Discuss Starbucks Under the COVID-19 Pandemic from the Finance

Xiaozhen Li[(✉)]

Beijing Normal University-Hong Kong Baptist University United International College, Zhuhai, China
q030024157@mail.uic.edu.cn

Abstract. Based on the background of COVID-19, the financial impact of Starbucks was discussed, that is, whether timely measures were taken to restore Starbucks' financial data to pre-epidemic levels. Through analysis and assumptions, this paper considers that 2020 is the main year affected by the epidemic. Therefore, the author assumes that 2019 is the unaffected year and 2021 is the latest formula annual report. Therefore, the impact of the epidemic on Starbucks can be inferred by comparing the data of the 2020 annual public report and the 2019 annual public report, and Starbucks' ability to respond to the epidemic can be inferred by comparing the data of the 2021 annual public report and the 2019 annual public report. At the end of the article, some suggestions are given to Starbucks.

Keywords: Covid 19 · Starbucks · Business development · Financial analysis

1 Introduction

At the end of the 16th century, European nobles sent coffee beans to each other on special days to show friendship, or to friends who had not seen each other for a long time. Coffee was also a status symbol at that time. Coffee was transported to the whole world by sea in the turbulent age of great navigation, and the whole world has been included in the production and consumption of coffee. With the passage of time, coffee gradually became a daily, civilian, and affordable drink for everyone. In the coffee industry, we have to mention the leading brand – Starbucks. Starbucks was founded in 1971. It opened its first store in Seattle, United States. It soon expanded across North America. By 1996, Starbucks had crossed the Pacific, opening its first store in Japan, followed by Europe in 1998 and China in 1999.

That's when Starbucks came of age. However, since 2019, an outbreak of unexpected new crown makes the world economy influence different level, in order to curb the spread of disease, the various regions and countries the government claims that different degree of social distance measures (Tison et al., 2020) [1], some countries such as China suspended mandatory shutdown, and Europe and the United States policy although not mandatory but it is also introduced a ban. However, by 2022, most countries have resumed their pre-epidemic policies and resumed normal work and life. It is a good time to analyze whether the company's finance has been affected by the epidemic. Therefore,

in this era, the author analyzed the annual report from 2019 to 2021 to discuss whether Starbucks, the most famous service brand in the coffee industry, was seriously affected by the epidemic, whether it launched strategies in time to solve the problem, and at the same time gave some predictive suggestions.

Through the analysis, it can be concluded that the COVID-19 epidemic has had an impact on Starbucks in terms of finance – Overall profits fell at the start of the pandemic, but Starbucks responded quickly and recovered within a year. At the same time, in addition to the COVID-19 epidemic, the decline of brand competitiveness in the market and the change of target customers may lead to changes in financial data, but this paper does not focus on the analysis and will give corresponding suggestions in the last part.

2 Research Method

This part is analyzed by directly comparing some data of Starbucks' annual financial reports released on the official website from 2019 to 2021. The research topic of this paper is to discuss the impact of COVID-19 on Starbucks' financial aspects. The research method of this paper is as follows: Firstly, collect the first-hand data directly presented by Starbucks in the report and displayed in newspapers or Yahoo! Second hand data presented in Finance are supported and analyzed in the next step.

2.1 Primary Data

Definition: The primary data is also known as the unique first-hand data acquired based on a survey or an interview. This data is obtained directly from the source (Hox & Boeije, 2005) [2].

The author mainly selected some figures in Comprehensive Income, Balance Sheets, and Statements of Equity, the specific items and values are shown in Table 1. Meanwhile, in order to analyze which annual reports were mainly affected by COVID-19, the author also provided the proportion of Starbucks' main business in different regions, which was obtained from Yahoo! Finance. The specific values are shown in Fig. 1.

2.2 Secondary Data

Secondary data is second-hand data which is possible to use data collected earlier by other researchers or for other purposes than research, such as statistics, administrative records, or other accounts kept routinely by organizations. By virtue of being archived and made available, any type of primary data can serve as secondary data. (Hox & Boeije, 2005) [2].

The authors through Yahoo! Finance obtained the secondary data. The specific parameters of ratios and values are shown in Table 2.

2.3 Analysis

Analyze according to the data in Table 1, Table 2, and Fig. 1 shown.

