

To inspire and nurture  
the human spirit- one  
person, one cup and  
one neighborhood...

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



## **Organization Theory (Starbucks Company)**

### INTRODUCTION

Starbucks Company started in 1971. It was started by Jerry Baldwin, Zev Siegel and Gordon Bowker (Thompson 1). Starbucks is the largest coffee company in the world (Starbucks Company Profile 1). They were roaster and retailer of whole bean and ground coffee, tea and spices (Starbucks Company Profile 1). At that time in the past they had only one store that was in Seattle's Pike Place Market which was opened due to the inspiration of the Alfred Peet (Chew n. p). Starbucks was named after the first companion in Herman Melville's Moby Dick. Company's logo was also an inspiration of the sea-featuring, having two tails, siren from old Greek mythology (Starbucks Company Profile 1).

Later on Starbucks was not only a coffee company due to the efforts of current CEO and chairman. In 1987, chairman and CEO Howard Schultz took over and transformed company into global brand and hence by building a strong customer base built, he made a Starbucks, a well known brand of the coffee (Yunos 4). They purchased and served coffee and espresso beverages, desserts, coffee beans and some other coffee related products. Starbucks Company has another venture called Tazo Tea Company. A line of teas are made and sold at their retail locations and specialty stores.

Hence, in our paper we will discuss about company's strength, their strategies, and products they made. Furthermore, their stores are still expanding widely in the world in almost every part of the country and will be discussed further in this paper.

## **Starbucks Company's stores and products:**

Since, from the beginning of Starbucks in Seattle's Pike Place Market, they started their Company with a single store. Later on, they started to progress and soon attained a position of leader in the market. Now at present they have 20519 stores working in different countries and states of the world. Some of them are Argentina, Austria, India, Belgium, Brunei, Chile, China, Colombia, Malaysia, Mexico, Monaco, Oman, Peru, Philippines, Poland, Romania, Thailand, Turkey, United Arab Emirates, United States of America and many others (Starbucks Company Profile 1).

Moreover, with the passage of time, Starbucks was not only the maker of world's best coffee but soon started to make many products other than coffee. Starbucks Company made coffee, handcrafted beverages, merchandise and fresh foods. Fresh foods involve baked pastries, sandwiches, salads, yogurt parfaits and fruit cups (Starbucks Company Profile 2).

Furthermore, handcrafted beverages include fresh-brewed coffee, hot and iced espresso beverages, Frappuccino coffee and non coffee blended beverages. Merchandise includes mugs and accessories, packaged goods, music, books and gifts. Ready to drink include double shot espresso drinks and energy plus coffee drinks and many others (Starbucks Company Profile 2).

## **Life cycle of Organization:**

Every organization has to pass through different stages. From startup to rebirth or death, companies see different ups and downs. Same is the case

here with the Starbucks i. e. from startup as mentioned in this paper before, there was only one store and soon they became the leader of the coffee seller and attained maturity stage in the organizational life cycle (Starbucks Company Profile 2). Hence, Starbucks Company moved from startup to maturity stage and today they are standing at maturity stage in the life cycle of business.

Moreover, every business and organization needs investors and partners so that with they distribute their shares with their investors and complete group of investors move towards maturity stage. Likewise in the Starbucks Company, investors are attracted due to the brand name and quality, they provide to the customers. Stated in the company's profile, Starbucks Company call their employees as their partners. Hence, the major reason behind the struggle and hard work of the employees and staying of company at maturity stage for a long time period is the involvement of employees as partners.

Furthermore, Starbucks Company's backbone is their investors. After startup in 1971, Starbuck went public on June 26, 1992 at a price of \$17 per share and for subsequent stock splits it was adjusted at \$0. 53. Starbucks trading was closed on the first day at \$21. 50 which was the sign of the company's progress. Later on, Starbuck was incorporated under the law of Washington State in Olympia, Washington, on Nov 4th, 1985. Company's common stock was listed on NASDAQ under the trading symbol of SBUX. Thus company started with loyalty of work and with number of sincere investors and soon achieved maturity stage (Starbucks Company Profile 2).

## **Starbucks Company's Strategy:**

Companies from the beginning move towards maturity stage. If their strategies are good, it help them in achieving maturity stage soon otherwise wrong decisions and strategies lead companies to the decline. As stated by Namrataben, Michael Porter defines three generic strategy steps which are followed by Starbucks Company and they lead them to the progress and maturity stage.

