienced a pandemic wave while it was trying to expand their business worldwide, in terms of examining a typical modern coffee shop chain

1.3 Contribution

Hopefully, this article could provide some operating implication to companies that are in beverage retail store business and coffee chain store industry, especially when the industry experience a down time while companies are trying to expand their business. Also, some insight to potential future Starbucks investors and lenders who would like to know the financial performance through a particular historical period could be brought by the analysis.

1.4 Remaining Structure

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2. Literature Review

Starbucks is one of the world's largest coffee chains and is has been operating their business worldwide successfully. The company's financial performance is worth studying. There are many articles focusing on Starbucks' strategies and financial statements. Geereddy [4] conducts an analysis on Starbucks strategy from perspective of SWOT Analysis, Porters Five Forces Analysis, and Value Chain Analysis. However, his analysis rarely discuses on financial statement performance, which is an important factor to consider when we analysis on corporation. Also, Starbucks is committed to providing high-quality services. Kim and Park [5] indicates that coffee shops are combined with spatial design marketing to provide consumers with a place for diversified experiences.

During the COVID-19 pandemic, many catering and coffee companies have been severely affected and Starbucks is not alone. Lombardi et al. [6] analyze Starbucks' market response during the COVID-19 pandemic and suggests that despite setbacks from the COVID-19 global pandemic, Starbucks has grown as a company for decades and has the solid roots to survive well past the current environmental conditions. Starbucks has adopted two strategies to deal with economic recession during the epidemic and they are expansion and differentiation strategies. According to Wang [7], Starbucks adopted differentiation strategy to maximize profits in the epidemic. Starbucks is also expected to take advantage of globalization to extend the company's overseas markets in order to truly utilize the company's potential [8].

Not only marketing strategies, but also their accounting strategies have been adjusted in recent years. They continued their stock repurchase program. However, they expand the amount of stocks to repurchase. In 2017 and 2018, Starbucks repurchased a large amount of their stocks. Sonika et al. [9] states that open market repurchase programs provide firms with the flexibility in managing their cash and risk environment. And they analyze the important drivers of the three stages of share repurchase program. White [10] analyzes the history of Starbucks' stock repurchase and the owner of Starbucks. Starbucks was largely institution owned, with institutions holding about 72% of its shares, and the top 10 institutional investors owning 38% of the firm. Many of its institutional owners were mutual fund firms and its top investors.

3. The Analysis of Starbucks

3.1 Strategy

3.1.1 Five forces analysis

(1) Threat of new entrants: Moderate

High-volume incumbents find it considerably easier to enter the coffee business due to economies of scale than smaller newcomers. However, they are constrained by the expensive expense of establishing brand loyalty. Small businesses are often restricted by distribution channels.

(2) Bargaining power of supplier: Low

There are many coffee bean providers who sell beans with little difference. Starbucks does not earn money by relying on a single bean supply.

(3) Bargaining power of customer: Moderate

The cost of switching is modest, but individual purchases are little, and single consumers do not have significant clout.

(4) Threat of substitutes: High

There are many alternatives to Starbucks coffee, such as milk tea, juices, and so on, that are much cheaper.

(5) Industry Rivalry: High

Starbucks is up against a lot of competition. Furthermore, the coffee industry is well-established.

3.1.2 SWOT Analysis

Starbucks' business has been analysis by using SWOT Analysis model, as shown in Table.1.

Table.1. Strengths, Weaknesses, Opportunities, and Threats

Strengths: 1. Extensive international supply chain 2. Selling online (APP) 3. Relaxed environment	Weaknesses: 1. Expensive product 2. Single drink (coffee) 3. Little food
Opportunities: 1. Market expansion 2. Raising coffee demand in Asia 3. Introducing new products	Threats: 1. Increased competition 2. Coronavirus (less eat out) 3. Rising coffee bean price

3.1.3 PESTLE Analysis

(1) Political: One of the elements that has aided Starbucks Corporation in expanding its operations abroad, particularly in India, is globalization. India is a technology-driven country that is constantly improving its e-government projects and establishing the framework for electronic registration. It is advantageous to streamline the start-up process, especially for Starbucks.

(2) Economic: Starbucks has been harmed by economic factors. The current recession has pushed individuals to cut back on their spending, which has impacted Starbucks' sales. Starbucks' profitability was harmed as a result of this factor. Rising labor and operating costs are a concern for the organization. Also, the price of coffee beans has increased, forcing Starbucks to raise its coffee pricing.

