

# Swot analysis and company overview of starbucks



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You are to imagine that you are the national Marketing Manager for a company that operates a chain of coffee shops. This can be any type of company from an established large multinational (i. e. Starbucks, Coffee Bean & Tea Leaf) to a small-medium enterprise (UK Based Costa Coffee) that manages coffee shops.

Your company has decided to launch a shop at the University of East Anglia.

The company's Marketing Director has asked you to prepare a strategic marketing plan to "roll out" this new shop over the next five years

### Introduction

In 1998, Starbucks successfully entered the European market through an acquisition strategy (Starbucks, 2011 p. 1). Since then, Starbucks has gone on to become the market leader in the UK branded coffee shop market (CatererSearch, 2011 p. 1); and their carefully planned strategy has resulted in high levels of customer loyalty which leave the competition far behind. Starbucks pride themselves on quality, and, this is something, which is inspired by passion. The firm are passionate about ethically sourcing the finest coffee beans, and this is something, which is translated into the company's mission statement. A strong response to the firm's external environment provides the firm with a competitive advantage, in that they are a firm, which are highly responsive to the changing needs of their consumers. This is supported by an adaptive and response approach to change, which sees the firm being able to set trends in their environment. Thus, it can be seen that the firm support a gradualist model of change

(Gersick, 1999 p. 101) and this is a strategy, which further promotes an integrated marketing mix.

In addition, the firm can be seen to have strong links to their customers, and follow a vigorous customer relationship management programme. A sense of belonging is felt within the stores, and an atmosphere is created in which consumers feel they can relax and take a break from the outside world.

Thus, as Starbucks (2011 p. 1) note ' every store is part of a wider community', and in this sense it can be seen that the firm promote corporate social responsibility activities in order to bring together the firm's partners, customers and the community. This in turn must therefore be reflected wherever the firm chooses to locate. This paper will conduct an industry analysis of the coffee sector within the UK, once this has been established, it will move on to look specifically at the strength and weaknesses of Starbucks, noting the intangible capabilities of the firm which contribute to a unique competitive advantage (Henry, 2007 p. 42). Secondly, the paper will move on to produce a strategic marketing plan, which on the basis of solid marketing objectives will seek to provide a comprehensive overview of how Starbucks can successfully launch a store at East Anglia University.

Industry analysis

PEST analysis

Political

Relationships between coffee producing nations and the government.

Pressure to provide a fair price to producers.

State and legal controls.

Economic

UK coffee market is set to double in size over the next decade (Manson, 2007 p. 1).

Annual worth of £1. 3bn this reflects a 15% growth rate.

International coffee prices are dropping.

Oversupply of coffee production.

Social

11 million consumers visiting a coffee shop at least once a week (Manson, 2007 p. 1).

The coffee shop is becoming a social gathering location.

Social concerns over fair-trade and fair price coffee. Consumers are demanding more from retailers.

Consumer preferences may change over time. Starbucks must review the external environment.

Technological

Technology to improve overall operational efficiencies.

Use of IT for ordering systems

Developments in technology facilitate quicker service in store.

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## **SWOT analysis of Starbucks**

### Strengths

Very profitable organisation, average revenue of \$5000million each year.

Global coffee brand with a large customer base. This customer loyalty enables the firm to gain customers regardless of location.

Listed in the top 100 companies to work for.

Strong commitment to CSR and the firm's stakeholders.

Instantly recognizable brand.

### Weaknesses

New product development, focus on both innovation and creativity. For example; as well as staple items the firm invent new drinks to entice customers.

Predominant focus in the USA thus a rather concentrated business risk.

Lack of diversification into other areas. This could lead the firm susceptible to moves from their competitors.

### Opportunities

Further advancements of their Fair-trade products

Global expansion. In particular in BRICS economies such as China and India (Wilson and Purushothaman, 2003 p. 19).

Co-branding, further development of their supermarket range.

Starbucks are noted as the favourite coffee shop amongst UK Retailers, the firm must draw on this success during a strategy of expansion (Manson, 2007 p. 1).

### Threats

The company are susceptible to a rise in cost of coffee, groups are pushing for a larger percentage of price to go to the producers of the coffee.

