

Business strategic management executive summary of starbucks



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Starbucks Strategic Analysis Issue: For Starbucks to provide high satisfaction, keeping it aligned with the active diversification (geographical and product), which will help them maintain their premier image and competitive advantage.

External Analysis:

The Porter's five force model-

(1) Threat of substitutes: substituting coffee completely is a rare possibility but independent coffee shops which served wine, beer and liquor along with the coffee may pose a threat, and bagel and donut shops do pose as a threat.

(2) & (3) Threat of new entrants and existing competition: Since Starbucks has already built a positive image; a new entrant does not pose a serious threat. The existing specialty shops to serve as a threat. However, outlets outside would have existent players who understand the cultural aspect better, thereby posing a threat.

(3) Bargaining power of customers: It is nil in their case, so it is a positive for the company.

(4) Bargaining power of suppliers: This component is high, as Starbucks believes in serving only the best quality coffee, so the price paid is high. Starbucks can deal with these mild threats by including other beverages in its menu (which it already does, but add variety to the non caffeine products being catered) and by entering into agreements with few large suppliers to seal the cost of inputs.

Based on the SWOT analysis, we can say that diversification (outlets in USA and in many countries outside) is a positive aspect in Starbucks but if the process is not synchronized and planned well it may act as a deterrent to the <https://assignbuster.com/business-strategic-management-executive-summary-of-starbucks/>

image. The group also believes in introducing newer products in shorter duration of time, this helps retain customers, but may cause confusion in the customer's mind. The price paid is higher than its competitors, but the elite ambience helps negate the price difference.

Internal Analysis:

Starbucks has a unique way of treating its employees and care for all its employees as partners in the company, with every employee having the option to stocks and health insurance; thereby, keeping the employee turnover rate higher at 70% (industry standard 30%). The structure is not driven by the hierarchy instead every employee is given the power to enhance the decision process. Employees are also given training before they start administering their work to assure quality of service. Starbucks is also well paced with the current trends of e-marketing which makes it more accessible. Lastly, the research and development team is very active constantly forming new products to introduce to the menu list.

Alternative Courses of Action:

Starbucks can take either (1) sustain the aggressive growth plan and harness the services provided at the existing outlets (2) invest the proposed \$40 million annually to help achieve higher customer satisfaction (3) modify the products on offer, based on the demographic position of the outlet (4) continue with the launch of new products in small stipulated period of time (5) conduct market research to determine the market saturation and preference of the customers.

Recommendation:

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I would recommend that they invest the \$40 million as that would help lower <https://assignbuster.com/business-strategic-management-executive-summary-of-starbucks/>

the waiting time at each outlet as there would be more labor hours. This would lead to greater customer satisfaction which would eventually direct to higher profitability in the long run. The extra hours can also be used to provide training to newer members, to help them understand the company's aspiration better. Also, a good market research would help the company plan future strategic moves of penetrating the markets or introducing further products in a way that best suits the needs of its customers.