

# [Example of business plan on starbucks' global quest 2006](https://assignbuster.com/example-of-business-plan-on-starbucks-global-quest-2006/)

[Business](https://assignbuster.com/essay-subjects/business/), [Company](https://assignbuster.com/essay-subjects/business/company/)

## Introduction

Starbucks was established in the year 1971. Later, the founders of the company and a marketing manager who happens to own the company currently, decided to list the company in the stocks exchange. Ever since, the company has experienced continuous growth. The coffeehouse company has expanded over the years of its existence (Gia, 2009). The company has expanded both in size from an initial one outlet in Seattle, Washington to twenty thousand three hundred and sixty six outlets in sixty-one countries across the globe. This shows commendable growth in just four decades of operating. Starbucks has not only grown in company size but also grown in terms of the revenues yielded and the employee size. Currently, Starbucks has over one hundred and fifty thousand employees. With such notable growth and expansion a company may lose focus on the steps which have brought them this far. This paper presents a financial plan, economic assessment, and marketing assessment plan for Starbucks. The paper also provides a recommendation on the organizational structure.

## Economic Assessment

The global economy has experienced unpredictable waves during the previous few years. These unpredictable waves have affected various businesses in their access to finance, which has also affected the decision-making processes. For some time, many business owners preferred closing down due to the economic wave. For those business owners who did not close down their businesses, they claim that it was the most challenging period to run a business (Youngme, & Quelch, 2003). After the economic waves passed the economy in some countries like USA, Spain, Italy and UK still experiences slow growth. This caused a decrease in the consumers buying power. This decrease in buying power has in turn resulted to a reduction in the company’s profits. Starbucks had lucrative ventures in markets like Spain and Greece. However, due to the economic waves, these markets have deteriorated and turned unattractive. In such situations, the management at Starbucks is faced with challenges of decision-making. The management team needs to determine whether to close the outlets in these markets or to minimize the number of outlets. The management also faces challenges in deciding which markets to approach in order to replace generate similar profits as those earned in other markets. Starbucks being a public company faces pressure from the shareholders who want to know the moves the management has in place to recover such profits. Some of the available strategies for the company to maintain the profit margin include minimizing on the costs of operation. Starbucks has a number of operational costs. The largest operational cost for Starbucks lies in salaries and wages for their employees. Therefore, a move to reduce these costs would be to reduce the number of employees. Starbucks also foregoes other costs such as purchasing coffee. To enjoy lower coffee costs, the company may opt to either produce its own coffee. The company may also opt to buy the coffee directly from the farmers rather than using suppliers.
In order to understand factors that could affect the operations at Starbucks in the future, it is important to conduct a PESTLE analysis. This enables the management to understand their environment from a political and economic perspective (Gia, 2009). The company also needs a SWOT analysis to understand the threats and areas of strength.

## Source (Chin, 2011)

Environmental Analysis
Starbucks Strengths
The greatest strength for the company lies in its branding. Starbucks as a brand has earned international recognition as a coffeehouse. The brand has enabled the company to penetrate into new markets due to its domination in other markets. Starbucks branding gives the company visibility in international markets (Youngme, & Quelch, 2003). Therefore, this presents the company’s greatest strength. In addition to the brand, Starbucks has strength incompetent and skilled employees who contribute to customer satisfaction. The relationship between the coffee beans suppliers and Starbucks is strength for the company. This relationship ensures that the company receives high-grade coffee throughout the year. This way the company has a continuous supply of fresh coffee.

## Starbucks Weaknesses

However, the company has recorded an upward trend since its opening. The company has shown overreliance on the CEO. This shows that Starbucks would suffer greatly if the CEO leaves the company in due time.

## Opportunities for Starbucks

A major opportunity for Starbucks lies in expanding the company to other markets. The company has achieved presence in markets around the world (Chin, 2011). However, the company has not yet exploited the markets in South, East, West, and North Africa entirely. Having established a globally recognized brand the company can easily set up outlets in these markets. This shows that, for Starbucks, the best is yet to come.

## Threats for Starbucks

The market at this point can be termed as overcrowded. Therefore, the major challenge for Starbucks lies in its competitors. The company has many competitors who pose as threats for Starbucks.

## Political Elements

The political instability in coffee producing countries in South Africa, such as Zimbabwe has an impact on Starbucks operations. Political instability in such countries poses a challenge to farmers; they are unable to produce high-grade coffee beans. The USA recently withdrew its signature in the International Coffee Agreement (ICA). The agreement provided limits for exporting coffee to other regions. This will allow producers to export to lucrative markets thus reduce the coffee available for Starbucks (Chin, 2011).

## Economical Elements

The economic wave led to inflation in countries where Starbucks has outlets. High inflation rates translate to lower purchasing power, which means that consumers in those countries will not afford to purchase coffee from Starbucks on a regular basis. Starbucks imports coffee from different countries, and they trade in dollars. The profit margins may reduce due to the fluctuation of exchange rates (Chin, 2011). Another challenge lies in the slow recovery process. After the economic waves, countries where Starbucks operates have had a slow recovery rate. This means that consumers have a low demand for Starbucks coffee in these markets.

