Product5x Case Study with solution ☕ Starbucks MVP

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☕ Starbucks MVP

Context: Starbucks is the world's largest coffeehouse chain and has 15000+ stores in the US alone. They sell Coffee, Handcrafted Beverages, Fresh Food like pastries, Sandwiches and also sell consumer products – coffee, tea and ready-to-drink – bottled drinks. They have a good adoption for the Starbucks app which offers customers the fastest way to pay and earn Stars through the Starbucks Rewards™ loyalty program

Problem Statement: F&B brands are facing a threat from food delivery service apps like Uber Eats, and DoorDash which impose commission fees on restaurants. They want to set up an alternative channel to accept delivery, take away and dine-in orders.

You have joined as a senior product manager at Starbucks

Things to do: Build an MVP to meet the objective of setting up an alternative channel to accept delivery, take away and dine-in orders.

Level: Advanced
Category: F&B
Goal: MVP

* Target market
* MVP
* Feature Prioritisation
* Journey map
* SWOT
* Minimum Success Criteria (Metrics)

About

Starbucks is the world's largest coffeehouse chain and has 15000+ stores in the US alone. Highlights

- Sells Coffee, Handcrafted Beverages, Fresh Food like pastries, sandwiches and also sells consumer products – coffee, tea and ready to drink – bottled drinks.
- Worldwide: 34,000+ stores
- Good adoption for the Starbucks app which offers customers the fastest way to pay and earn Stars through the Starbucks Rewards™ loyalty program

Problem Stmt

F&B brands are facing a threat from food delivery service apps like Uber Eats, and DoorDash which imposes commission fees on restaurants. They want to set up an alternative channel to accept delivery, take away and dine in order.

Objective

Build an MVP to meet the objective and identify metrics to measure the minimum success criteria.

The Why

Uber Eats, DoorDash, Postmates and Grubhub are the leading food delivery service apps in the country. The F&B industry is increasingly up in arms against these aggregators for the following reasons.

1. Very high commissions on each delivery order (15-30%)
2. Increasing monopoly
3. No-price competition clause

This creates a need in the market giving opportunity for competitive solutions. Starbucks has the capability to capture this opportunity leveraging its brand value, industry knowledge and user data. Starbucks has an edge too. It can leverage its' in-house app for payment & loyalty rewards. This can be expanded into a SaaS product Cascade to more restaurant owners to run their businesses with greater control and transparency.

Targeting similar fast food chains and cafes in the industry is a promising way to enter the market. Banking on our understanding of the business can ease adoption.