Rise in competition for example; McDonalds are now targeting a similar market to Starbucks.

Dynamic external environment and changing consumer needs, this therefore requires a flexible strategic focus.

Economic difficulties such as the most recent recession have resulted in customers tightening their belts. The consequence of which is consumers moving to cheaper alternatives or cutting back on luxuries such as takeaway coffee.

Market being taken up by non specialized players such as Marks and Spencer (Manson, 2007 p. 1).

### **Characteristics of the product**

The unique selling points of Starbucks products are that it is of the highest quality. Starbucks ensure they produce the highest quality coffee, and treat all products with great care. This results in a highly developed product, which, consumers enjoy. Furthermore, the product is one, which is developed

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with passion, and this is reflected in how Starbucks treat the product they are serving. In addition to the coffee being sold, Starbucks offer a variety of other products, which offer variety to the consumer. The wide range of goods on offer provides an additional unique selling point as consumers have a wide variety of choice. Furthermore, Starbucks have a unique approach to how they source their products, and have an ethical focus this is something which is line with changing consumer demands. Therefore, Starbucks are known as a sustainable company.

## **Marketing objectives**

To develop a strong customer loyalty base within the University of East Anglia within the first year.

To promote a wider community involvement and become a central player in the community by 2012.

To develop a market share within the University of 30% by 2012.

To develop products, which are in line with different seasons and changing student, tastes.

To create a location on campus which promotes communication and socializing amongst both students and staff.

## **Demographic analysis – target market**

Primary data was collected in the form of a questionnaire in order to gather opinions on the demographics of students at East Anglia, which would provide further information regarding the target market of the firm. The questionnaire results highlighted that the main customers are student's aged

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18-21 and staff members who go to get coffee in between lessons. The results showed that people purchase coffee to socialize, and this is something, which Starbucks must promote through the atmosphere they create in store. In addition, the results highlighted that it is predominately females who visit Starbucks and it is females who purchase the non-traditional drinks such as Frappuccino's and Iced Tea. Therefore, demographically it was males who purchased traditional drinks such as coffee and tea. Furthermore it can be expected that all those visiting the on campus Starbucks will be in some way associated with the University, therefore, it is unlikely that members of the public will use the branch if it is located on the university campus. Therefore, it may be more beneficial for the company to locate near to the university but in a location, which is accessible to the general public. This will in turn boost the atmosphere of the store as different communities will combine, and it will also ensure that Starbucks are able to maintain their revenue even during quiet university times, for example; during the summer holidays.

The primary data has therefore promoted that the following marketing plan to be targeted towards female students aged 18-22. In addition, it projected an image of such female students drinking non-conventional drinks and therefore, as the store is planned to launch in the spring, it is expected that the store should launch a variety of seasonal drinks in line with changing consumer needs.



## **Marketing strategy**

### **4p's of marketing**

#### **Product**

High quality coffee with a unique twist. For example; gingerbread lattes, chai tea lattes. Taking coffee and giving it a modern and contemporary twist.

Alternatives to coffee and tea such as Frappuccino's and Iced tea. In the summer these will be high sellers. Such products will change seasonally and will provide incentives for students to try new products in store.

#### **Price**

Prices are standardized across the majority of Starbucks branches (exc airports and train stations). Starbucks recognise that students do not have the highest budgets however and will therefore aim to have a promotion each week, which, highlights one choice of drink at a reduced price.

Furthermore, an equivalent to a 'happy hour' will take place during quiet hours in the day (2: 30-4pm) in which, offers will be run.

#### **Place**

Staff will be presented in the traditional Starbucks uniform and will conform to the American culture in which smiles and a friendly attitude are the norm. This promotes the idea that Starbucks should be somewhere where the customer feels welcome.

The stores will be comfortable and modern. Comfy seats will be provided and window bars will be placed so that consumers can people watch whilst they

sip their coffee. Throughout the stores free Wi-Fi will be offered enabling students to work in groups within store.

