

Howard schultz and starbucks coffee company case study

[Business](#), [Company](#)



Starbucks is a coffeehouse chain that is headquartered in Seattle, United States of America. It is the biggest coffeehouse in the world with a global presence of 19,972 coffeehouses in sixty countries. Though it is synonymous with coffee, Starbucks also deals with salads, sweet pastries, hot and cold sandwiches, hot and cold drinks, snacks, coffee beans, mugs and tumblers. This paper will analyze the Starbucks Company for its strengths, the weaknesses it suffers from, the opportunities it can utilize of and the threats it has to overcome. The paper will also define the internal and external factors that the company works under.

Company SWOT Analysis

The following is a strength, weakness, opportunity and threat analysis of the Starbucks Company.

1. Strengths

The Starbucks Corporation is an immensely profitable organization with an earning of over six hundred million dollars in the year 2004. In the same year, the company generated revenue worth five billion dollars. This has helped the company develop globally because it has money to invest into expansion. The company is very trusted by its consumers. In 2003, the company was tagged as one of the most trusted brands. This helps in the retention of customers especially by customers travelling internationally as they can have their favorite brand on the go (Kurtz & Boone, 2009).

The company has a significant global presence of 19,972 coffeehouses in sixty countries. This large empire has been established on the base of its

good reputation for fine products and services. The good reputation of the company enlisted it in the coveted Fortune Top 100 companies in the year 2005 as company that values its employees. The company upholds high ideals of ethical values as expressly underscored by its ethical mission statement.

2. Weaknesses

Starbucks Corporation is reputed for its creativity and innovation expressed in new product development. However, their main bottleneck is the fact that they are profoundly dependent on a chief competitive advantage, retail of coffee. Another weakness facing the Starbucks Corporation emanates from its global presence. This is particularly in the United States market where the coffeehouses are close to each other. This means they potentially take way business from one another (Williams & Curtis, 2006).

On the same note, the Corporation is not sufficiently risk averse as many of their stores are in the United States. The corporation has slightly in excess of three quarters of its business located in its home market; the United States of America. In order to be risk averse, the corporation ought to consider diversifying to other markets in other countries.

3. Opportunities

Krispy Crème is an upcoming competitor that is experiencing exponential growth. Starbucks Corporation can acquire Krispy Crème in a merger or a buy out in order to consolidate its market share. This would reduce competition and increase the customer base. It would also increase

Starbucks' product line. The acquisition of Krispy Crème would also add diversity to their product line thereby attracting more clients.

The Corporation would also benefit from a venture into new untapped markets. For instance, their presence in the African market is very minimal as they are presently in two countries. South Africa would make a good prospect for a new store. Another opportunity that the corporation could exploit is the expansion of their menu to incorporate a full breakfast service and/or a lunch eatery. This of course of be after careful and meticulous planning and investigation to avoid introducing products that dilute the knack that is the Starbucks coffeehouse.

4. Threats

Government regulations into the operations of the labor market might pose a threat to the company. In 2005, the company was listed as one of the Fortune Top 100 companies for the value it appends its workforce. However, the introduction of the minimum wage bill might be counterproductive especially if the top management is not visionary.

New entrants into the market are another threat that the corporation has to deal with if it has to enjoy its unaltered success. For instance, Krispy Crème is such an entrant and is a force to reckon with. This competitor has introduced doughnuts that go well with coffee. This will have a harmful effect on the consumer base that Starbucks enjoys if the latter does not come up with a counter move (Pershing, Stolovitch, & Keeps, 2006).

Starbucks raw material is produced in the developing countries. These countries are rocked by climatic factors that affect the production of the raw material. This affects the supply and demand and by extension the price of the raw material. Other costs that might increase the cost of production thereby cutting on the profit margins include fuels costs and readjustments to licensing contracts.

Internal factors

Starbucks Corporation has focused greatly on coming up with a sturdy employee support structure so much so it chooses to refer to its employees as partners with the corporation. In a move dubbed as the most revolutionary way to treat employees who work by the hour, the management at Starbucks Corporation has offered every employee stock options and healthcare. This has resulted in very staunch employee loyalty and devotion to the company (Tovstiga, 2010).

Starbucks Corporation has a workforce that is very intimate with the customers. Besides that, the foodstuffs they make and sell are of very high quality. This has put them into the frontline in the specialty coffee market with a market share of over 50%. On a negative note, there are some internal factors in the company structure that might get in the way of further expansion and continued profitability. According to the mind of the customer, Starbucks has changed from the unique coffeehouse into the giant global supplier. The mystique that it had when it started out is lost (Kurtz & Boone, 2011).

External factors

Political factors in the countries where the Corporation has chain stores affect the operations in the company. Different countries have different economic policies which the company has to align to and still find the formula for success. Taxation regimes vary with different countries. Factors like terrorism, political instability, and religion play a role in the success of the corporation (Longenecker, 2012).

The legal issues that Starbucks Corporation has to abide by also influence the success of the company. They determine the operations of the company. For instance, employment laws in different countries define the working age, working time, minimum wage rate and compensations for injuries inflicted during the course of duty. These are factors that are external to the company but affect its operations.

Emerging issues globally such as climate change affect the company indirectly. Climate is a factor in the production of the raw materials used by Starbucks. The availability of raw materials is key to the operations of the corporation. Changes in climate affect the supply and demand of coffee and by extension the prices at which the raw material is acquired. This has an effect on the profitability of the company (Ferrell & Hartline, 2011).

Conclusion

All businesses operate under internal factors that they have control over and external factors that they may not have charge over. It is up to the management to exploit their strengths and opportunities and minimize their

threats and polish on the weaknesses so that the business thrives in whatever environment it finds itself in. Visionary and exemplary leadership is required to steer the company forth in the turbulent waters that murk the path leading to success.

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