(3) Social: Customers are concerned about the nutritional composition of specialty coffee drinks, as well as the accuracy of product labeling and calorie information displayed at retail stores. It puts Starbucks in a difficult situation, and in order to meet and respond to their consumers' requests, they will need to provide the greatest tasting and healthier options for its customers, as well as market to a more health-conscious coffee drinker

(4) Technological: Coffee shops are growing into locations that provide customers with a variety of experiences, using coffee as a medium. Thus, Starbucks has already installed Wi-Fi at its locations.

While enjoying Starbucks coffee, customers can surf the web and work. This adds to the bra's value. Furthermore, Starbucks introduced APP that allows customers to purchase online.

(5) Legal: Rival coffee shops begin to establish coffee drinks that replicate Starbucks' business procedures, name, products, and even its company logo as the company continues to evolve globally. Starbucks used intellectual property rights to safeguard its history from being imitated by competitors around the world and to set itself apart from the competition to avoid customer confusion. In addition, the company's ethics and compliance program prioritizes non-discrimination and equitable treatment of all employees. Furthermore, its partners are prohibited from giving or receiving bribes or kickbacks of any type, both directly and indirectly.

(6) Environmental: The environment is growing more and more polluted. To aid with this, Starbucks could develop ecologically friendly business models and strategies. They stepped up their efforts to protect carbon-absorbing tropical forests in a number of coffee-growing areas. Starbucks has incorporated energy conservation, water conservation, and other green building initiatives to lessen the company's environmental imprint. Furthermore, the company used a systems-thinking approach, resulting in cups and other packaging materials that are more environmentally friendly and widely recyclable.

3.1.4 Generic Strategies

(1) Differentiation Strategy: With appealing of other brands with lower price, Starbucks should be different from others. It touts its products as "an affordable luxury for the majority of people" who is dedicated to becoming a third location apart from home and business, providing customers with a more trendy and friendly atmosphere [5]. According to Wang [7], Starbucks implemented differentiation strategy to boost profit. Differentiation strategy can make it unique and competitive in the increasingly fierce competition.

(2) Expansion Strategy: As the global economy recovers from the economic crisis, coffee consumption is more likely to return to the annual growth rate of 2.0 - 2.5 per cent that existed during the majority of the preceding decade [8]. Coffee is famous in numerous countries such as India, which is fashionable, trendy and to sociable beverage. Developing countries should be priorities for expansion because the country’s high coffee consumption is a huge benefit for a firm that sells high-quality coffee as its core product.

3.2 Accounting

3.2.1 Revenue Recognition

According to Starbucks’ 10-k annual report 2020 [11], revenue recognition is categorized into four main sections. They are Company-operated Store Revenues, Licensed Store Revenues, Stored Value Cards, Loyalty Program, Other Revenues.

For company-operated store, revenues are recognized when payment is tendered at the point of sale as the performance obligation has been satisfied. For licensed store, revenues are generally recognized upon shipment to licensees. There are pre-opening services and royalty revenues related to licensed store. They are separately recognized upon completion of the related performance obligations, and percentage of sales. For stored value cards, the amount of money charged into value cards is first recorded as deferred revenue and recognized as revenue upon redemption through time. The process includes an estimation of redemption rate. Starbucks observed that a portion of stored value cards is not expected to be redeemed, and they will be recognized as breakage over time in proportion to stored value card redemptions. Starbucks estimate the redemption rate based on historical patterns. Loyalty program also requires an estimation. Since customers could redeem free products by earn stars in the loyalty program, Starbucks defer revenue associated with the estimated selling price of free product that could be redeem towards each star, and net of estimated unredeemed Stars, which expire after six months. When customer redeems reward product, Starbucks recognized revenue corresponding to that product.

3.2.2 Goodwill and Acquisition

According to Starbucks' press release [12], Starbucks' acquisition of Teavana resulted in a loss and gain of goodwill. Starbucks acquired Teavana in 2012 for US$620 million, the largest acquisition in its history. Its acquisition did not go well at first. Starbucks announced it was set to conquer the $90 billion tea market in 2014. However, it did not perform to the market's expectations in 2017. As a result, it closed all 379 Teavana shops. Its failure occurred as a result of its bad decisions. High rents, selling tea in a mall that was on the verge of closing and the wrong size of the market were all reasons why Starbucks' acquisition did not work out.