## Social Elements

Today the society has accepted coffee as a beverage. This means that Starbucks can set up outlets in different societies and increase the profit margin for the company. This has been an improvement from the initial operation years during the formation of the company.

## Technological Elements

In terms of technology, Starbucks has acquired the latest technology for research and product development. The company uses technology to research and evaluate imported coffee samples and identify new suppliers (Chin, 2011). Starbucks can use information technology to create a stronger brand. The company can also utilize new trends in information technology for marketing purposes. The company can improve on their customer databases and use such records to notify customers instantly on offers.

## Legal Elements

The company has high respect for workplace safety regulations, which are concerned with the safety of employees in the company. The company follows the law in its operations since they sell legitimate products.

## Environmental Elements

Starbucks operations may be affected by pollution permissions by agencies in countries where the company operates. In the European markets, the law states that a company like Starbucks should acquire permission in order to set up brewing plants for coffee (Lussier, 2000). The level of strictness varies in different countries, in some the company should adhere to the set environmental policies or close down. In some other countries, if the company fails to adhere to the set policies they pay a fine.
For Starbucks to succeed in the markets where they have set outlets, the company needs to use the PESTLE analysis to understand changing trends in the elements that surround their operations (Lussier, 2000). The company also requires conducting an analysis on the industry to understand the forces that operate. To understand these forces, it is important to consider Porters analysis. This analyzing technique presents five viewpoints of the industry.

## Analyzing the Industry

Buyers Bargaining Power
In a situation where the buyer has the ability to influence the seller, the buyer enjoys a high buyer bargaining power. If a buyer can influence the change of the terms of sale, which include the product price and time of payment then the buyer enjoys a bargaining power over the seller. Starbucks has total control over the price and terms of trade of their products (Lussier, 2000). This means that the company operates at a level of low buyer bargaining power. Individual consumers who consume Starbucks products cannot influence the selling price of coffee in the different outlets.

## Suppliers Bargaining Power

This refers to a situation where few suppliers exist in the market. Therefore, the few suppliers can dominate the market and influence the supply prices of the commodity. Starbucks receives the high-grade coffee beans from a number of suppliers (Lussier, 2000). This means that the suppliers do not enjoy a high bargaining power. The coffee in Starbucks comes from the Pacific Rim and Latin America. Starbucks also imports coffee from East Africa. The company has a number of suppliers. Therefore, the purchasing department sets the standards for the coffee accepted coffee at Starbucks.

## Threat of Substitution

A product, which is produced by a different company and has the ability to satisfy similar consumer needs as those satisfied by another company, is referred to as a substitute. Starbucks provides coffee as their product (Lussier, 2000). Coffee quenches the thirst of different consumers. In the same markets where Starbucks operates, soft drinks such as soda and tea exist. Such products present threat of substitution for Starbucks coffee. These substitutes can satisfy the same need for customers as coffee from Starbucks.

## New Entries into the Industry

New companies can enter an industry depending on the existing barriers for entry in the industry. Barriers to entry in an industry include the capital to set up a company as big a Starbucks. Away from capital barriers, legal requirements, technological expertise, and market experience in the industry also exist as barriers to entry (Lussier, 2000).
Few entry barriers exist in the coffee industry. The ease in entry lies in the availability of coffee. Starbucks does not purchase all the coffee, which is produced in producing nations. This leaves a possibility for other companies to join the industry since the raw material is available to them. This shows that there exists a high threat of entry into the coffee industry.

## Rivalry from Competitors

There exist a number of competitors in the coffee industry. This means that competitors pose a high threat to Starbucks. The rivalry among different competitors takes the form of price wars where companies change their products prices constantly to attract buyers. A direct competitor in the coffee industry for Starbucks comes from companies such as Costa and Coffee Day. These companies pose a high threat and rivalry for consumers in the coffee industry (Lussier, 2000).
After using the PESTLE and the five forces in the industry to evaluate Starbucks, the management team needs to evaluate further the marketing strategies. Marketing strategies present channels of making the product popular in the industry (Lussier, 2000). These strategies also include ways of making the brand stronger in the market. Having identified the threats and competitors in the market one can understand the need for assessing the marketing plan.

## Marketing Assessment

Starbucks should adapt the following marketing approaches in the next 3 years in order to record an improvement in the profits and product awareness.

