

Name

Starbucks Strategic Plan

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Introduction

During the 21st century, coffee has become part and parcel of many people's lives. While compared to way it used to be in the 1950s, the situation can be argued to have changed a lot as Cappuccinos, Café Lattes, Espresso, Macchiato as well as Frapuccinos are now offered by majority of the restaurants as well as coffee shops found in major towns all over the world. Starbucks was established in 1971 in Seattle Washington by three scholars who consisted of Gordon Bowker, Jerry Baldwin and Zev Siegel. Schultz who happens to be the current chief executive office (CEO) of Starbucks joined the company in 1981 and was put in charge of marketing of the company. In 1983, after visiting Italy, Schultz realized the potential of a coffee bar and embarked on establishing a coffee bar that was named II Giornalle. Schultz's new coffee bar concept proved successful and as a result, he was able to afford to purchase Starbucks in 1987. Consequently, all II Giornalle coffee bars that Schultz had earlier established were rebranded to Starbucks as he believed that the Starbucks brand was much bigger. Thereafter, Schultz adapted expansion strategy whose main aim was to open numerous Starbuck outlets within the US. The company's current mission statement reads that Starbucks mission is "to inspire and nurture the human spirit—one person, one cup, and one neighborhood at a time" (Thompson & Shah, unknown, p.358). A closer review of Starbucks financial performance indicated that even though the company has experienced increased revenues over the years, the profits earned by the company are not very good due to various factors which among others includes increased competition (Thomson, Shah & Thomas, 2006; Starbucks, 2012). The aim of this report is to conduct an economic and marketing assessment of the company in order to be able to present a three year strategic management proposal for the company's management.

Economic Assessment

During the last few years, the global economy has experienced a downturn something that has affected the way various businesses are run. Indeed, according to Konings (2010) the economic downturn affected various businesses and on several occasions resulted to some of the businesses closing down. In particular, the economic climate of majority of countries such as Spain, Greece, Ireland, USA and UK among others have experienced slow economic growth which in turn has affected consumer buying power implying that organizations have experienced decreased profits over the last few years. In case of Starbucks, the economic situations in some of the markets like Greece and Spain that have for years generated profits for the company can be argued to be unattractive since such markets have changed from being cash cows to being question marks as the economic situations in such countries have deteriorated. Such situations can be argued to pose major challenges to Starbucks as they require they management of the company to make major decisions as to whether to close stores in markets that are experiencing economic meltdown or adapt various strategies that would ensure that the company manages to generate profits at such markets. Some of the strategies the strategies that the company can adopt in order to maintain its presence in these types of markets might include cost minimization which would be require the company to minimize the number of staff as well as source coffee as well as other raw materials that it used directly from the producers and not from the suppliers in order to eliminate the fees paid to the suppliers. Conducting of a PESTLE analysis would be appropriate as the analysis will help establish some of the major factors that might affect Starbucks operations in the future.

Environmental Analysis

SWOT Analysis

Strengths

The main strengths of Starbucks come from the company's brand image as well as the high visibility that the company has in various markets. Additionally, Starbucks also has experienced and competent workforce that ensures that quality services are offered to the customers. The existing relationship with supplies of coffee beans also means that Starbucks is able to get quality coffee all year round.

Weakness

Even though there are a few weaknesses, the main weakness can be argued to come from the company's overreliance on its CEO since its inception implying that the company might struggle if the CEO was to leave Starbucks.

Opportunities

One of the major opportunities for the company is that there exist various high potential markets that the company can expand its operations into.

Threats

The ever increasing number of the competitors in what can be described as an already overcrowded market can be argued to be one of the major threats to Starbucks.

PESTLE Analysis

PESTLE as explained by Bensoussan & Fleisher (2008) is stands for political, economical, social, technological, legal and environmental factors. Proctor (2000) noted that PESTLE analysis can be an important tool in any given organization strategic planning process as it

analyzes the different external environmental elements that have to be considered by an organization when developing strategies.