First one is cost leadership. It implies cost reduction of cost in all areas of the firm. Cost leadership also implies low profit, low margins on all products and providing more and more advantages to the customers. Advantage of low cost at startup with low profits helped company in maintaining their standard with more publicity and fame. Hence soon they became the leader of the coffee in the market.

Second step of the strategy defined by Porter is differentiation. It involves the analysis of the firm i. e. which machinery is required and whether new and advanced technology is being used by the employees or not. Also, it involves some basic steps that are considered to be necessary in making the items unique. Uniqueness is required so that a firm gets competitive advantage over the other firms. Starbuck has competitive advantage over Diedrich coffee Inc. and Caribou coffee Inc. Some other competitors are local cafes, fast food places and other convenience stores (Chew n. p).

The last step of strategy is focus on the targeted market. Last step involves demographic analysis. Demographic analysis involves the analysis of the place where there is public that is aware of the product (Namrataben 38). In China, Starbuck started their first store. After analysis, place selected was

Beijing where people were enough aware of the products they introduce and hence they attracted people towards their brand and soon they became popular brand of the coffee in China too (Chew n. p).

Furthermore, Starbucks Company has five important components of strategy management process. First one is having a strategic mission and vision.

After having a vision and have specific mission, then setting of objectives is important. Moreover, achieving objectives is an important task, so designing and planning strategies to achieve objectives. Now implementation and executing the strategy is a vital task. Hence, after above all steps, if there is any error occurred during the whole process of strategy management, it is important to evaluate and correct them (Jtlauzon 1).

In a nutshell, company's basic strategy is the fulfilling of the requirements of the customers. Value proposition also deals with the customer's satisfaction. It actually makes organization aware of the steps which help them in fulfilling the needs of the customers regarding product or services (Kambil et. al n. p). So the major strategy of Starbucks Company is based on the customers. Customer satisfaction and taking feedback is their strategy. Hence, making improvements in their product line to overcome negative feedbacks is their goal.

## **EXTERNAL ENVIRONMENT**

Industry sector:

Starbucks as stated before is the world's best coffee store and other coffee products. Starbucks Company has an edge over its competitors but still there are rivals opposing the leadership of the Starbucks. It has strong threats

from competitors i. e. Diedrich and Caribou coffee makers. Moreover, in 2010 another rival Costa coffee took over Starbucks in England and gained biggest market demand. Starbucks Company has clear view and is struggling with their strategies to again overcome the market (Liz n. p). However, this competition is getting severe day by day as there are more and more competitors and rivals appearing in the market.

### **Raw material sector:**

Raw material for the coffee is grinded roasted coffee beans. Hot water is allowed to flow through roasted coffee beans. Major raw material behind the coffee's popularity is caffeine. Six ounce cup of coffee contains 100 milligram of caffeine. Moreover, there are different types of coffee trees. Its tree has 25 different types and there is variation of environmental factors i. e. soil, weather and altitude (" How products are made" n. p).

Cups that are used for coffee are also the part of the raw material for the coffee shops. In ethical values of the Starbucks Company, it is also declared that environment protection is their duty too so there is a complete process of raw material recycling (Starbucks Company Profile 1).

### **HR sector:**

Human resources sector plays the most vital role in the development of any organization. Starbucks is known for its qualified and highly technically sound employees. Company's real assets are the employees that lead the organization to the peak or can decline the company. Starbucks employees are the real strength of the organization. In fortune magazine, Starbucks was named at 91st place in 100 best places to work at. Hence, company's

position in the market depends on the sincerity of the employees and human resources department (Geereddy n. p).

### **Financial income sector:**

As discussed above that Starbucks is the worldwide famous company and has fame all around the world. So there is need to keep their fame all around the world otherwise rivals and competitors can take benefit from defame. Furthermore, in financial sector, investors play a very important role as they are the backbone of the company. Hence, to keep their fame among world, it is necessary to keep financial records and earn more and more revenue from their resources.

### **Market sector:**

Starbucks is the world re-known brand of the coffee and still they are diversifying their brand name. Starbucks after earning name in the coffee now bought a running tea house and soon hopeful to buy all raw material resources which they need in their product line (Null n. p). Moreover, organization like Starbucks has to keep an eye in the market strategies so that when there is need of forward or backward integration and diversification, they can carry steps on time.