## Market segmentation

Segmentation of the market presents a number of advantages for Starbucks. Through segmentation, Starbucks can understand the needs of all segments (Lussier, 2000). Understanding the different needs, which exist, enables a company to address those needs. In the coffee market, segmentation can be conducted in terms of the grade of coffee beans used to produce the coffee. After segmenting the coffee market, Starbucks can research and design products, which target these particular market segments.
4 Ps of marketing

## Product Differentiation

Starbucks has implemented the product differentiation strategy. The company should further develop this strategy in order to design and produce different products for the different consumers in the coffee market. Another recommended product differentiation move by Starbucks involves developing trademark products (Lussier, 2000). These products can be retailed in conjunction with other retailers in a similar way to the retailing of sandwiches by Wal-Mart. A trademarked product helps the company to fight off competition, which in turn increases the profit margin for Starbucks. Starbucks can achieve product differentiation due to the readily available research technology at their disposal.

## Price

The company should continue selling coffee at affordable prices. However, in pricing, Starbucks should also consider prices set by other coffeehouses. This helps Starbucks to ensure that in future other companies do not win their customers due to their prices.

## Place

Starbucks already has a coffee distribution mechanism where interested buyers buy the coffee in coffee outlets. The company should consider penetrating other outlets, which offer alternative retail and supply chains. The company may consider approaching grocery stores where coffee drinkers go for shopping.

## Promotion

Product promotion plays the role of product awareness creation. Starbucks needs to implement consumer outreach programs in order to raise the levels of product awareness. Currently, Starbucks has built a strong brand, which helps it achieve the product promotion requirements. The management should focus more on the differentiating its brand from other coffeehouses. This ensures that the customers continue to know about the product. Consumers are also made aware of the various outlet locations (Lussier, 2000).

## Financial Plan

Over the last three years, Starbucks has shown an increase in revenue. From the financial statements posted by Starbucks in 2012, they show an 8. 4% increase in net revenue for the financial year 2010. Similarly, Starbucks has enjoyed an increase in revenue from the international markets where it operates. This shows that the company has better things to come. With the indication that the company has increased revenues, the management should set a target of a 20% increase in revenues each year in the next three years (Nove, 2013). For the gross profit, the management team should set a target of a 15% gross profit increase each year in the three-year plan. The company can achieve these increases when they implement this strategic proposal. The product awareness and product promotion will enable to company to achieve an increase in sales. An increase in sales for Starbucks translates to an increase in revenues and, therefore, the company can expect an increase in profits.

## Source (Starbucks Corporation, 2009)

Source (Starbucks Corporation, 2009)
Management Structure
The current management structure in Starbucks is the hierarchical structure where the CEO comes under the board of directors. Various departmental heads follow the CEO in terms of authority and structure. The departmental representatives come after these departmental heads. In order to achieve the three years strategic plan, the company should modify this management structure (Nove, 2013). The restructuring will allow country managers and departmental heads to be at the same level. Having country heads at the same level as departmental heads ensures that the country heads can make important decisions regarding the company in their country. Country heads stand a greater chance in understanding their particular country and making the strategic decisions.

## Conclusion

This analysis indicates that Starbucks has created a strong brand name, and this is the company’s greatest strength. The company also enjoys extensive presence in different countries and a highly qualified research team. The company also enjoys good relations with coffee suppliers, which ensures that the company always has enough coffee in their various outlets (Nove, 2013). Among the companies weaknesses’ is that, the company shows high reliance on the CEO which indicates that the company may suffer if the CEO left. In 2010, the company recalled some of its products. This presented a bad image to most of the customers.
For Starbucks to achieve the 3-year strategic plan, the company should increase the workforce in the research team by 3%. This will allow the research team to come up with new products for the company to add in the production cycle. Increasing the number of researchers also allows the company to have a large knowledge base of innovative ideas (Nove, 2013). The company can also increase the number of outlets in potential markets like South Africa, China, and India. These are markets where coffee is accepted as a beverage. This means that the social-cultural aspect in this environment favors Starbucks. Starbucks should also aim to acquire coffee directly from the farmers. This ensures that the supply chain is short, and the company earns more profits.

## References

Chin, J. (2011, October 31). Starbucks PowerPoint. Starbucks PowerPoint. Retrieved March 19, 2014, from http://www. slideshare. net/jjhackn/starbucks-powerpoint-9960115
Gia, K. (2009). Marketing strategy of 'Starbucks Coffe'. MuÌˆnchen: GRIN Verlag GmbH.
Lussier, R. N. (2000). Management fundamentals: concepts, applications, skill development. Cincinnati, Ohio: South Western College.
Nove, F. (2013, January 27). Starbucks 2009 Annual Report. Starbucks 2009 Annual Report. Retrieved March 19, 2014, from http://www. slideshare. net/nove88/starbucks-2009-annual-report
Starbucks Corporation (2009). Starbucks Corporation Fiscal 2009 Annual Report. Retrieved on 19th Mar. 2014 from http://media. corporate ir. net/media\_files/irol/99/99518/SBUX\_AR. pdf
Youngme, M., & Quelch, J. A. (2003). Starbucks: delivering customer service. Boston, MA: Harvard Business School Pub. Corp.