Political

From the discussions of Thomson, Shah and Thomas (2006), the withdrawal of the USA from the International Coffee agreement that set limits of coffee exported could have a major impact on Starbucks operations. Furthermore, political stability in coffee producing regions like Zimbabwe will have huge impact on Starbucks operations as farmers can be able to concentrate on producing quality coffee beans.

Economical

High inflation rates in the countries where Starbucks have established presence might result to low sales as potential customers might not afford to regularly buy coffee. Since Starbucks exports coffee from various countries, fluctuating exchange rates might result to reduction in profit margins. Finally, slow economic growth rate in countries where Starbucks has established presence as already highlighted might result to low consumer purchasing power implying decrease in demand for coffee.

Social

Since coffee is now accepted throughout the society, it is now easy for Starbucks to sell coffee in various regions than it was in the past when the company was established.

Technological

The advancement of Information Technology means that Starbucks can be able to make use the technology to achieve efficiency in the corporation's operations. In addition, advanced technology can be used to improve Starbucks' Research and Development team.

Legal

Health and safety regulations together with trade restrictions are some of the legal aspects that might have an impact on Starbucks operations.

Environmental

Pollution and planning permission are the key environmental factors that might affect Starbucks operations. In some markets, Starbucks might find it hard to obtain planning permission to establish coffee brewing plants. Moreover, the company might find that some countries are quite strict on the impacts that the company has on the environment while other countries are not.

From the PESTLE analysis, it is evident that Starbucks needs to thoroughly consider all the discussed factors in various markets that the company has established presence if the company wants to succeed in these markets.

Industry Analysis

Porter Five forces Analysis

Porter's five forces analysis as explained by Kotler & Keller (2011) is an analysis method that involves analyzing a specific industry from five different viewpoints with the aim of getting a clear understanding of the nature of competition in the specific industry. The five different forces in the framework consists of bargaining power of buyers, competitor rivalry, threats of new entrants, bargaining power of suppliers and threat of substitute products.

Bargaining power of buyers

Porter (1998) argued that buyers are most probably going to have high bargaining power if they can influence sellers to change their sales terms. In reference to Starbucks, most of buyers can be argued to consist of individual customers have no influence of how Starbucks operates implying that the bargaining power of customers is low.

Bargaining power of suppliers

Peng (2008) noted that suppliers are normally argued to have high bargaining power if they are only few in numbers. In perspective of Starbucks, the suppliers can be said to have very low bargaining power since as discussed by Thompson, Shah and Tomas (2006), Starbucks normally buys coffee from various medium sized suppliers located in Latin America, East Africa and Pacific Rim.

Threat of substitute products

A substitute product as discussed by Peng (2005) is a different product that is supplied by a different company in the market but can also be purchased by customers in order to meet the same needs that are met by a given company's product. In that perspective the threat of substitute product of Starbucks can be said to be high since there exist a variety of substitute products in the market such as the drinks produced by PepsiCo and Coca-Cola among others (Quelch, 2006).

Threat of new entrants

Proctor (2000), has discussed that the threat of new entrants in any given industry is determined by the nature of the barriers in place in the industry. A review of the coffee industry indicated that there are very low barriers to entry into the sector implying that the threat of new entrants is very high as anyone who is interested in establishing a presence in the sector can easily do so.

Competitor rivalry

Presence of various competitors in any industry means that the threat posed by the competitors is very high. Competitors usually compete in prices charged as well as the quality of products (Abraham 2006). The fact that there exist various direct competitors such as Café

Coffee Day, Costa and McCafe among others means that the threat posed by the competitors is actually high.

Marketing Assessment Plan

From the PESTLE as well as Porter's five forces analysis, it is evident that Starbucks has to develop effective marketing strategies in order for the company to be successful in the various markets that it operates in. The following are the proposed marketing strategies that should be adopted by the Starbucks during the next three years;

Segmenting the market

Starbucks needs to segment the market into various markets in order to ensure that the needs of each segment are met. It is only after the company has segmented the market that it can be able to developed different products that can appeal to different segments.

