

Starbucks' strategy and internal initiatives to return to profitable growth

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Starbucks' Strategy and Internal Initiatives to Return to Profitable Growth

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Analysis Mission From the stuff of the textbook, there are some content

about Starbucks' mission statement. Howard Schultze who is the chairman and CEO of Starbucks would like their mission statement to convey a strong sense of organizational purpose and to articulate Starbucks' fundamental beliefs and guiding principles. They renewed their mission statement in October, 2008.

It is " To inspire and nurture the human spirit- one person, one cup, and one neighborhood at a time here are the principles of how we live that every day" (Thompson, 2012). The strategic mission of Starbucks is to establish Starbucks as the most recognized and respected brand name in coffee and for the company to be admired for its corporate responsibility. Starbucks has six corporate values as its own internal guideline. Firstly, provide a great work environment and treat each other with respect and dignity.

Secondly, embrace diversity as essential component in their business approaches. Thirdly, apply the highest standards of excellence to the purchasing process. Fourthly, roast and deliver fresh coffee. Fifthly, develop enthusiastically satisfied customers all of the time. Sixthly, contribute positively to communities and environment, and recognize that profitability is essential to their future success. As such, Starbucks uses these principles as a guideline for all employees to achieve the company's goals (Starbucks, 2012). Store Expansion Strategy

Thompson mentioned Starbucks' expansion strategy in this case. From 1993, Starbucks began their geographic expansion strategy to target areas. They <https://assignbuster.com/starbuck-strategy-and-internal-initiatives-to-return-to-profitable-growth/>

believed “ Starbucks everywhere” strategy cut down on delivery and management costs. The data showing that their operating margin was 14.3% in fiscal 2007, but declining store sales and depressed economic conditions had driven the margin down to 6.0% in fiscal 2008 and 7.5% in fiscal 2009. In 1995, Starbucks began entering into licensing agreements for store locations in areas where it did not have ability to locate its own outlets.

Till September 2009, Starbucks had company-operated and licensed stores in 50 countries and expected to open 200 new stores internationally in fiscal 2010 (Thompson, 2012). Revenue growth is decreasing because Starbucks lacks experienced management. Schultz has never led a growth effort of such magnitude and is just learning what the job of CEO is all about. Additionally, the US economic slowdown makes Starbucks experience a steeper fall and the customers are more price sensitive the past year. Customers lose their jobs, they don't have money to drink coffee in Starbucks.

According to this situation, Starbucks should reduce their US expansion efforts. Continued aggressive expansion in the United States by adding as many new store locations as in the past will inevitably act to cannibalize existing locations same store sales. The specialty coffee industry in the United State has entered the mature stage. One of the qualities inherent to the mature stage of the industry lifecycle is overcapacity. Any significant expansion efforts in an environment where overcapacity is present will be met with failure.

By reducing their expansion efforts in the United States, Starbucks can redirect the capital saved into their international expansion efforts. The international market provides an ideal target for expansion and the <https://assignbuster.com/starbuck-strategy-and-internal-initiatives-to-return-to-profitable-growth/>

penetration rate of specialty coffee in many nations is low and these countries have the potential market share capacity (Larson, 2008). Business Strategy From the mid-1990, Starbucks started their products strategy. The strategic objectives were to capitalize on Starbucks' growing brand awareness and brand-name strength and create a broader foundation for sustained long-term growth in revenues and profits (Thompson, 2012).

Starbucks should start new independent business unit for new products, with decentralization for products-group structure. They should reduce cross functional tasks to reduce confusion between employees and increase efficiency. Starbucks gets the outsiders of their board to gain potential new ideas in new business. Exploring new business is a blue ocean strategy and gets a first mover advantage (Paydirect, 2012). Marketing Starbucks had spent relatively little money on advertising, preferring instead to build the brand cup by cup with customers and depend on word of mouth and the appeal of its storefronts.

Advertising expenditures were \$126.3 million in fiscal 2009, versus \$129.0 million in fiscal in 2008. Starbucks stepped up advertising efforts in 2008 to combat the strategic initiatives of McDonald's and several other fast-food chains to begin offering premium coffees and coffee drinks at prices below those charged by Starbucks (Thompson, 2012). Store Ambience Starbucks should create a store atmosphere that fits the local settings and by training baristas to increase the personal connection between themselves and their customers.

Starbucks encourage s feedback from their customers to induce a familylike feeling and instructs all baristas to greet every customer. To further increase <https://assignbuster.com/starbuck-strategy-and-internal-initiatives-to-return-to-profitable-growth/>

this emotional connection with their customers, Starbucks can implement digital picture frames in all store locations and uploads local customer photos and perhaps even customer supplied family photos, customers have the option of uploading some of their family photos into the digital picture frames Starbucks gives them the chance to personalize their local coffee shop and joins a community (Larson, 2008).

Research and development Starbucks can continue in their research and development strategy by being the technological leader in the coffee retail business (Thompson, 2012). Starbucks should continually improve the coffee's variety. Magazine consumer reports rated McDonald's drip coffee as tasting better than that of Starbucks in 2009. To ensure the quality of their coffee, Starbucks should continually analyze their brewing systems and practices and considers renovations.

The brewing process should at all times be judged based upon its ability to bring out the complexities and distinctive flavors of the world's different exotic specialty coffees. Starbucks introduces their Tazo tea brand into the Japanese market. After a successful trial run in Japan, Tazo is brought into the US markets. Starbucks should diversify in related business to secure its own business, as customers have brand preference such as Macdonald, Donuts and so on (Paydirect, 2012). Finance

In March 2010, Starbucks announced its first-ever cash dividend of \$0.10 per share to be paid quarterly starting with the second quarter of fiscal 2010. Net revenues increased 8.6 percent in the second quarter of fiscal 2010 compared with the same quarter in fiscal 2009 (Thompson, 2012). Starbucks should use the best of their economies of scale to reduce costs. Starbucks
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should start new independent business unit for analyze the cost and return of new coffee's product which is a cost driver.

Accountants and auditors should follow the corporate governance to control some unnecessary expense and use performance test to identify the financial competitive advantage (Paydirect, 2012). Starbucks should evaluate their performance substantively and symbolically to avoid any accumulative financial losses to take quick corrective actions. The best evaluation method for Starbucks will be measuring ROI for any new investment they made and for the old investments as well. Starbucks should measures net profit for each store to separate between profitable and non-profitable stores.

Hence, Starbucks will have a clear financial positioning (Paydirect, 2012).

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