

# Analysis of starbucks business strategy

[Business](#), [Company](#)



## INTRODUCTION

Starbucks corporation, an American company was founded in 1971. The name was inspired by Moby Dick's first mate, while the mermaid logo were inspired by the love of the sea from Starbucks' original location in Seattle Washington. Starting as a single shop specializing in high quality coffee and brewing product, the company grew to be the largest roaster in Washington with multiple locations in the early 80's. in 1981, the current CEO Howard Schultz. Realized that there a good opportunity to work with the founder Jerry. Till this day, Starbucks has become the leading company in producing premium coffee in the world.

Starbucks Corporations is a company that produce high quality of coffee. They offer service and products. They offer service such as a comfortable space for hangout, WIFI, and they serve customer very well. They also offer their product as customer can buy their coffee beans and making by their own at home. Additionally, as their mission is to give and nurturing human spirit, they always try their best to give positive impact to the society such by creating job opportunity, strengthen the community and committed to green environment. Lot of job opportunity are offered to the society. In order to strengthen the community, they do the charity events and programs with the people who are in needs. For the green environment, Starbucks using the cups that can be recycle for their customer to reduce the waste associated with their cups and other packaging.

## OPERATION STRATEGY

Operations strategy is a set of general principle rules which will lead to the objectives of the company. Every company need to have their own operation strategy in order to achieve their mission (Slack, Chambers and Johnston, 2010). Generally, Starbucks has implement some operations strategy in order to improve their competitiveness in the industry. Starbucks have their own way to expand their business globally. Before they enter their business in certain a country, they will do some market research to enable a deeper understanding on the country's market. They also will study and do some research on the property right laws as it also the way to a successful market entry in emerging market (Devault, 2018). As for example, after they did some research in China, the people at there tend to loves drinking tea compared to coffee. So to attract the customer, they introduces beverages that included local tea based ingredients.

Instead of focusing on to expand the size of the store, Starbucks also changing its store mix. The coffee giant is concentrating on drive thrus in the urban and sub-urban area. This is because, people who lives in urban area tend to have a busy life and sometimes they don't want to waste their time by queuing up just to buy a cup of coffee. A drive-thru also opens up the potential market to include driving commuters. So they can just go to the drive thru section and buy the coffee without having to leave the car. (Team, 2016)

In this technology era, the company has adapted mobile applications for the promotion of its brand and sales of products earlier than the competition. They introduced Starbucks application back in 2009 that available at Apple

Apps Store and Google Play Store. At first, the application only allow the user to study about the coffee, locating the nearest store and creating their own drinks. But now, its already evolved as it allow customer to pay the drinks via application. With this way the company able to reduce the processing fee for the transaction through its mobile app. Starbucks apps is a success due to its ability to combine payment and its loyalty program. Moreover, to show the success of mobile app, Starbucks remain the most popular mobile payment app compared to Apple pay, Google pay and Samsung Pay (Dignan, 2018).

## PRODUCT AND SERVICE DESIGN

Starbucks is very well known to the market by its high quality product. The product that offered by Starbucks are high quality brewed coffee, Italian styles espresso, cold blended, roasted whole bean coffee, tea product, sodas and fruit juice. Moreover, Starbucks also offered some food such as cakes, sandwich, salads ice-cream and pastries. Not only that, Starbucks also have their own merchandise such as mugs, travel tumblers, coffee grinders, coffeemakers and storage container. (comment)

Other organization such as manufacturers also take part in designing their product. Starbucks realized that working and collaborating with other company will give them a win-win situations because it will attract more customer and profits to the both company. So, Starbucks has collaborated with ban. do company. It is a company that design everything from jewelry to 3-D iPhone cases. Ban. do company will design Starbucks merchandise such as mugs, cold cups, canvas totes and notebook (Hamanaka, 2018). The merchandise then will be sell at Starbucks store. The uniqueness and the

beauty of the merchandise design by ban. do company attract more customer to come and grab it as it is a limited edition product.

### Target market

Starbucks generally targeting people around 18-40 as they contributed to almost half of Starbucks total business. Starbucks mainly targeting people who has high income, adults, young adults and urban people.

Starbucks targeting people with high income as they are producing a good and high quality of product. That is why, the price for a cup of Starbucks coffee is quite high compared to other brand that sells coffee too. These types of people willing to spend their money on premium coffee drinks as long as they get the satisfaction from drinking it. Starbucks also target adults by making Starbucks as the third place to go between home and work. The adults usually go to Starbucks before and after they go to work to grab some coffee. The adults also sometimes doing their work and meeting their clients at there. Moreover, young adults such as students also one of their target market. Starbucks position itself as a place where the students can hang out, doing assignment and study because they creating a unique and relaxing experiences to them. Starbucks provided a comfortable table, chair, sofa and plug which they can charged their phones and laptops. Not only that, Starbucks also provided WIFI connection which attract more customer to come to their stores. (Alam, 2018) Lastly, they target people who lives in urban area. The people who lives in urban area usually have a busy lifestyles such as going to work, to their kids sports activities, to the stores and to the

gym. They also spend a lot of time sitting in the traffic which a cup of coffee will make make them feel better. (Mellinger, 2018)

## PROCESS DESIGN

There are 4 phases of work flow in the process design such as request, negotiation, performance and acceptance. It is a process for a customer to buy the product. In request phase, its a phase where the customer line in, make a choice and order the coffee. Next in negotiation phase, its a phase where the barista recommended the other things that want to be add to the coffee or the new menu and promotions that available to the customer. After the customer already decided their choices it will comes to the next phases that is performance. It is a phase where the barista make the coffee. During this process, customer can see the way their drinks been made and have the conversation with the barista about the coffee. Lastly is acceptance phase. Its the phase where the customer taste the drinks and give feedback to the barista whether the coffee met their taste or not. Otherwise, if the drinks are not met with the customers' taste, the customer can request the barista to remake the coffee until it meet up with their taste.

