Starbucks corporation swot analysis marketing essay

When analyzing the strengths, weaknesses, opportunities and threats of a firm, it is given the term preforming a SWOT analysis. Therefore to do a SWOT analysis, we must start by expaining the term SWOT which I consider as a strategic method used to analyize the Strengths, Weaknesses, Oportunities and Threats associated within a business or project. “ However, our text states that a SWOT analysis is used to examine the internal strengths and weaknesses of a company, compare them with external opportunities and threats, and match the two in order to choose a strategy based on the analysis (Marcus, 2011)”.

This Starbucks Corporation SWOT Analysis will be an attempt to present the company as a specialty coffee retailer, offering a wide variety of hot and cold beverages, pastries and confections in more than 13, 000 locations across 39 countries. First of all Starbucks has many strengths which I will discussed in more detail throughout the following analysis. Unlike the original owners of Starbucks, Jerry Baldwin, Zev Siegel, Gordon Bowker, the CEO of the company, Howard Schultz belevied that perfection was a must and required total devotion. Although, Schultz started working for them in 1982, he soon realized that the owners of Starbucks were not open to expanding into the coffee bar market.

Therefore Schults decided to indepenantly try his idea in Seattle by opening coffee bars patterned after ones he observed on vacation in Milan and Verona. Built on the reputation of providing a relaxing atmosphere and the ideal of a place for people gather after work and enjoy the worlds finest cup of coffee, the coffee bars proved to be a big hit. After only months of Schults personal veneture, he decided to purchase Starbucks where he offered a healthcare plan for employees working a minimum of 20 hours a week, then offered them reduced price stocks and made them partners. The results of these benefits were astounding because it left employees very pleased and produced a lower employee turnover rate . Additionally, employees were provided access to courses which encouraged high quality and standards, thus renforcing Schults beilf of perfection and total devotion.

As far as weaknesses go within Starbucks management, the original owners were convinced that they knew everything there was about coffee, including how to properly prepare a good cup of coffee. Furthermore, they resistanced the changes purposed by Schults and drove his investments away from the company. Investors were nervous about the potental risks, regarless of Schultz past success, claiming that his new ideas would be hard to sell. For example, the creation of a carbonated coffee drink with the partnership of PepsiCo, and the fact that coffee bars Europe were not so successful, or the collaboration with Kraft to market whole bean coffee in grocery stores that basically took quality control out of the company’s hands. Although Starbucks lost control over how the beans were ground and the length of time a pot of coffee was brewed, they gained a portion of the net sales. Therefore risking damage to their reputation of being the only coffee shop that provided a relaxing atmosphere and the ideal place for people gather enjoy the worlds finest cup of coffee.

In reference to opertunity and considering that worldwide environmental problems are ever growing, Schultz saw this as an opportunity and delegated teams worldwide devoted to finding ways in which Starbucks can lower their carbon footprint. Furthermore making the Starbucks brand more recognizable Schults partenered with other companies like Dreyers and Jim Beam to produce products using their dark-roast coffee beans for distinctive flavors of ice cream liqueurs. With the merger and enviromental efforts made by Starbucks, it was consider the renowned brand name for the worlds finest coffee for over 25 years.

Although the development of Starbucks increased the requirements for purchasing large quantities of green coffee beans from all over the world. Schultz's environmental stratgey included the development of training programs for the farmers as a way to insure the coffee bean farmers in small countries know all there was to know about growing the type of coffee beans Starbucks prefered by maintaining the environmental conditions needed to conserve the integrity of the soil for future crops. In return the farmers agreed to short-term set-price contracts with Starbucks at a specific price, despite the market price. Although this worked well untill 2005, the market price of the beans went above the contract value and the farmers started losing profits from such contracts. While the intentions of Starbucks was purchase the worlds finest coffee beans and not benefit from the farmers, Schultz decided that there would not be any new contract signings.

With many gathering places that serve coffee like Borders, Barnes & Noble and McDonald's, internet technology also turned out to be a significant boost to Starbucks' overall appeal because many of these places provided free Wi-Fi service. Realizing the potential benefits of this technology, Schultz wisely joined in by offering Starbucks coffee thus resulting in many clients buying a second and sometimes a third cup of the worlds finest coffee. By sezing the oppertunity of this technological breakthrough, Schultz was able to improve Starbucks profit margine.

Moving on to the threats within Starbucks, it all began when Schultz confronted the stubbornness of the initial Starbucks owners and they declined to waver on their concepts of business. Schultz first felt these frustrations when he wanting to expanding into the coffee shop business but was unable to do so because of investor concerns. Furthermore Schultz protrayed a scence of stubbornness himself about certain things until he was undoubtedly proven wrong. For example, when it was suggested that the stores provide customers with the option of low-fat or non-fat milk coffee additives. Schultz refused this suggestion based on the claims made by his taste testers stating that coffee with non-fat milk didn’t taste as good. Although Schlutz remained firm in his decision based on these results, he didn’t change his mind until he witnessed a customer walk out of on of his stores because they did not offer non-fat milk. It was then that he realized that being stubborn to suggestions and opinions that does not always pay off.

When other companies saw how successful Starbucks was becoming, they decided to get into the coffee beverage business, too. Brands like Dunkin Donuts, Panera’s, McDonald’s, along with many other restaurants started mimicking Starbucks’ mixed coffee flavors as well as cold coffee and tea drinks. While loyal Starbucks customers wouldn’t think of switching brands, others weren’t so pleased with the higher prices Starbucks charged for their products and began to move over the other stores. Although economic and political influences began to increase the cost of coffee beans, evironmental conditions caused by numerous hurricanes in 2005 destroyed bean crops throughout Colombia, Guatemala and Costa Rica. Not to mention the effects of political unrest found in South America and Mexico which added to volatile marketing issues. Furthermore, with the rise in stock market prices, the failing economies of the United States, Europe and Greece caused the costs of coffee beans to skyrocket.

Although Schultz placed limits on the locations of his stores, to shopping malls and airports, several of Starbuck leases actually took Schultz's control away and allowed shops to be placed in locations of their choosing. Furthermore what was once known as an evironmentally conscience firm, the new coffee shops were not held accountable for the atmosphere requirements set for the stores still under Starbucks control. Product information such as recommendations and procedures for preparation were supplied to the general public.

In an attempted to enter the world wide web Starbucks opened three websites in 2000 and failed misorablly by losing money for the first time ever. Despite, these losses, Starbucks still has a website where customers can make some purchases, but due to the fact lots of its products can be found in grocery stores, the site is primarily for purchasing and recharging Starbucks cards, buying accessories like music and mugs, blogging, getting recipes, learning how to blend and brew various flavors of coffee, finding shop locations and finding out about applying for a job or starting a franchise of your own.

While Howard Schultz tried to duplicate the bars in Italy with opera music, menus written mostly in Italian and standing room only. He soon found out through customer survey cards that many customers did not like the opera music in the shop, found the menus in italian confusing, and they wanted some place to sit down. Along with the modifications made from customer survey's, other modifications like extending health care to part-timers were decisions he made when one of his long-time managers came to him with an advanced case of AIDS, he realized that the health care plan they had did not go far enough, so he decided to expand it without arguments from the board. Making employees actual partners in the company gave them an interest in the overall accomplishments of the company and inspired them to take pride in their work and the products they provide. Furthermore employees who baught stock in Starbucks knew the success of the company meant they to would be successful.

While Schultz invested in his employees by providing training programs and programs to encourage friendly competition and advancement, by conducting internal surveys, he knew if his ideas were working in the right direction. Despite the few mistakes made by the company, Schultz seemed make the right decisions