

# Starbucks case study business policy essay sample

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



Starbucks is the world's most successful transnational coffeehouse.

Established in 1971, Starbucks' overwhelming success has led it to operate more than 17,000 stores, recording 2011 revenues of \$17 billion at approximately a 15% profit margin. This case report will explore what has allowed Starbucks to dominate the coffeehouse market and the opportunities and threats for future operation. CAUSES OF SUCCESS SO FAR

### Differentiation Strategy

Starbucks has many functional strategies that help it achieve superior financial performance. The first functional strategy Starbucks uses is increasing efficiency with its human resource strategy. Starbucks takes great pride in their employees, and invests in them with higher pay and quality training since they are the face of the company. The second functional strategy Starbucks uses is improving quality as excellence. Starbucks emphasizes the attributes of its service associated with the product, such as ordering ease, superior customer service, and a relaxed environment. Starbucks also maintains the quality of its products by choosing the tastiest coffee blends from many different countries.

The third functional strategy Starbucks uses is consistently increasing its innovation with different coffee blends to satisfy any consumer. Most recently Starbucks noticed that most of their coffee blends were dark roast, and were not satisfying the needs of its consumers that preferred light roast coffee. To satisfy these customers, they recently used their innovation to come out with a light roast coffee blend called 'Blonde Roast'. The fourth functional strategy Starbucks uses is achieving superior customer

responsiveness. Starbucks saw a need that was not being filled for its customers, a place to unwind between work and home. In return, Starbucks customized their coffeehouses by providing a relaxed environment to unwind while having a great cup of coffee. Bargaining Power

A second aspect of Starbucks' success is the bargaining power enjoyed over both suppliers and customers. With such a strong brand and unrivaled experience, Starbucks is able to charge high prices for their coffee.

Starbucks also maintains significant bargaining power over the suppliers of the most critical factor of production—coffee beans. Starbucks' bargaining power over the coffee bean farmers in Costa Rican and Ethiopian farmers is significant enough such that Starbucks pays the farmers more than is required to avoid the appearance of exploiting the farmers. Corporate

#### Ownership of Stores

Starbucks prefers to own its stores wherever possible because they are in turn directly responsible for their employees and their brand. By owning its own stores, Starbucks has direct control over its employees and its business. Starbucks also has the ability to make much more money by not selling them off through franchising and are able to avoid licensing agreements. By owning its stores, Starbucks is able to avoid the individual franchisee putting twists on its store, along with protecting and maintaining its brand image, allowing Starbucks to train and select employees how they would prefer them being selected and trained. Transnational Strategy

Starbucks has succeeded domestically, due to successfully implementing the strategies discussed above. Another critical element of Starbucks' success has been the effective pursuit of a transnational strategy, penetrating the Japanese, European, Chinese, and Indian markets (among other nations). Acknowledging the difficulty to customize product offerings and store atmospheres for foreign nations, Starbucks has pursued joint ventures to localize the Starbucks brand. This was particularly the case for Japan—the first international country Starbucks expanded into—which now harbors more than 700 Starbucks stores. 7000 of Starbucks' 17000 stores are located internationally and, while the profit margins for international stores are slimmer than stores in the United States, international business comprises a significant portion of Starbucks' revenue.

#### DIMENSIONS OF FUTURE UNCERTAINTY

##### Threats

Starbucks has a very secure competitive advantage because they implement the four building blocks that create competitive advantage, including superior quality, efficiency, innovation, and customer responsiveness. Although no company is secure when it comes to competitive advantage, as long as Starbucks continues to listen to its customers and adapt to the ever change business environment, their competitive advantage will remain secure. When it comes to Starbucks, there are higher barriers to imitate this brand than it is with other coffee shops. Many coffee brands such as Arabica, Caribou coffee, and McCafe provide a relaxed area, or they provide various blends of coffee, or they provide great customer service, but besides

Starbucks we have not seen any other coffeehouses incorporate all three. Also, Starbucks' brand image is very hard to imitate. Starbucks truly cornered the market by having a strong brand name, and by locating their stores in vital, high traffic areas. Opportunities

Starbucks has enjoyed much success since opening in 1971, but opportunities are still accessible. Starbucks is looking to increase the amount of shops that are open expanding to many emerging international markets. The most visible example of this in China, which by 2014 will become the largest market outside of the United States . The resources, capabilities, and distinctive competencies of Starbucks translate into superior financial performance by looking at how much the company has grown over the years. By incorporating the Italian-style coffeehouse that the CEO, Howard Schultz, experienced in Italy, along with superior customer service and a variety of coffee beans, it indulges the customer in the ultimate experience to make them come back for more. The textbook even states that the average customer comes in 20 times a month. By incorporating all of these factors into Starbucks, the company is able to achieve superior financial performance. Another opportunity for Starbucks is the development with technology. The advancement of technology can help Starbucks produce higher quality products with fewer time consumed. Starbucks can piggyback off of its competitor, Costa, with their self-service coffee machines. Cultural Shift

Just as Starbucks incited a cultural shift toward coffeehouses, a cultural shift away from the premium Starbucks experience could be disastrous for

Starbucks' current business model. The coffeehouse image that Starbucks succeeded in creating was a place for people to go besides work and home. A major base of their consumers is customers that want to drink casually. If a cultural shift occurs where customers want a quick coffee experience, Starbucks could lose a portion of their market.