

Swot analysis of starbucks, the world's leading coffeehouse chain

[Business](#)



Starbucks (formally known as Starbucks Corporation) is the world's largest coffeehouse chain, operating over 20, 000 locations worldwide [1]. Since the chain's foundation in Seattle in 1971, Starbucks has been serving up hot and cold beverages (primarily coffee) as well as snacks. More recently, this transnational company has expanded into selling branded products such as packaged coffee beans, coffee machines, mugs and other gifts [2]. Analysing Starbucks with the help of a SWOT matrix will show what the future might have in store for this world-famous corporation.

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Strengths

Starbucks must be doing something right if they manage to take home billions of dollars every year, after expenses. What's more, the profits seem to keep growing from year to year [3]! Here are some of their greatest strengths:

- **Quality, profitability and ethicality:** Starbucks have established themselves as a premium coffeehouse chain, despite their huge worldwide presence comparable to that of most fast food chains. Their products are of excellent quality, seemingly environmentally friendly, and relatively consistent between locations. As a result, they can afford to charge customers high prices, which most people are willing to pay. Not only does this mean large profits, but also has them globally recognised as one of the best coffee shop chains.
- **Efficiency and reinvestment strategy:** Most of the profits that this company makes go straight back into expanding the business. This is

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evident in the ever-increasing number of locations that Starbucks boasts [4]. It's clear that this corporation has a well-planned growth strategy, which seems to be working well for them.

- Employee treatment: Starbucks is known for treating its hundreds of thousands of employees very well, and has previously been listed as one of Fortune's Top 100 Places to Work For.

Weaknesses

Like every company, Starbucks does have some weaknesses. The most important are:

High price point: While their high price point was a strength in the previous paragraph, it is also a weakness. The hefty price tags on some of their products (starting even with their most basic coffee options) deter plenty of customers who might otherwise make Starbucks a part of their daily lives. While their premium quality and good ethical values might be attractive, some just don't have that much money to spend on a cup of coffee.

A lack of overly unique products: While Starbucks might be known for their frappucinos, pumpkin spice lattes, and big chocolate chip cookies, they don't exactly have the most unique market. Plenty of other coffee shops, chains or otherwise, provide similar products and only lose out to Starbucks' big name.

Also read: [Understand Vertical Integration with Starbucks](#)

Opportunities

This multinational coffee chain does have several opportunities for the future, though, which are as follows:

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- Global expansion: While Starbucks does have many coffeehouses across the globe, most of them are located within the US [5]. There are plenty of regions where profitably branching out is a possibility, including India, Central Europe, and some regions in Africa.
- Introducing new products and co-branding: Starbucks products would be welcomed in supermarkets across the world, something which has already begun. Selling their own branded products in stores other than their own would be a great way to maximise the value of their big reputation. They also have the opportunity to team up with other companies and co-brand — imagine the introduction of Starbucks products in McDonald's Restaurants (something which will quite possibly never happen)!

Threats

As a company, Starbucks does have a few threats which need addressing if they want to keep growing and remain the world's leading coffeehouse chain. They are as follows:

- Fierce competition from cheaper alternatives: Dunkin' Donuts and McDonald's are two other huge multinational companies which directly compete with some of the products that Starbucks sells. While these companies don't pride themselves entirely on their coffees and teas, they offer products of a similar quality for a fraction of Starbucks' prices. Who can tell what consumer forces will favour in the future?
- A specific market: Starbucks' success can be partially attributed to the popularity of coffees, teas and convenient snacks in today's society. If

consumers were to shift away from these products (perhaps one day relying on caffeine pills instead of caffeinated beverages), it would leave Starbucks struggling to stay afloat. They are also very prone to feeling the effects of rises in coffee, tea, and dairy product prices.

Those are all of the major points in this SWOT analysis of Starbucks. To conclude, if they can play their cards right, this company's massive brand and large capital should help to carry them through any turbulence that the future might present. As with any company, a clever approach to learning, developing, and evolving should cement their survival. For now though, Starbucks has plenty of opportunities to take, and a few threats to deal with.

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[1] <http://www.therichest.com/business/companies-business/the-five-largest-coffee-shop-chains-on-earth/?view=all>

[2] <http://store.starbucks.com/>

[3] <http://marketrealist.com/2014/12/starbucks-increases-leverage-fy-2014/>

[4] <http://blogs.wsj.com/numbers/new-york-has-nine-starbucks-for-every-square-mile-in-manhattan-1647/>

[5] <http://www.statista.com/statistics/218366/number-of-international-and-us-starbucks-stores/>

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