3.2.3 Significant Changes to Accounting

On September 30, 2019, Starbucks adopted the FASB's new guidance on lease recognition and measurement using a modified retrospective approach. According to Changes in Accounting Principle, item8 of part 2, the Company changed its method of accounting for leases effective September 30, 2019 [13], due to adoption of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) No. 842, Leases.

The new FASB guidance on leases had a material impact on Starbucks' consolidated balance sheet; however, it did not have a material impact on the consolidated income statement. The most significant impact was the recognition of $8.4 billion of right-of-use assets upon adoption of the standard and a corresponding lease liability of $9.0 billion related to Starbucks' operating leases.

Also, net cash provided by operating activities for fiscal 2016 and fiscal 2017 has been adjusted for the adoption of new accounting guidance related to excess tax benefits as discussed in Note 1, Summary of Significant Accounting Policies.

3.2.4 Common-size analysis

Common-size analysis will compare Starbucks' financial data horizontally through a period of time. And the changes will be calculated as a percentage of change from last year. Consequently, the items that have a large percentage of change would be easily located and analyzed. The following tables are selected common-size analysis on Starbucks' financial statement for recent three years with major changes

Table.2. Common-Size Analysis of Balance Sheet Items

Fiscal Year Ended (In millions)	Sep 27, 2020		Sep 29, 2019		Sep 30, 2018	
Cash and cash equivalents	$4,350.90	14.81%	$2,686.60	13.98%	$8,756.3	36.25%
Short-term investments	281.20	0.96%	70.50	0.37%	181.50	0.75%
Accounts receivable, net	883.40	3.01%	879.20	4.57%	693.10	2.87%
Inventories	1,551.40	5.28%	1,529.40	7.96%	1,400.50	5.80%
Prepaid expenses and other current assets	739.50	2.52%	488.20	2.54%	1,462.80	6.06%
Total current assets	7,806.40	26.58%	5,653.90	29.42%	12,494.20	51.72%
Long-term investments	206.10	0.70%	220.00	1.14%	267.70	1.11%
Equity investments	478.70	1.63%	396.00	2.06%	334.70	1.39%
Property, plant and equipment, net	6,241.40	21.25%	6,431.70	33.46%	5,929.10	24.54%
Operating lease, right-of-use asset	8,134.10	27.69%	-	0.00%		0.00%
Deferred income taxes, net	1,789.90	6.09%	1,765.80	9.19%	134.70	0.56%
Other long-term assets	568.60	1.94%	479.60	2.50%	412.20	1.71%
Other intangible assets	552.10	1.88%	781.80	4.07%	1,042.20	4.31%
Goodwill	3,597.20	12.25%	3,490.80	18.16%	3,541.60	14.66%
Total Assets	29,374.50	100%	19,219.60	100%	24,156.40	100%

Current liabilities:						
Accounts payable	997.90	3.40%	1,189.70	6.19%	1,179.30	4.88%
Accrued liabilities	1,160.70	3.95%	1,753.70	9.12%	1,752.50	7.25%
Accrued payroll and benefits	696.00	2.37%	664.60	3.46%	656.80	2.72%
Income taxes payable	98.20	0.33%	1,291.70	6.72%	102.80	0.43%
Current portion of operating lease liability	1,248.80	4.25%	-	0.00%	-	0.00%
Stored value card liability and current portion of deferred		0.00%		0.00%		0.00%
revenue	1,456.50	4.96%	1,269.00	6.60%	1,642.90	6.80%
Short-term debt	438.80	1.49%	-	0.00%	-	0.00%
Current portion of long-term debt	1,249.90	4.26%	-	0.00%	349.90	1.45%
Total current liabilities	7,346.80	25.01%	6,168.70	32.10%	5,684.20	23.53%
Long-term debt	14,659.60	49.91%	11,167.00	58.10%	9,090.20	37.63%
Operating lease liability	7,661.70	26.08%	-	0.00%	-	0.00%
Deferred revenue	6,598.50	22.46%	6,744.40	35.09%	6,775.70	28.05%
Other long-term liabilities	907.30	3.09%	1,370.50	7.13%	1,430.50	5.92%
Total Liabilities	37,173.90	126.55%	25,450.60	132.42%	22,980.60	95.13%
Shareholders' deficit:						
Common stock ($0.001par value) - authorized, 2,400.0 shares; issued and outstanding, 1,173.3 and 1,184.6 shares, respectively, year 2020	1.20		1.20		1.30	
Additional paid-in capital	373.90		41.10		41.10	
Retained earnings/(deficit)	(7,815.60)		(5,771.20)		1,457.40	
Accumulated other comprehensive loss	(364.60)		(503.30)		(330.30)	
Total shareholders' euqity/(deficit)	(7,805.10)		(6,232.20)		1,169.50	
Noncontrolling interests	5.70		1.20		6.30	
Total equity/(deficit)	(7,799.40)		(6,231.00)		1,175.80	
Total Liabilities and shareholders' equity (deficit)	29,374.50		19,219.60		24,156.40	