## Layout of retail outlets

From the figure 1, it shows that Starbucks use the standard product layout approach where the customer need to queue in line to order the coffee, provided waiting line for the customer to queue while buying the coffee. There is also food section where the customer can see the types of cakes and pastries available. Lastly, the seating sections. Starbucks provided

comfortable sofa, chair and couch for the customer. The view and design for the shop are very beautiful and calm which will make the customer feels like home. Moreover, they will also put the songs to entertain the customer. . go the next section to see the barista doing the coffee or they can just simply sit until the barista call their name.(Paryani, 2011)

## QUALITY MANAGEMENT

Starbucks take a holistic approach to ethically sourcing coffee through responsible purchasing practices, farmer loans and forest conservation programs. Starbucks also claimed by using this way, it can help to cultivate a bright future for the farmers, more stable climate for the planet and create a long term supply of high quality beans that been carefully blending, roasting and packing fresh (Starbucks Coffee Company, 2018) . The company carefully choose coffee beans that met with Starbucks quality from selected farmer only. They will buy coffee from certified farmer under Starbucks Coffee and Farmer Equity (CAFE) Program. With this decision, Starbucks can ensure that they giving high quality of product align with the firms premium brand image. (Gregory, 2017)

In term of services, Starbucks also use several adequate service to smooth out their service. The company uses random check in from district managers where they will checked the barista, talk to the customer to ask feedback and check the drinks to ensure quality. Not only that, every six months the stores will be checked in all aspect to ensure the quality standards are maintained.

Starbucks also encouraged the customer to give feedback toward their service and product. Starbucks used Facebook page, Instagram and Twitter to announce any change, promotion and feedback from customer which was public where customer could easily respond. (Huffman, 2016) Starbucks will answer all the comments and complaints individually to the person's account and they not copying and pasting the same replies. With this way, Starbucks will always know about the customers complaint and will fix it in the future.

In terms of cleanliness, Starbucks really taking care of it as it one of the priorities. Bathroom are cleaned often and they allow anyone to use it even they are not a customer. The condiments station also is checked every 10 minutes. For the pastries, they must be delivered daily and must be placed on the shelves before the store are open. Any pastries that are defect will returned for a refund to ensure the quality and the image of the company.

## SUPPLY CHAIN

The efficiency of Starbucks supply chain is impressive. They get involved in every steps from processing it until serving the coffee to the customers.

They also got involve the process of making their cups and paper. Starbucks process 70, 000 deliveries in a week, supplying their 22, 000 retail stores across 65 countries (Boyer, 2013).

## Sourcing

As been mention earlier, Starbucks really emphasize on the quality of the coffee. In order to achieve that, Starbucks uses its Coffee and Farmer Equity (CAFÉ) program which using criteria for ethical practices in order to select



their reliable suppliers. Only if these suppliers meet their requirement, they will source coffee beans from these plantation. They sourcing the coffee beans directly to the farmer without any intermediaries. Brazil, Columbia, Guatemala, Mexico, Hawaii, Tanzania, Kenya and Saudi Arabia are the country that produce their premium coffee.

#### Maintaining Supplier Relations \*

In order the suppliers are meeting the standards that Starbucks has set, the organisation are working regularly with their suppliers. As their plantation are placed in the develop nation, the techniques need to be creative and innovative so that the local people could feel the difference that Starbucks are making to their coffee (Prahalad, 2005). Coffee and Farmer equity (CAFE) sustainability requirements were introduced by Starbucks in the year 2004. To ensure the coffee beans meet the require specification that has been set, Starbucks supply the farmers with a special training programs to make them handle the beans very skilfully (Hoban, 2016). Starbucks that has obtained a coffee plantation in the year of 2013 in Costa Rica which offers them a competitive side over their rivals. By having their own coffee supply, Starbucks is secured against sustainable coffee deficit (Hoban, 2016).

#### Manufacturing and distribution

Starbucks have a centralized system which will enable them to coordinate their logistics operations across 6 continents, Currently, they have 6 Central Distribution Centre (CDC) where the coffee is roasted, prepare and packaged (Boyer, 2013) after that, these will be transported to their large, regional or

small warehouse where they get delivered to the final retail stores. The process of manufacturing also follows a strict procedure to ensure the high quality coffee when it comes to their customer.

#### Technology used in supply chain management

Starbucks used automated information system that combined with a centralized logistic planning network. This system allows them to monitor the real time of their inventory levels, storage capacity, trucking schedules, safety in operations, total end-to-end supply chain cost and enterprise savings. With this kind of tracking, the company can plan their next step with efficiency that matches consumer demand (Elliot, 2017)

#### Cut cost and improve service

The team reorganized into four basic functional groups such as plan, source, make and deliver were tasked to find improvement. The sourcing group works on finding the factors that cause the price to increase. Through research, they can negotiate a better contract. The manufacturing group has come out that they should open the fifth U. S. roasting plant so they can reduce cost as well as time delivery. Next they also will introduce weekly scorecards with very clear service, cost, and productivity metrics. This approach allows an extension supply chain to have the same reference framework, with a goal aligned with the success of the entire company (Leblanc, 2018).