Since the COVID-19 epidemic began to spread rapidly in A large area in China at the end of 2019, different countries in the world were affected by the epidemic at different times, and Starbucks' main business was mainly in North America, we can make a reasonable inference that the epidemic mainly affected the financial year of Sep 27, 2020.

This means that Sep 29, 2019 is the normal development report before the COVID-19 outbreak, while Oct 3, 2021 is the report data of Starbucks about one year after the COVID-19 outbreak. By comparing the data of Sep 27, 2020 and Sep 29, 2019, the author can infer the impact of the epidemic on Starbucks and what aspects it mainly affected. By comparing the data of Oct 3, 2021 and Sep 29, 2019, the author can infer the response ability and speed of Starbucks to the epidemic. Next, the author will make analysis according to this classification.

2.3.1 Analysis of Primary Data

2.3.1.1. Sep 27, 2020 and Sep 29, 2019

Let's start with Starbucks Corporation Consolidated Statements of Comprehensive Income. Total Net revenues in 2020 decreased by 11.28% compared with 2019, which means that Starbucks' sales revenue in this financial year is affected. However, total operating expenses have not undergone significant changes and are relatively stable. Operating income is the profit earned by an enterprise in production and operation activities, which is the main source of corporate profits. This means that the profit earned by Starbucks from its main business has decreased by 61.7%. Another data worth our attention is Net earnings from Attributable to Starbucks, which decreased by 74.21%. CFO Patrick Grismer stated that this COVID-19 pandemic has caused 80 percent of flow-through on dropped revenue. After the event in the Quick Service and Fast Casual Restaurant News and Information. In 2020, if Starbucks is less than 80%, it can be proved that Starbucks' profit is higher than the average of the Quick-service and Fast Casual Restaurant industry.

2.3.1.2. Oct 3, 2021 and Sep 29, 2019

By comparing the values of 2021 and 2019, there is little difference between total Net revenues and total operating expenses, with variations ranging from 10%, while operating income increases by about 20%. This means that Starbucks' profits from its main business have returned to pre-pandemic levels and even increased. Net earnings attributable to Starbucks rose 17%, Which is a useful number for investors to assess how much revenue exceeds the expenses of an organization indicator of a company's profitability. This proves that the company has a good influence on investors, which is convenient for subsequent development. At the same time, from the two values of total shareholders' revenue and total equity, the company has a good distribution of shareholders' equity.

Although the epidemic situation may cause the two values to drop to negative last year. However, Starbucks has successfully restored net revenues and operating income through one year's efforts, which is also one of the reasons for the increase of shareholders' equity.

2.3.2   Analysis of Secondary Data

Next part is looking at the four ratios of secondary data.

Starbucks is in a stable state in terms of the company's liquidity, which is used to measure the ability of an enterprise's current assets to turn into cash to repay debts before the short-term debt matures. Normally, we think the liquidity ratio is about 2:1. However, Current ratios in Starbucks was always in this range due to the company's reasons, so the author considered it normal.

ROA is a ratio that shows how much assets contribute to creating net income (Husna and Satria, 2019) [3].

The proportion of ROA in 2019, when the epidemic was not affected, and 2021, after recovery, was similar without much change, proving that the profitability of the company was similar in these two years. In 2020, the likelihood of being severely affected by COVID-19 was as low as 0.03.

ROE indicates the profitability of own capital or often referred to as business profitability (Husna and Satria, 2019) [3]. From 2019 to 2021, Starbucks will be plural, which means that the profit earned by Starbucks from its own assets in those three years will be negative, such as the state of insolvency. If the nature and pattern of a company's investments are very precise, then all assets can be used efficiently to maximize profits, which is why ROE can show the impact of increased profits. ROA and ROE all are the profitability ratios. The better the profitability ratio, the better it is to describe the company's high profitability (Husna and Satria, 2019) [3]. Profitability is the ability of a company to generate profits.

Leverage ratio is a measure of the risk of a company's debt and an indicator to the market of a company's ability to repay. In a financial system in which balance sheets are continuously marked to market, Asset price changes appear immediately as changes in net worth (Adrian, T., and Shin, H. S.,2010) [4]. The leverage ratio of Starbucks will be negative from 2019 to 2021, which can be inferred from ROE. Starbucks' Total common equity is negative, which makes ROE and leverage level in a negative state. This may make the market's "signal" about solvency a relatively bad one.

