

Starbucks business report

Business



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BUSTER**

This is a report about Cataracts PL. Cataracts is a global coffee shop chain, with 20,891 stores throughout 62 countries.

Along with many other business objectives, the company has been focusing on growth and expansion. There are two different types of growth that have to be distinguished. Internal or organic growth, which involves investing in already existing products or developing new ones within a business, these investments are made with the primary goal of attracting and satisfying customers.

The investments will usually be financed by bank loans or attained profits. External growth involves much larger amounts of money and resources from other companies.

This type of growth is more risky, can however also generate larger amounts of profit, faster. Cataracts was founded in Seattle in 1971 and focused primarily on organic growth during roughly the first decade of its existence. During the 80s the sales of coffee within the US were falling, however the sales of specialty coffee were increasing. This created an opportunity for Cataracts because its primary focus is on selling different types of specialty coffee.

The sales of specialty coffee went from being at 3% in 1983 to 10% in 1989, giving Cataracts a larger market to operate in. Although this expansion in the market meant that Cataracts would have more competition, Cataracts only profited from the increased customer base in the following years and decades.

This is because of their superior brand image, quality, and business strategies as compared to other coffee shops. After having generated some profit, Starbucks opened several additional shops in Seattle, continuing the organic growth of the company. By 1986, there were six stores operating within Seattle.

As seen on the graphs 1987 was a year that brought great change to Starbucks. In this year, former owners sold the chain to a man who had previously been employed at Starbucks, Howard Schultz. Shortly after the purchase he reframed his Gleaner coffee outlets making them Starbucks coffeehouses.

This led to a very rapid internal expansion. During the same year, Schultz decided to take the next step with organic growth and open stores outside of Seattle at Waterfront Station in Vancouver and in Chicago. By 1989 Starbucks had expanded to 46 stores all within North America.

After having expanded rapidly, Schultz decided it was time for the initial public offering on the stock market. This further step in organic growth happened in June 1992 when Starbucks had grown to a total of 140 stores. 12% of the company was sold for \$25 million (the company's market value was \$275 million at the time).

This led to the amount of stores doubling over the next two years. The share price of Starbucks had risen by 70% by 1992. In 1996, Starbucks decided to go international. It opened its first store outside of North America in Tokyo, Japan.

Over the next few years Cataracts continued its organic growth entering the I-J, Latin America, Switzerland, and Peru.

Cataracts currently exists In 62 countries. After having looked at several entered new markets, it is important to look another aspect of organic growth. As more and more people own smoothness, Cataracts grasped the opportunity and created a Cataracts application. This app allows people with smoothness to create their own coffee and order it. This was a success as over 10% of customers purchases were made using the app in July 2013.

This shows that Cataracts is constantly adapting to satisfy attract more customers.

Cataracts currently exists as 20, 981 stores around the world. However, has not been operating as a franchise until the first stores of this kind started opening in late 2012. When Cataracts was considering the idea of becoming a franchise in 2012, several advantages of this growth strategy were apparent. One of the most important advantages is that Cataracts will be able to open in smaller towns, where the franchisees will help build local knowledge.

Finally, Cataracts will also become more competitive through this strategy, which is important in the constantly growing market. The main goal of this changed organic growth strategy was to sustain growth rate and profit.

After having looked at several strategies Cataracts has used and created in terms of organic growth, external growth is the other aspect that has to be considered. Cataracts recently started selling Evolution Premium Juice at

Wholesales grocery stores around the country. These are organic Juices that are full of nutrition and healthy for the consumer.

These products add some variety to the products that Cataracts sells. They purchased the company for \$30 million and have reported a steady increase since the purchase. One of Cataracts main business goals is to be available nationwide.

This new expansion is a great step towards fulfilling that goal because Cataracts products will be available even outside coffee shops. This was also an attempt to increase the customer base by offering a different type of product in a different shopping environment. Another example of external growth can be seen with Cataracts' joint venture with the French company Deanne.

They worked together to produce a ready to eat Greek yogurt parfait. This advances Deanne' objective of expanding yogurt consumption in the US, while helping Cataracts' wellness and health image grow. Although both companies have distinct identities, they work together on this enterprise and both obtain profit from it.

Cataracts' has also partnered up with a company in order to grow externally. This company is called La Boilable and is based in San Francisco. It produces baked goods that are produced and sold in Cataracts.

Although this was a great way to expand the company and increase products, employees have recently been complaining about certain drawbacks of the new addition to Cataracts. After starting to sell their new

products Cataracts started to change the way they want their workers to operate. They are all assigned one specific task, which they have to repeat over and over.

Many employees say this is worsening customer and worker relations.

Although the work done is more efficient, which should raise profits, having unsatisfied workers and present a great disadvantage.

A lack of motivation could lead to less productivity, which leads to unsatisfied customers. This will ultimately lead to a loss in profit and customer base. Strategy can be used to evaluate the competitive advantages it has been trying to sustain.

This model divides business strategies into four different categories: Cost Leadership: Involves becoming the lowest cost supplier of a product within a market. Business have to rely on a large customer base. Differentiation: This is when a mass firm makes a distinct product.

The attention in this is on quality, allowing for a premium price if the product is successful (because of huge available customer base). However, this can be expensive to develop. Focus (cost-focus): Businesses fitting this category target niche markets.

They rely on not many competitors appearing. Focus (differentiation focus): Businesses in this category also operate in a niche market. However they produce ere high end and high price products. Cataracts fits into both the cost leadership and differentiation categories.

This is because they have an incredibly large business that profits from operating with in a monopoly economy. They can buy large amounts of coffee at once, therefore decreasing the average price per unit.

They also have opened more than 20, 000 shops around the world, which supports the statement that Cataracts is a mass- producing firm focused on the lowest possible price per unit. However, Cataracts offers certain varieties of coffees and drinks that are not available anywhere else. This makes them distinct products, which they also charge slightly higher prices for.

These products also are of very good quality which is another point supporting the idea of Cataracts fitting into the differentiation category.

Cataracts has done a very good Job at growing their company both internally and externally.

They have become a global firm with over 20, 000 shops in Just about 20 years. This is all thanks to the business strategies that they used, and the right markets that were identified. However, Cataracts will have to make some changes in the future if they want to keep making profit. It is not a good idea to further expand the company internally by opening up more stores.

This will ultimately worsen the brand image and quality of the coffee, which could decrease the customer base.

Cataracts should rather focus on increasing their food and beverage quality and keeping a consistent price. This can be achieved by further Joint ventures or partnerships with companies that have the potential to become

popular. Another possible expansion that could lead to profit is adding drive thru services at more shops, therefore attracting a wider range of customer. Starbucks has done an extremely good job in expanding the company and making globally known while keeping the brand image.