Table.2. [11 - 14] demonstrates that Starbucks cash dropped largely from 2018, and total liabilities increased largely from 2018. Their total liabilities exceed their assets in 2019 and 2020. As the result, they have shareholders' deficit in 2019 and 2020. The reason is that in 2017 and 2018, Starbucks repurchased 131.5 and 139.6 common stocks respectively. This can be found in its 2019 annual report, consolidated statements of equity. As the result, their cash decreased largely, and their equity had a deficit.

Among total liabilities, almost 50% is long-term debt in 2020 and 2019. Long-term debt means Starbucks don't have to pay the principal in a few years. According to Starbucks' annual report 2020, the following years long-term debt maturities are $1,250.0 million, $500.0 million, $1,000.0 million, $1,538.3 million and $6,950.0 thereafter. Maturities have a relatively small size in terms of total liabilities. The reason for so much debt and less cash are that on December 31, 2017, the first quarter of fiscal 2018. Starbucks acquired the remaining 50% interest of our East China joint venture ("East

China") from President Chain Store for approximately $1.4 billion. It was that time Starbucks borrowed a lot of debt and spent a lot of cash.

Additionally, pursuant to the FASB transition guidance, Starbucks derecognized build-to-suit lease assets, previously recorded in property, plant and equipment, net, along with the corresponding liabilities on the consolidated balance sheet as of September 30, 2019. Accordingly, these leases have been recorded as operating leases as of the adoption date and are now included in operating lease, right-of-use assets, and operating lease liabilities on the consolidated balance sheet, correspondingly. As of the adoption date, accumulated deficit within shareholder's equity on its consolidated balance sheet decreased by $17.3 million, primarily related to the derecognition of build-to-suit leasing arrangements.

Table.3. Common size analysis of income statement

Fiscal Year Ended (in millions)	Sep 27, 2020		Sep 29, 2019		Sep 30, 2018	
Net Revenue						
Company-operated stores	19,164.60	81.49%	21,544.40	81.27%	19,690.30	79.65%
Licensed stores	2,327.10	9.89%	2,875.00	10.85%	2,652.20	10.73%
Other	2,026.30	8.62%	2,089.20	7.88%	2,377.00	9.62%
Total net revenues	23,518.00	100.00%	26,508.60	100.00%	24,719.50	100.00%
Product and distribution costs	7,694.90	32.72%	8,526.90	32.17%	7,930.70	32.08%
Store operating expenses	10,764.00	45.77%	10,493.60	39.59%	9,472.20	38.32%
Other operating expenses	430.30	1.83%	371.00	1.40%	554.90	2.24%
D & A expense	1,431.30	6.09%	1,377.30	5.20%	1,247.00	5.04%
G & A expense	1,679.60	7.14%	1,824.10	6.88%	1,708.20	6.91%
Restructuring & impairments	278.70	1.19%	135.80	0.51%	224.40	0.91%
Total operating expenses	22,278.80	94.73%	22,728.70	85.74%	21,137.40	85.51%
Income from equity investees	322.50	1.37%	298.00	1.12%	301.20	1.22%
Operating income	1,561.70	6.64%	4,077.90	15.38%	3,883.30	15.71%
Gain resulting from acquisition	-	0.00%	-	0.00%	1,376.40	5.57%
Net gain resulting from divestiture of certain operations	-	0.00%	622.80	2.35%	499.20	2.02%
Interest income and other, net	39.70	0.17%	96.50	0.36%	191.40	0.77%
Interest expense	437.00	1.86%	331.00	1.25%	170.30	0.69%
Earnings before income taxes	1,164.40	4.95%	4,466.20	16.85%	5,780.00	23.38%
Income tax expense	239.70	1.02%	871.60	3.29%	1,262.00	5.11%
Net earnings including noncontrolling interests	924.70	3.93%	3,594.60	13.56%	4,518.00	18.28%
Net loss attributable to noncontrolling interests	(3.60)	-0.02%	(4.60)	-0.02%	(0.30)	0.00%
Net earnings attributable to Starbucks	$928.30	3.95%	$3,599.20	13.58%	$4,518.30	18.28%

In the common size analysis of income statement [11 - 14], Table.3. shows that the percentage of net earnings to total net revenue is decreased largely, from 18.28% to 13.58% and 3.95% in three consecutive years. With revenue remained the almost same for three years, all their expenses were increased. Their total operating expenses increased almost 10 % in 2020. Starbucks were incurred more cost without making more sales. Relating to their balance sheets analysis, the interest expense in 2019 increased 2 times from 2018, which means they issued a lot of debt during that time.