The above is all the content of data analysis. The next part will be based on a series of measures Starbucks which has taken in recent years due to the epidemic and its publicity and marketing.

3   Tables and Figure

Table 1. Primary Data

(In millions, except per share data, Currency in USD)	Oct 3, 2021	Sep 27, 2020	Sep 29, 2019
Total net revenues	29,060.6	23,518.0	26,508.6
Total operating expenses	24,573.8	22,278.8	22,728.7
Operating income	4,872.1	1,561.7	4,077.9
Net earnings attributable to Starbucks	4,199.3	928.3	3,599.2
EPS	3.57	0.79	2.95
Total current assets	9,756.4	7,806.4	5,653.9
Total assets	31392.60	29,374.50	19,219.60
Total current liabilities	8,151.4	7,346.8	6,168.7
Long-term debt	13,616.9	14,659.6	11,167.0
Total shareholders' deficit	(5,321.2)	(7,805.1)	(6,232.2)
Total equity	(5,314.50)	(7,799.40)	(6,231.00)

Table 2. The Secondary Data

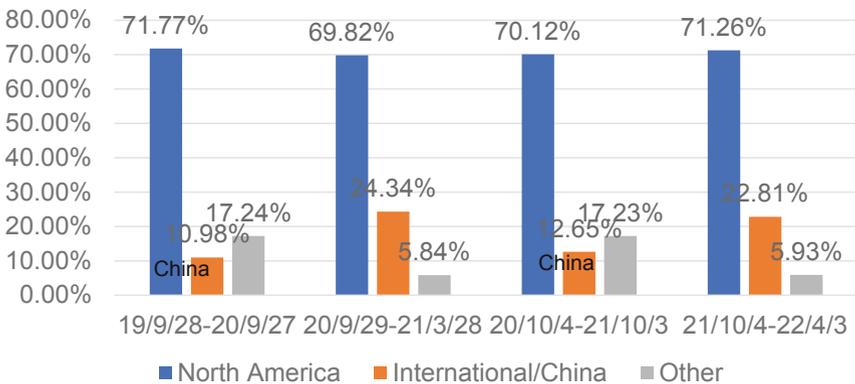|	Oct 3, 2021	Sep 27, 2020	Sep 29, 2019
Current ratio	0.916546	1.062558	0.916546
ROA	0.13	0.03	0.19
ROE	-0.79	-0.12	-0.58
Leverage	-2.56222	-1.87958	-1.79217

Fig. 1. Main business composition of Starbucks.

4   Suggestions

Starbucks as a chain of one of America's famous brands already after decades of operation already has a certain market share and brand effect, Starbucks in the heart of a lot of people already represents a kind of elite culture, and to some extent that Starbucks is a foundation with strong enough to survive the outbreak of the difficulties. For today's Starbucks should continue their existing product line, and make some changes to the product, or according to the different cultures, different countries consumers can make a different marketing strategy, such as for some of the traditional festivals in Asia such as the Spring Festival, dragon boat, and another strongly traditional culture festival may formulate special edition. At the same time, the author thinks that Starbucks can increase net earnings by increasing sales or reducing operating expenses rather than increasing prices. In fact, like Luckin and Manner Coffee in China, Starbucks is threatening its position in the coffee industry step by step, so Starbucks should make efforts to retain its existing customers. Starbucks should strengthen its internal management of products, prices, and customer relations in different countries. At the same time, sales promotion should be more innovative, more with Starbucks brand characteristics, such as emphasizing the "third space" of Starbucks and a series of elite culture characteristics.

5   Conclusion

Based on the above data analysis, the paper makes clear the impact of the epidemic on Starbucks and whether Starbucks has made timely adjustments. At the same time summed up the market situation of Starbucks. As a mature company, Starbucks has suffered setbacks in the COVID-19 pandemic, but the current market conditions are very favorable. In terms of marketing, Starbucks should make clear its own brand characteristics and apply them to different countries and cultures through targeted publicity. In terms of disadvantages of Starbucks, the ROE of the company is negative and the existing market share is threatened by other brands and should be reversed. Overall, Starbucks has a lot of work to do to stabilize the market and maintain its existing consumer base.

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