

Starbucks questions



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STARBUCKS QUESTIONS OPPORTUNITY IN THE SOCIAL AND CULTURAL

ENVIRONMENT FOR STARBUCKS Starbucks have established environment leadership in all aspects of business. The company has always focused on the strategies which bring positive contributions to the social and cultural environment. For example, the stores of Starbucks offer unique and localised experience to customers which are particular to the social and cultural environment of the city. Hanft argues that from the kind of furniture and fixtures used in the stores of Starbucks to the name of the drinks and messages on the cups, Starbucks completely focus on social and cultural values of the region (Gibson, 2007).

STARBUCKS COMPETITIVE SITUATION

Starbucks was started by three Seattle friends in 1971 as Starbucks Coffee, Tea and Spices however; later on the name was changed to Starbucks Coffee (Burks, 2009). In the early years of its operations, Starbucks was the market leader in coffee industry however, changes in the industry competitive structure enhanced competition for the company. Today, Starbucks is competing with many coffee brands in the international markets and these small companies like Caribou Coffee Company and Green Mountain Coffee Roasters are stealing market shares of Starbucks by developing an image of unique quality coffee, which is the same business model that Starbucks implemented in early days of its operations (Wikinvest, 2010). Porters' Five Forces Model Threats of new entry: Threats of new entry in the industry are significantly high because of no barriers to entry. The capital required to start a coffee shop is very low and since the coffee shops are recognised as a third-place between office and home therefore, high demand attracts more entrants in this industry. Bargaining power of suppliers: Bargaining power of suppliers is high because the coffee shops are importing coffee beans from

the coffee-producing economies and very small economies fulfil the demand of coffee of all brands. Bargaining power of buyers: Bargaining power of buyers is also high because of low product differentiation and presence of a number of coffee brands in the market. Threat of substitute: Since there are no substitutes of coffee beans therefore direct threat of substitute is very low. Intensity of rivalry among existing competitors: The intensity of rivalry among existing competitors is significantly high. Costa Coffee appears to be the major competitor of Starbucks and Nero Coffee is also dominating the market. Moreover, various other small or large coffee chains are competing in the industry and the competition is primarily based on coffee quality and price.

STARBUCKS MARKETING STRATEGIES TO COMPETE IN DYNAMIC MARKETS

Starbucks marketing strategy to form alliances with companies and social groups to improve brand name and reputation can be considered as a successful strategy of the company in a highly dynamic environment. For example, in 1993, Starbucks partnered with Barnes and Nobels, in 1996, company partnered with PepsiCo and in 2006, company established an alliance with NAACP (Larson, 2009). The Starbucks localised marketing strategy has also helped the company to compete in the dynamic markets. By giving localised messages on the cups and by using local furniture and fixture, Starbucks has been successfully expanding its presence in the international market. Therefore, alliance and localised image are the two major marketing strategies of Starbucks which have helped the company to compete in dynamic markets.

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