

# Strategic management

Business, Management



Running Head: Strategic Management, a Case Study of Starbucks. Starbucks superior financial performance is attributed to a number of functional strategies. Firstly the company's organizational strategy is unique in its industry; it offers a progressive compensation policy granting even part-time workers the stock option and medical cover. This coupled to emphasis on training helps the company maintain a highly motivated workforce which translates into service to customers. The production strategy is also responsible for Starbucks performance; they roast and sell their own premium coffee alongside other products in the settings of a coffeehouse. Thirdly the financial strategy is also responsible for impressive performance. Due to the image created the company's profits have risen drastically as well as stock prices which presents the company with a solid capital base. The location strategy is another strength at Starbucks that helps fuel the superior financial performance. The company's sophisticated strategy of location informed by a thorough analysis of demographics has seen expand to prime locations locking out competition. In some instances even Starbucks's stores are located on opposite ends of busy streets to get hold of the traffic going in either direction of the streets.

A key resource at Starbucks is the people; on the background that employees who are motivated offer good service to customers, training is emphasized. They are also given a compensation package and benefits that are better compared to the industry averages. The company also owns its stores and sells its own coffee roasted in-house. Through careful analysis of demographics they are able to identify and locate their stores in prime areas locking competition. Through extensive training and emphasis on selling

more than the coffee the company has developed a key competence of providing top class customer services through motivated employees. The company is also capable of attracting a lot of repeat customers with customers visiting the stores at an average of twenty times on a monthly basis. The net effect is that the company is able to rapidly grow and perform well in terms of finances.

I think Starbucks preference of owning its stores is informed by its production strategy of selling its own products in a coffeehouse setting. It has also devoted a considerable attention to the design of stores so as to provide customers with an informal atmosphere of comfort and relaxation. It sells more than just the coffee and as such by owning its stores the company is able to influence a number of factors such as design. Ultimately the company is able to cut operational costs through owning its stores.

Starbucks' value proposition of providing people with a "third place" other than home and work and selling more than just coffee has enabled the establishment of a strong competitive edge. Investment in its people, capability to curb turnover, locate stores in very prime locations and expand rapidly to international territories Starbucks at its own level as compared to its competition. This edge is a secure one as its functional strategies are not easily imitable. Barriers to imitation of Starbucks strategies include the industry is characterized by high turnover rates and for any company to retain motivated teams that match its own then a lot of investment is required. Another barrier lies in the service offered and the vast number of stores the company owns, matching such would require huge investments which investments from the competition.