Target Group

F&B Entities

New

Growing

Mature

GREGORYS COFFEE™

Customers

New

Casual

Power
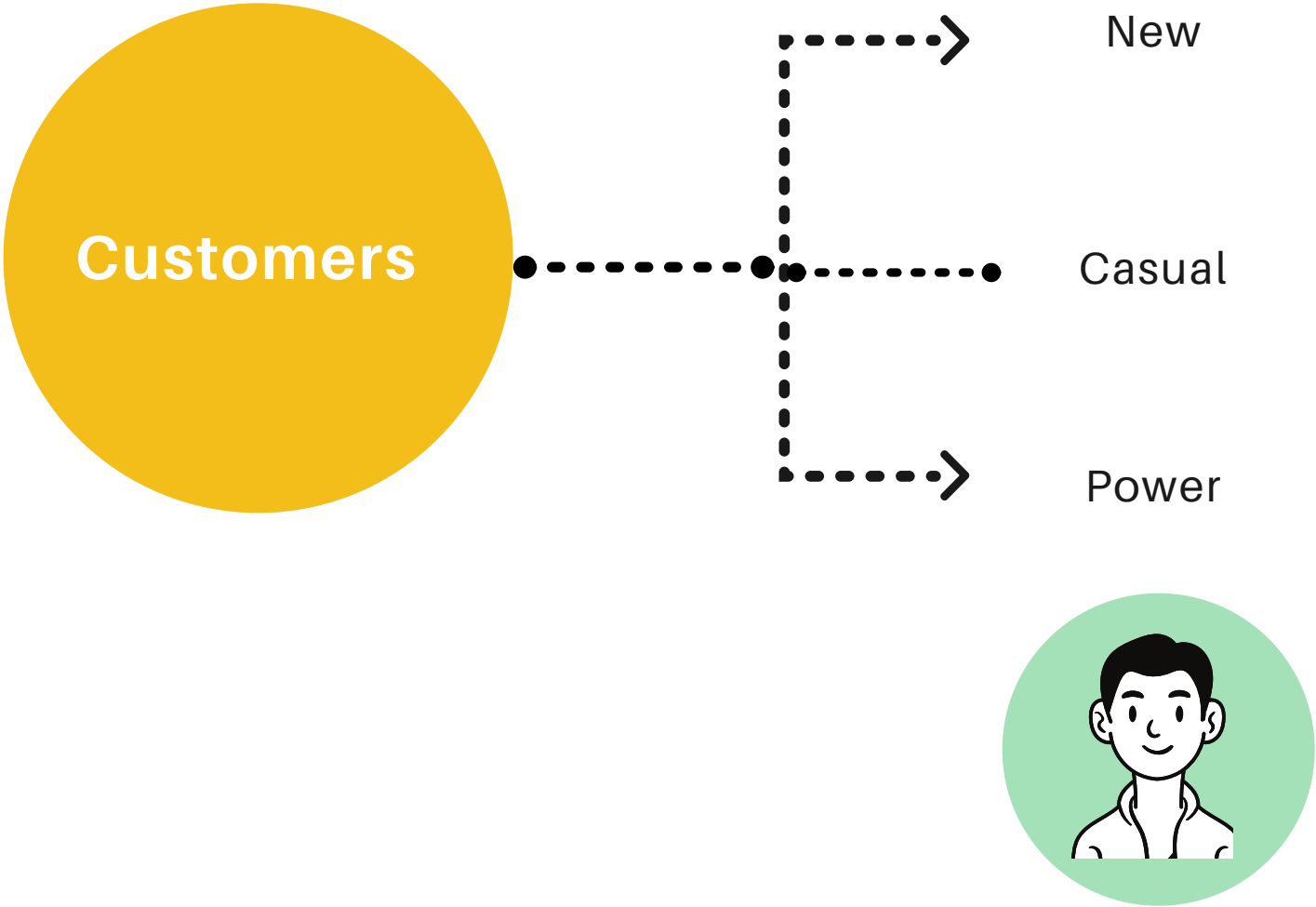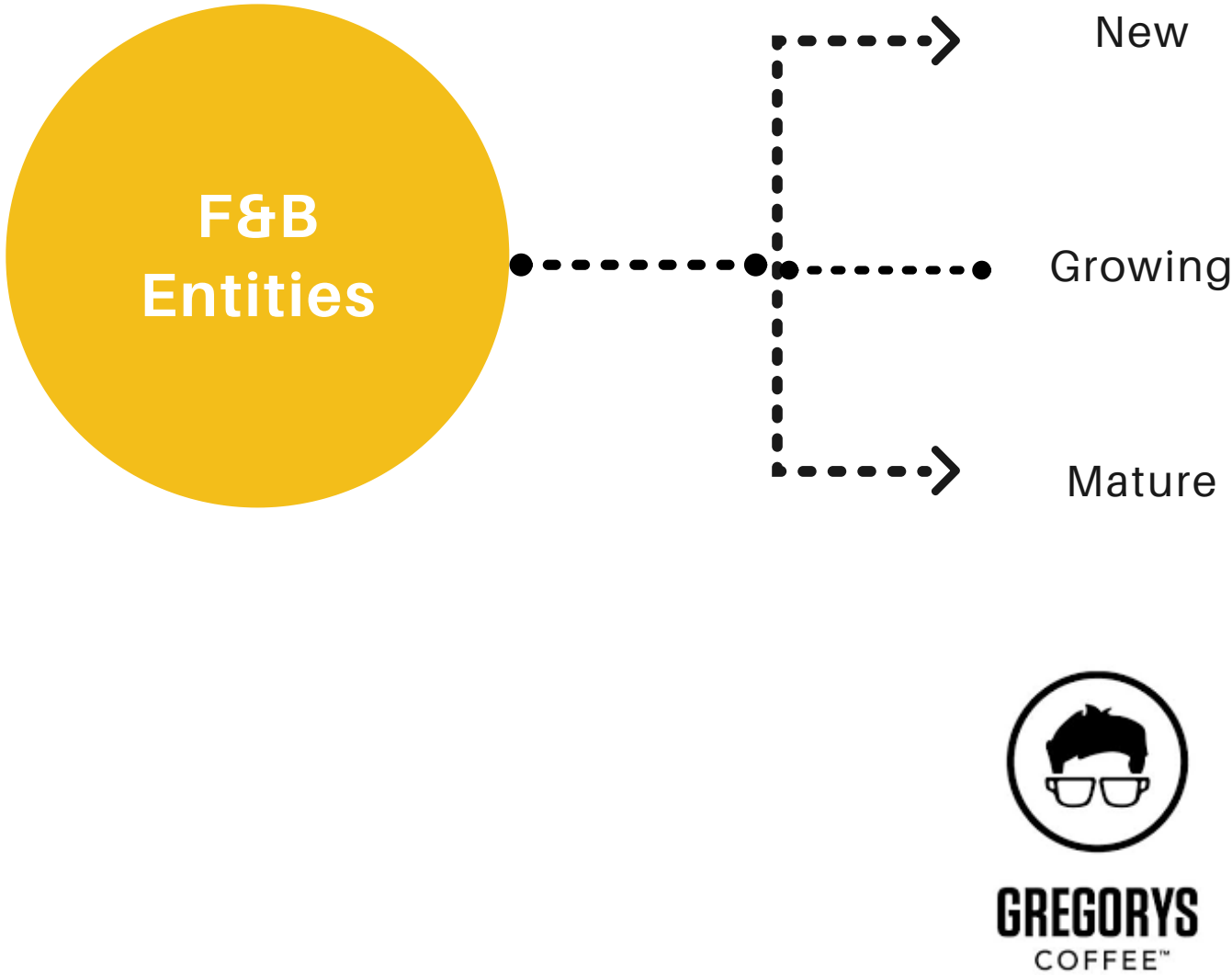
User Personas

