

Business policy and strategic management



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Section 2: Identification of Key Strategic Issues/Problems From Section we can identify two key strategic issues that Starbucks needs to urgently address if it seeks to retain and grow in profitability: economic recession and competition. It could be argued that economic recession is a macro-economic and thus has affected all industry players. However, when we consider that Starbucks coffee is the dearest among its competitors there is likelihood for Starbucks to be affected more than its competitors. Starbucks has employed the differentiation strategy to keep customers but there loyalty may be tested with a prolonged economic downturn. At a time when people are struggling to pay their bills Starbucks \$4 coffee appears to be a luxury in comparison to say, Dunkin' Donuts \$2 coffee. Secondly from section 1 we do not see Starbucks coming out as an organization with a strong strategy to tackle the competition that is increasing within its industry. Starbucks may be the leading coffee chain currently but the threat posed by its biggest competitors is very high. Firstly, its two main rivals are McDonalds and Dunkin' Donuts. Within the United States, Dunkin' Donuts is winning the battle for the no frills, cost-conscious coffee drinker and also the market segment tired of the ubiquity of Starbucks. In the global arena, McDonalds has more outlets than Starbucks and therefore poses a big threat abroad. Also we cannot fail to mention that McDonalds has \$23.5 billion in revenue as compared to Starbucks's \$9.8 billion (Schwartz 1). This implies that McDonald could easily deploy more resources targeted towards pulling away consumers from Starbucks. Work cited Schwartz, Ariel. "Sustainability Faceoff: McDonald's vs. Starbucks." Fast Company 17 May 2010. Web. 24 Mar. 2011.