Product Differentiation

The production differentiation strategy that has been adopted by Starbucks as discussed by Thompson, Shah and Tomas (2006) should be further developed in order for the company to ensure that different products are available fro different types of customers. In addition, may be Starbucks could consider developing new products that could be retailed by major retailers. For example, Starbucks could enter into agreements with major retailers like Wal-Mart to retail Starbucks sandwiches.

Customer Service

In order for Starbucks to be successful, the company has ensure that the customer service is friendly at all times in order to ensure that the customers are always satisfied which will in the long run result to repeat purchase as well as loyal customers. In order to ensure that that the customers are satisfied, Starbucks should establish feedback collection mechanism that would

provide customers with the chance to explain their views about the company's offering as well as what could be done in order to ensure that what the company offers appeals to the customers.

Promotion Strategy

Promotion can be defined as an activity that is aimed at raising the awareness of a particular product or brand. As discussed by Thompson, Shah and Tomas (2006), Starbucks has adopted various promotion strategies throughout the years in order to ensure that potential customers are aware of the company's service offering. From that perspective, Starbucks has to keep on implementing various promotion strategies in order to ensure that the company's brand image is enhanced. In addition, the various promotion strategies adapted by Starbucks ensures that the company manages to position its coffee as the ultimate coffee in the market.

In conclusion, during the next three years, Starbucks should implement marketing strategies that would help enhance the Starbucks brand in markets where the company has already established presence while in new the new markets, the marketing strategies should aim at positioning Starbucks as the ultimate place where one can enjoy a cup of coffee.

Financial Plan

From the figures given by Thompson & Shah (unknown), with the exception of year 2009, the net revenue of Starbucks has been consistently on the increase since year 2005. Furthermore, financial figures posted by Starbucks (2012) indicated that the company's net revenues increased in the fiscal year 2010 with an 8.4% increase. Moreover, the income from the various international markets has also been on the increase over the years with the exception of year 2009 implying that the company is on the right path. On a wider perspective, the increased revenues means that the company has also been increasing its market share something that will help the company retain its market leadership position in the sector.

From that perspective, Starbucks financial objectives for the next three financial years should aim at continuing the trend of increasing sales revenues with a target of 20% increase per year while at the same time; the company should also aim at increasing gross profit with 15% increase every year for the next three years.

Management Structure Recommendation

Currently, Starbucks can be argued to have adopted a hierarchical management structure that has the board of directors at the top who are then followed by the Chief Executive Officer. The CEO is then followed by the departmental heads that are in charge of their respective departments. It is recommended that the company retains the current structure even though the country managers should be given the mandate to make some crucial strategic decision where deemed necessary since different countries have different business environments as established in the PESTLE analysis.

Conclusions

From the analysis, it is evident that Starbucks strengths lies in a strong brand name, extensive presence of Starbucks outlets in various markets, competent Research and Development team, skilled and experienced workforce and existing relations with coffee beans suppliers. On the other hand, some of the weakness that the company has is that it relies too much on the chief executive officer implying that the company might struggle if the CEO was to leave. In addition, the product recalls in 2010 as noted by Starbucks Newsroom (2010) could also have had far reaching effects to the company's operations as customers might have lost confidence with the company.

In order to ensure that the earlier stated three years financial objectives are achieved, it is recommended that Starbucks; commissions the research and development team to develop new products that will be targeted for different customer groups, increases the number of chains in international markets that have high potential like India, Brazil, China and South Africa, establishes partnership with other service providers since such an approach would help the company reach more clients, merges or acquires one of the main competitors like Café Coffee Day since that would help the company dominate the market, starts a drive-in concept in some of the already established outlets implying that customers can place their orders in the car and drive through to a collection point to collect the orders and hedge against the ever increasing prices of coffee by aiming at buying directly from the coffee farmers which will result to increased profit margins as agent fees will be avoided.

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