Gregorys Coffee is a well known brand in Newyork, US. It is famous for it's coffee and tea choices, and also offers pastries and packaged foods. They have a network of restaurants in Newyork They have a dine-in and take away options. They are known for quality foo, innovative products, and world class service. They are listed in online food delivery platforms. Paying a commission of 18-30% to these platforms on every purchase limits their potential to grow. They seek an alternative channel to diversify but will have to invest heavily to build one.

24 year old Mike working in NY lives close to his office with his 3 other flatmates. The group usually orders in for dinner through well known food delivery platforms like Ubereats and DoorDash. He wishes he can schedule these orders every month. However, the delivery and additional cost of ordering goes upto 30% of the cart value for low value orders. It pinches the wallet when done regalurly.

User Rants

Brand
- Commissions are high recurring cost.
- Forced to give higher comission to reach more customers.
- Not sure how much is their reach to the customers
- Do not have any user data to help fine tune the business and control the inventory
- How to retain customers

Restaurant Managers
- To reach more users, should I pay higher commissions?
- Not enough margins
- Not getting enough orders/turnover
- Getting more orders than supply
- Account and sales consolidation

Restaurant Supervisor
- Inventory management problems
- Food quality issues
- Delivery problems
- Finances reporting
- Review, feedback and refund management

Focusing on all the rants in white to begin with

- Should I order?
- What to order?
- Where to order?
- How much to order
- Will the food be good?
- Will my friends choose from same restaurant? Else have to order from different restaurants. More delivery cost
- Is the restaurant open for delivery? How long will it take for the order to reach?
- How much is the cost after charges? Too expensive? Browse again
- Minimum order? order more.
- Where is my delivery?
- Will the delivery guy find the house?
- The restaurant got the order wrong.
- Food quality/quantity is unsatisfactory
- Will I get a refund? When will I get it?