3.2.5 Profitability and Risk Analysis

Table.4. Return on Equity

	2020	2019	2018
Profit Margin	3.93%	13.56%	18.28%
Assets Turnover	0.9679	1.22556	1.28
Capital Structure Leverage	-3.46	-8.56	5.82
ROEC	-13.17%	-142.26%	136.16%

Table.4. calculated the return on equity ratios, the negative Capital Structure Leverage and ROEC is caused by the equity deficit. The lower Assets turnover is because the decreased sales caused by covid-19.

Table.5. Turnover Ratios

	2020	2019	2018
Accounts Receivable Turnover	3.93%	13.56%	18.28%
Inventory Turnover	0.9679	1.22556	1.28
Accounts Payable Turnover	-3.46	-8.56	5.82

Table.5. calculated the Accounts Receivable Turnover and inventory turnover both decreased in from 2018 to 2020. That means Starbucks sold their inventory and collect its receivables slower than previous years. Meanwhile, accounts payable turnover also decreased. It took Starbucks longer to pay off its suppliers than in previous periods.

Table.6. Liquidity Ratios

	2020	2019	2018
Current Ratio	1.06	0.92	2.2
Quick Ratio	0.75	0.59	1.69
Operating Cash Flow to Current Liabilities Ratio	0.24	0.85	2.41

Short term liquidity ratios all slightly reduced during these three years. It means Starbucks' capacity to pay its current liabilities weakened. This is due to the significant expansion leading to an increase in liabilities. Furthermore, Interest Coverage ratio is drastically decreasing between 2018 and 2020. Although Starbucks is able to pay for debts, it should be vigilant and take measures to prevent problems before happening.

Table.7. Leverage Ratios

	2020	2019	2018
Liabilities to Shareholders' Equity	-4.77	-4.08	19.54
Long-term Debt to Long-term Capital	2.14	2.26	0.89
Long-term Dbet to Shareholders' Equity	-1.88	-1.79	7.73

From leverage Ratio, the overall trend of Liabilities is upward. As discussed above, it is caused by taking debt to expansion and acquisition. Therefore, the Interest Coverage Ratios were dropped correspondingly, as demonstrated in Table.8.

Table.8. Solvency Ratios

	2020	2019	2018
Interest Coverage Ratio (Net Income Basis)	3.66	14.49	34.94
Interest Coverage Ratio (Cash Flow Basis)	9.28	19.42	96.66

3.2.6 Revenue Forecast

In general, the future of Starbucks is optimistic. Starbucks has three reportable operating segments, and they are Americas, International, and channel development. According to its annual report 2020 [11], the U.S. market accounts for 70% of the total. International and channel development market account for more than 22% and 8% of the total. Starbucks has a huge advantage in the United States, with a market share of about 80 percent. This supports the company's revenue growth, although Starbucks lowered its expectations for the growth of the Chinese market, which may be directly related to the competition in the Chinese coffee market.

Before the covid-19 pandemic, total net revenue of Starbucks grows continuously, although the rate of increase varies from year to year. The average growth rate from 2016 to 2019 is 8.48%. Because of the Covid-19, total revenue of Starbucks decreased sharply in 2020. How quickly a company can recover from COVID-19 can determines whether it can continue to grow. As a member of the coffee industry, the number of stores is of vital importance to Starbucks. Instead of permanently closing, many stores continue to offer take-out services. Starbucks only permanently closed 310 company-operated stores and 304 licensed stores permanently around the world in fiscal year 2020. The impact of the epidemic is not even visible in the number of stores. Starbucks continues to expand after the pandemic, In the 2021 fiscal year, Starbucks plans to open approximately 850 stores in the United States. Starbucks also plans to significantly expend new stores in the international market.