## **Promotion**

Stores will be used to promote an atmosphere, which encourages socializing. Newspapers will be made available and different playlists will be used in order to allow the consumer to get involved with the choice of music. Furthermore, competitions will be used in which students will be given the chance to design their own summer drink. This will provide a great way of getting Starbucks recognised on campus, and will allow the firm to gain access to the creativity and ideas, which the students have.

The launch event will be one, which offers a fun opportunity for students to learn more about coffee, sample goods and enter competitions to win gift cards etc. This will attract attention towards the opening and will provide Starbucks with the chance to showcase their arrival.

## **Customer relationship management strategy**

Customer relationship management is vitally important (Reinartz et al, 2004 p. 293) and is something, which is gaining increased attention in the academic and professional literature. An understanding of how to manage customer relationships can provide the key to gaining a competitive advantage and thus, this is something, which Starbucks must aim to maintain in order to remain market leader (Porter, 1998 p. 19). Different customers have different value to the firm, and most importantly different customers can be seen to have subjective individual perceptions. Thus, Starbucks must recognise that customer satisfaction is subjective, and often

difficult to measure. However, one way to gain access to customer information is to offer a programme of feedback in which, customers are given the option to offer their opinion on Starbucks. This will enable Starbucks to improve based on such points, and overall could see the firm experiencing higher levels of overall satisfaction (Kamakura et al, 2002 p. 295). In addition to such, customer relationship management can be promoted by using social media/marketing to communicate with consumers. Thus, it is expected that Starbucks will provide links to their websites and will extend their Facebook page to have one unique to the campus store. The use of a loyalty card in store will also promote good customer relationship management, and such a strategy will enable Starbucks to gain access to information, which could provide them with information, which will further contribute to a competitive advantage.

### **Marketing communication activities**

As previously mentioned, social marketing is gaining in popularity and is a method of communicating to a wide number of consumers in an effective and cheap manner. However, in addition experiential marketing will be used, which is a new development in marketing which aims to get the customer to form an emotional attachment to the brand (Schmitt, 1999 p. 11). Therefore, Starbucks will offer events, which allow the customer to connect with the brand, for example; trying out the product and attending events, which have been organized by Starbucks. As well as creating an emotional attachment, which is noted in the literature as being linked to customer loyalty, this enables the firm to develop a community spirit within the area.

## **Resource plan**

The key resource needed to bring the marketing plan to life is staff. Staff need to be treated as an intangible capability, and a capability which can provide the firm with a competitive advantage. If customers feel happy and welcome when in a Starbucks branch they are more likely to return (Dick and Basu, 1994 p. 100). Furthermore, financial resources will be needed in order to ensure that the stores are delivered to a high specification. Thus, it is important that money is spent on comfortable seating and lounging areas to provide an atmosphere, which encourages relaxing. As a final point, expenditure must be spent on staff training, this will ensure that high quality coffee is produced, and that staff have all the necessary skills needed to facilitate it. As noted by Hayes (2007 p. 12) it is important workers are skilled when dealing with new innovations.

## **Monitoring and control activities**

A system of monitoring and control is vital to this operation. Starbucks must ensure that feedback communication channels are in place in order to allow the firm to grow and improve. If customers are not visiting the brand despite extensive marketing then the firm needs to know why and seek to improve this. During any marketing activities, monitoring must take place to gain customer information, tastes, and desires. By directly communicating with the consumers, the firm will be able to carry out their own personal market research. This is in line with Henry (2007 p. 36) who notes that a firm must be aware of their external environment in order to be competitive. To operate in a manner, which is not aligned to customer preferences, is to operate dangerously.

## **Conclusions**

In line with the marketing objectives laid out, it can be seen that Starbucks are set to open a branch on the University campus. This will provide the firm with access to a large target market and will enable the firm to gain a presence and a relationship with the University. Community is a key word, and it is important that Starbucks quickly place themselves as a member of the community. Launch events and the inclusion of students will help them to do this. Furthermore, the products offered, although relatively standardized will be slightly altered to meet customer desires. For example; seasonal menus and new drinks to entice customers in. Integrated marketing is important, and in this manner, the 4p's of marketing have been carefully presented in order to ensure that every action Starbucks do as part of their marketing strategy is one, which promotes one clear message to the consumer.