GREGORYS
COFFEE

Solution

- Customer facing interface - Website or App (Android light app to start with)
- End-to-end Restaurant Management System (RMS) to handle back-end
- Core POS.
- CRM
- Delivery Management - Partner Integrations
- Payment Integrations
- Devices
  - Computer
  - Mobile/Tablet
  - Cash Register
  - Card machine
  - Bar code scanners
  - Receipt printers
- Scale - System to handle at least 50 orders per minute to start with. Assuming that an F&B brand like Gregorys Coffee will not adopt the solution to all its stores to start with. Going forward scale and performance can be a challenge.
- High availability and Data Recovery, Redundancy is a must

Tradeoffs

Pros	Cons
The solution can help diversify the channel for Gregorys Coffee	The solution cannot avoid high CAC and retention cost
Will positively impact profit margins	Market movement towards aggregators is increasing will continue to. The solution does not address engagement of users
Will enable access to user data to build CRM and loyalty programs	This solution may not work for small and medium enterprises in F&B industry due to low optimisation
Better control on pricing	The solution does not give full control over a key service like delivery
Reduce threat from aggregators and drive down commission rates	

MVP Lifecycle

Stage 1

Product Ideation

Stage 2

Identify Assumptions

Stage 3

Build Hypothesis

Stage 4

Establish criteria for success

Stage 5

Pick MVP test strategy type

Stage 6

Execute, Measure, Evaluate and Iterate

If we build an RMS, large F&B brands will have more control over their business because gross margins matter to them.

Customer
- Mike will download Gregorys Coffee's app or signup to their website.
- Mike will choose to order from Gregorys Coffee's app over Uber Eats /DoorDash.
- Mike trusts Gregorys Coffee can deliver on time and the service will be at par with other platforms
- Mike is comfortable creating a profile on Gregorys Coffee's platform.
- Mike will signup for Gregorys Coffee's loyalty or reward program.

Gregory
- CTLV is substantially (3X) higher than the CAC
- Restaurant's delivery or delivery partner's cost is at par or lower than the aggregators'
- Restaurant's delivery service or delivery partner's service is at par or better than the aggregators'
- Restaurant staff already uses a POS system.
- Restaurant staff can be easily trained to accept and fulfil online orders using Cascade.
- Gregorys Coffee realises ROI by adopting Starbucks Cascade SaaS solution
- Gregorys Coffee knows what, how to track key metrics to analyse their business performance.
- Gregorys Coffee will act upon the analysis
- Gregorys Coffee will see an increase in their margin

Risk

Mike will download Gregorys' app or signup to their website.

Restaurant staff already uses a POS system.

Restaurant staff can be easily trained to accept and fulfil online orders using Cascade.

Restaurant's delivery or delivery partner's cost is at par or lower than the aggregators'

Restaurant's delivery service or delivery partner's service is at par or better than the aggregators'

Gregorys' knows what, how to track key metrics to analyse their business performance.

Gregorys' will act upon the analysis

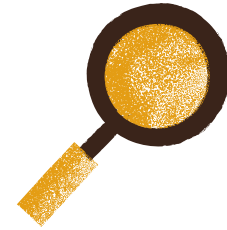Gregorys' will see an increase in their margin

Mike will choose to order from Gregorys' app over UberEats/DoorDash.

CTLV is substantially (3X) higher than the CAC

Gregorys' realises ROI by adopting Cascade

Mike will signup for Gregorys' loyalty or reward program.

Mike is comfortable creating a profile on Gregorys' platform.

Difficulty

Which assumptions to validate using the MVP?

Let's classify the assumptions we have now from Low–High Difficulty and Low–High Risk of validating.

We shall largely focus the high–risk low–difficulty first to validate our idea.

Minimum Criteria for Success

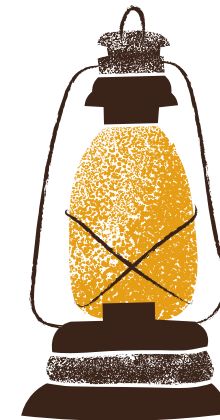Adoption – No of orders per day per restaurant, Average TTV.

