

Swot analysis of starbucks and future scenarios assignment



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SWOT Analysis of Starbucks and Future Scenarios that May Affect Their

Success. The complete SWOT analysis that analyzes Starbucks' current

situation and future prospects are as follows: Strengths: ? Product

diversification ? Established logo, developed brand, copyrights, trademarks,

website and patents ? Company operated retail stores, International stores

(no franchise) ? High visibility locations to attract customers ? Valued and

motivated employees, good work environment ? Good relationships with

suppliers ? Industry market leader ? Globalized ? Customer base loyalty ?

Product is the last socially accepted addiction ? Widespread and consistent ?

Knowledge based ? Strong Board ? Strong financial foundation

Weaknesses : ? Size ? Lack of internal focus (too much focus on expansion) ?

Ever increasing number of competitors in a growing market ? Self

cannibalization ? Cross functional management ? Product pricing (expensive)

Opportunities: ? Expansion into retail operations ? Technological advances ?

New distribution channels (delivery) ? New products ? Distribution

agreements ? Brand extension ? Emerging international markets ? Continued

domestic expansion/domination of segment

Threats: ? Competition (restaurants, street carts, supermarkets, other coffee

shops, other caffeine based products) ? US market saturation ? Coffee price

volatility in developing countries ? Negative publicity from poorly treated

farmers in supplying countries ? Consumer trends toward more healthy ways

and away from caffeine ? Fragile state of worldwide production of specialty

coffees ? Alienation of younger, domestic market segments ? Corporate

behemoth image ? Cultural and Political issues in foreign countries A more

specific look into Starbucks' future prospects includes: Expansion and Acquisition.

Starbucks Coffee Canada, Inc. , a wholly-owned subsidiary of Starbucks Coffee Company (NASDAQ: SBUX) today announced it has reached an agreement to acquire substantially all of the assets, including development and operating rights from Coffee Vision, Inc. (" CVI") and Coffee Vision Atlantic, Inc. (" CVAI"), its licensee in Quebec and Atlantic Canada. Upon closing this transaction on August 25, 2008, Starbucks will transition approximately 40 licensed locations to company-operated locations. In addition, Starbucks will also acquire full development and operation rights for retail stores in these provinces.

As part of the agreement, more than 740 CVI and CVAI employees are expected to become partners (employees) of Starbucks Coffee Canada. In addition to Canada, Starbucks is also progressively expanding in China and other countries. Besides Starbucks' successes and its continuous expansion, it still has external factors impacting its decisions and possible future scenarios, which they need to be aware of. The major factors are Competition and A Slowing Economy. Starbucks posted a 69% drop in fiscal first-quarter profit and announced more cost-cutting measures including layoffs and store closings.

It reported a net income of \$64. 3 million, or nine cents a share in the first quarter, which included charges to close stores and cut staff. The company earned \$208. 1 million, or 28 cents a share the same period a year ago. The company also announced it plans to slash 6, 000 jobs in 2009 and close 200

domestic stores and 100 overseas. The closings come on top of the 600 closings the company announced in July. The company announced it plans to stop continuously brewing decaffeinated coffee after noon as part of its cost-cutting measures.

Starbucks hopes the reduction will save \$400 million by September. Decaf coffee will be available by request. Due to the harsh economic downturn, Starbucks (coffee powerhouse) is now suffering both in making profits and in losing their stores. According to Troy Alstead, executive vice president and CFO; "With a solid balance sheet, strong cash flow and healthy liquidity, Starbucks is well-positioned to weather the challenging global economy". In the absence of these strong and healthy characteristics that Starbucks already possess, this global downturn would have really sunk the company even deeper.

I have faith in Starbucks to build on their strengths again, as well as progress even more. However, several changes must be made in order to see this happen. First is for them to reduce their retail prices. I love Starbucks, not because I love coffee, but because it is such a perfect environment to hang out, study or just relax. However, their products are a bit on the high side. Decreasing their prices even at the expense of decreasing a little bit of the quality (if need be) will help a lot with rebuilding the company.

Another factor that may pose as a positive or negative outcome is their leniency towards non-customers. I do understand their strategy in making their store very people friendly. However, it is hurting them financially. I suggest that only customers be allowed to sit in chairs and enjoy the luxuries

that come with what they pay for, such as internet and a calm environment. As a visitor of the store, I have seen people who seem like they wanted to buy things walk into the store, and upon seeing that chairs are already filled (which is always the case) walk right out.

The sad thing about it is that some people sitting there do not patronize the store. They just occupy the seats, taking advantage of the Internet and the “free” space. If Starbucks could make these two changes, I have no doubt that the effect of the economic downturn will not affect them as much as it potentially could. Reference: Buschman Vassel, Kathryn (2009). Starbucks Gets Burned By Slowing Economy. <http://www.foxbusiness.com/story/markets/industries/retail/starbucks-gets-burned-slowng-economy/> <http://www.calarosbay.com>