### **Technology sector:**

Starbucks coffee company has name and fame in almost every part of the world so there is need to keep themselves up to date with the modern times. So they have to modify their IT resources and keep in touch with the technology sources. Furthermore, Starbucks is providing free Wi-Fi too to



their customers just to attract their customers (Cristobal n. p). Hence, new generation prefer places where there is latest equipment of technology so to keep their product sale increasing, Starbucks Company have to struggle more.

### **Economic condition sector:**

There are some factors that can harm the fame of the company and can lead them to the decline so there is need to keep an eye on such issues. As discussed above in this paper before that customer satisfaction is necessary. So it is a factor that can harm the daily operations of the Starbucks Company. If company fails in satisfying their customers and not fulfilling the customer's demand then they have to face real economical threats from their rivals and competitors who are waiting to be the leader of the market.

### **Environmental sector:**

Starbucks Company is expanding their network day by day. There is need and duty to protect the environment, as pollution can be the factor that can affect the Starbucks Company. Moreover, some countries are strict and have straight forward policies over the causes of environmental pollution (Yunos 5). So recycling plant is necessary for the company to protect the environment and make it pollution free.

### **International sector:**

Starbucks Company is now at maturity stage so they have to be well aware of their competitors and to know that what their competitors are doing and what are their strategies! Moreover, market involvement is important.

Market involvement includes licensing which means that to give license to other partner companies so that company can expand and get international scope. Hence, to expand organization's name, international sector must be handled with care otherwise it can be a real threat for the company.

Hence to conclude, the more company attaining maturity stage and be the leader of the market, more they will face rival strategies against them. So there is need to keep an eye open and always make strategies that are for the customers and can satisfy the customers by fulfilling their needs. They should get feedback of the customers so that whenever there is a need to modify or change the strategies, they can do so.

### **Challenges:**

Starbucks Company with its fame has to work hard to keep them at maturity stage. Their rivals have real threats for them. Furthermore, increased competition in other countries is the major challenge for the Starbucks (Geereddy n. p). Every country has its own economical conditions. So to identify that at what price they have to sale their product such that they are always preferred by their customers and will always get a competitive advantage over their competitors is important.

Moreover, in developed countries, market saturation can cause a real problem for them so encountering with such problems is a threat for the company to maintain their maturity stage. Hence, saturations should be observed and have knowledge to deal with such situations so that company's revenue from international markets is not affected (Geereddy n. p).

## **CONCLUSION**

In a nutshell, Starbucks Company has started with a single store and company has thousands stores. At the time of the startup, there was no more competition so dealing with rivals was easy for the company. Later on, company had faced some real tough competitors that gave real threats to the position of the company. One such example was discussed in this paper of England where Starbucks was the second opinion of the customers. Hence to deal with such situations, company should have strategies that can help them in maintaining their position.

Diversification and feedback of the customers is very important for the organization. Customer's choice always changes with time so to keep up grading according to the customer's choice is important in maintaining the revenue of the company. Furthermore, to maintain their position, company has to take care of the profit of investors that are the backbone in making organization the leader of the market. Hence attaining a leader position was also difficult and took much time but maintaining a position is important and difficult task for the company.

## **Works Cited**

Chew, L. P. " Starbucks Coffee." Web. 23 Nov. 2014. .

Cristobal, Erica. " Mobile Media."

" Environmental Mission, Vision and Values of the Starbucks Corporation"

StudyMode. com. 08 2007. 2007. 08 2007 .

Geereddy, Nithin. " Strategic Analysis Of Starbucks Corporation." Strategic Analysis Of Starbucks Corporation (n. d.).

" How Products Are Made." How Coffee Is Made. N. p., n. d. Web. 24 Nov. 2014. . Kambil, Ajit, Ari Ginsberg, and Michael Bloch. " Re-inventing value propositions." Information Systems Working Papers Series, Vol (1996). Liz. " Starbucks' External Environment Analysis." N. p., 12 May 2013. Web. 23 Nov. 2014. .

Null. " Starbucks Buys Tea Company for \$620 Million - NBC News." NBC News. N. p., n. d. Web. 23 Nov. 2014. .

Panchasara, Namrataben Govindbhai. " Strategic Planning of Starbucks." Slideshare. Slideshare, 4 Mar. 2012. Web. 23 Nov. 2014. Thompson, Arthur A., et al. Crafting and executing strategy: The quest for competitive advantage: Concepts and cases. Vol. 19. McGraw-Hill/Irwin, 2008.

Yunos, Shuhana. " Reflective Journal: Starbucks Corporation." (2013): 1-28.