Starbucks customers are not very price sensitive. Starbucks prices have been raised slightly over the past few years. Higher prices sometimes lead to lower sales, but Starbucks' sales revenue has been growing. The exception was during the pandemic, when prices rose significantly, and sales fell sharply. It is possible that Starbucks will raise prices after the pandemic. If so, Starbucks' revenue will grow again.

Although Starbucks' 2021 financial statements have not yet been released, Q4 results have already been released. Net revenue in millions of Q1, Q2, Q3, and Q4 of fiscal year 2021 is $6,749.4, $6,668, $7,496.5 and $8,146.7 million, which is $29,060.6 million in total. Starbucks' global same-store sales increased by 73% year-on-year, of which same-store sales in the US market increased by 83% year-on-year. Although, the coronavirus has a historical pattern of surging during the wintertime and Starbucks Chief Financial Officer Rachel also stated [15] in the earnings call that some of Starbucks' international markets still lag behind the United States in terms of vaccination and personnel mobility, net revenue of Starbucks still exceeds $29 billion US dollars in fiscal year 2021.

With more and more people are vaccinated, Covid-19 is no longer a threat to human beings. It is believed that post-pandemic period is coming, and everything will be back on track soon, so does the revenue growth rate of Starbucks. In this case, growth rate of net revenue of Starbucks is able to grow continuously in the way it did before the pandemic and drives Starbucks' revenue higher and higher each year staring year 2022.

Table.9. The Total net Revenue of Past Five Years

Year	2017	2018	2019	2020	2021
Revenue (in million)	$22,386.8	$24,719.5	$26,508.6	$23,518.0	$29,060.6
Growth Rate	5.02%	10.42%	7.24%	-11.28%	23.57%

With the revenue of 2021 being posted, the revenue of the next five years can be simply calculated. The next five years revenue are forecasted based on the historical growth rate. However, since 2020 is a pandemic year, I do not take the decline of the revenue of 2020 into the consideration. I believe we are experiencing the post-pandemic period, so everything will be back on track, soon. So do the revenue growth rate of Starbucks. The revenue of 2019 and 2018 are 26,508.60 million, and 24,719.50 million respectively. If we put the 29,060.60 million into consideration, a pattern of 7% growth rate and 9.6% growth rate can be revealed. Normally, the growth rate is likely to exceed 10%, or even higher. Since Starbucks is a stable company, there would be normal fluctuations in growth rates, rather than a straight line, the assumption of growth rate following 2021 would be,10%,11%,12%,10% and 12% most likely. Therefore, the revenue of the next following five years is demonstrated in Table.10.

Table.10. The Projection of Net Revenue in Next Five Years

Year	2022	2023	2024	2025	2026
Revenue (in million)	$31,996.66	$35,482,26	$39,740.13	$43,714.14	$48,959.84

4. Industry Analysis

Starbucks has almost become the symbol of coffee. It is the world's largest coffee chain. Other brands have much smaller revenues than Starbucks. Costa Coffee, for example, has a revenue of more than £1 billion, but less than a tenth of Starbucks'. Dunkin has $1.37 billion in revenue, and an interesting debt to-to-equity ratio of -5.28 [6], which means Dunkin has a high leverage, and currently has negative equity. Starbucks has 4.35 billion in cash on hand, having a lot of initiative in management.

Starbucks has a steady stream of customers. A large majority of decisions to purchase are considerably frequent repeat decisions. According to Lepore [6, 16], a Starbucks customer consumes approximately 6 times in a month. In addition, 20% of customers are loyal customers who visit the store about 16 times during the same time span. More importantly, almost half of Starbucks Coffee’s total revenue comes from men and women ages 25-40, and they are also the company’s primary market target [6, 17]. According to Rafii, these customers tend to be “professional urbanites” with relatively higher socioeconomic status and income, who consider the Starbucks logo as a status symbol and want to be associated with it. What is more, another 40 percent of the total market targets young adult between the ages of 18 and 24, many of whom are university students. Starbucks Coffee stores on college campuses are even more attractive due to their function as a place to socialize and study as well as offering products. Having a cup of coffee while discussing homework is a daily routine for many college students.

5. Conclusion and Discussion

In conclusion, Starbucks is gradually recovering from the impact of COVID-19 and they have a great potential of growth, because Starbucks has developed a mature operation strategy. Although Starbucks has a really good performance in the current fiscal year, there are still some issues to concern. High debts take measures to prevent problems before happening. And the high competition market in China is needed managers to pay more attention to it. Above all, the performance of Starbucks in Chinese market and the developing country market is worth observing.

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