Starbucks case

Business, Management

In the highly competitive business environment, diversification strategy of Starbucks would greatly facilitate it in maintaining its niche market position. The falling revenues of Starbucks during the financial crisis of 2008 had witnessed tremendous comeback. Howard Shultz, the founder CEO had been brought back for spectacular turnaround of the company. The company was not able to face the stiff competition and lacked leadership initiative to introduce new ideas and format that would meet the challenges of the times. Shultz's turnaround strategy was fundamentally based on meeting changing demands of the people through customization and improving customer service. Both the issues have emerged as vital ingredients of success that influence customer purchase behaviour and challenge the status quo of companies that becomes complacent in its performance and growth.

The decision of Starbucks to diverse its business interests was primarily aimed at exploiting new opportunities for gaining market leverage. Coombe and Georghiou, (2002) assert that model of network relationship provide firms with plethora of informed choices for enhancing their performance outcome. Forging strategic business alliances become necessary business tools in the ever expanding and competitive global environment. In the fast transforming business dynamics, firms, therefore, are increasingly adopting new ways to meet the challenges of the evolving business compulsions. Changing preferences become one of the major motivating factors for fostering alliances as it helps firms to add value to their existing products and at the same time, helps them to diversify and maintain leverage against their rivals. Hence, Startbucks has bright future prospects and Poole should hold on to the Starbucks stocks. (words: 260)

Reference

Coombe, Rod and Georghiou, Luke. ‘ A new Industrial Ecology.’ Science 296. 5596 (2002): 471.