Task Success – No of refunds and cart abandonments.

Revenue – Gross sales, ARPU and ACV

Scope

We shall largely focus on Adoption, Task Success and Revenue of the MVP with core users.

Acquisition, Activation, Happiness and Retention can be addressed in subsequent versions.

What goes in the MVP (RMS)?

- Authentication and Authorisation (User Management). Collect and store user profile – email, location/address and verify phone number
- Create and update menu realtime
- Browse menu, add items to cart, checkout and pay.
- Receive and accept orders
- Core POS
- Accept Payments
- Choose delivery mechanism and assign an executive.
- Track delivery – Reach delivery executive
- Capture ePOD
- Capture review, feedback.
- Process refunds
- Staff and Payroll Management
- Finance management and Accounting
- Inventory Management
- Analysis
- Reporting
- CRM

Prioritisation − Ranking Method

Picking high value items in v1

Feature	Assumption Score	Importance Score	Total
Authentication and Authorisation (User Management). Collect and store user profile - email, location/address and verify phone number	10	10	20
Create and update menu realtime	7	10	17
Browse menu, add items to cart, checkout and pay.	10	10	20
Receive and accept orders	10	10	20
Core POS	6	6	12
Accept Payments	9	10	19
Choose delivery mechanism and assign an executive.	7	9	16
Track delivery - Reach delivery executive	7	8	15
Capture ePOD	6	8	14
Capture review, feedback.	7	7	14
Process refunds	6	10	16
Staff and Payroll Management	5	5	10
Finance management and Accounting	5	6	11
Inventory Management	5	6	11
Analysis	5	6	11
Reporting	7	7	14
CRM	7	7	14

Download Gregorys' app or launch website → Signup/Login → Set Location → Browse Menu → Find something you like?

↓

Check the price, delivery time/preparation time

↓

Abandon ← **NO** ← Go ahead?

↓

YES

↓

Add items to cart

↓

Apply coupon if any

↓

Choose mode: Delivery/TakeAway/Dine-in. Check delivery charges and other charges

↓

Apply for refund ← **NO** ← Review order. All Okay? ← Track order ← Pay ← Go Ahead? → Abandon

✗ (Apply for refund)

Review and done! ✓

YES ↑

YES (below Pay) ✓

NO (below Abandon) ✗

✓ Task Success

✗ Task Unsuccessful

Journey Map of MVP (Business)

Download Gregorys' app or launch website → First time login? → Update menu → Review & Accept/Reject orders → Initiate order preperation

YES
NO

Create Restaurant profile

Is the order type take away?
NO
Is the order type Delivery?
NO
YES

Choose delivery mode

YES

Update order status once done ← Pack the order

Collect Feedback

Trigger search for delivery executive

Cancel Order ← NO ← Found a partner?
YES

YES

Handover to delivery executive, update the order status ← Pack the order

Initiate Refund ← Review is positive? ← Get ePOD

NO

Task Success

Task Unsuccessful

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Longterm RoadMap

Starbucks Cascade can become an aggregator. Why?

- Starbucks is capable and competent with their proven model.
- Starbucks brand value is its strength and will boost user acquisition.
- Competitive edge with an in house SaaS offering to run restaurant business.
- Driving down margins further by optimising CAC will further attract business to use Cascade. Razor and Razorblade model.
- Users are increasingly moving towards aggregator platforms due to the following factors:
  - Variety offered in these platforms
  - Comparison
  - Heterogenous needs
  - Convenience
  - Higher engagement

Metrics (Exploratory)

	Goals	Signals	Metrics
Acquisition	User Acquisition	No of impressions, mailing click through rate, google click through rate	CAC
Activation	User Activation	No of App installs	No of signups
Adoption	User Onboarding	No of profiles created, no pf payment options linked	Average time to value, No of orders per day per restaurant.
Revenue	Gross Revenue	Total sales value	ARPU, ACV
Referral/Retention	Loyalty	App rating, NPS	DAU/MAU, CLTV

THANK YOU

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