

# Business research- second cup



Revision: Business Research Paper: Starbucks The fundamental reason for the astonishing and unprecedented growth witnessed by Starbucks lies in the inculcation of its Mission Statement which reads as follows:

“ Establishing Starbucks as the premier purveyor of the finest coffee in the world, while maintaining our uncompromising principles while we grow.”

(Starbucks Corporation: Competing in a global market. 2003).

The reasons for the success of Starbucks could be as follows

Securing the best Raw materials: The raw materials that go into making the coffee is extracted from the best Arabica coffee beans and there are no mixtures or additives. The coffee beans are supplied fresh to the customers with its taste, aroma and strength intact for enhanced drinking pleasure

The benefits of vertical integration: At Starbucks, roasting coffee is a highly skilled and specialized art form, and not just a part of work culture. Every employee is trained by baristas (coffee experts) on the various aspects of coffee making, including selection of beans, crushing, roasting and other technical aspects connected with the processing of the beans. Hence, all the employees receive training in all aspects of coffee making, including knowledge about growing of coffee etc. (Starbucks Corporation: Competing in a global market, 2003).

Starbucks wishes to make coffee drinking a unique experience and the tasteful décor and ambience of its coffee shops is a fitting example of this desire

Starbucks lays special emphasis on building a unique culture with its people - it believes that its true strength are its employees and therefore, they are given good benefits and remuneration and also given stock options, or ownerships in the Company. (Starbucks Corporation: Competing in a global

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market, 2003).

This emphasis is just not confined to the employees but to all other people, who are either directly or indirectly, connected to coffee growing and distribution.

It does not operate franchisee systems like other competitors do. There are no individual franchisees, although there are some contractual agreements or licensing with some Companies.

Starbucks does not offer franchises to anybody nor does it envisage doing franchisee business in the foreseeable future. In the North of America, majority of shops are bought, owned and operated by Starbucks itself; however, in exceptional cases, where real estate ownership may not be forthcoming, such as airport locations, grocery chains and major foodstuff establishments, the Company enters into licentiate agreements with Companies who provide access to these places. However, the shops are manned by Starbucks personnel themselves. (Business opportunities. 2007). The reasons why Starbucks do not franchise is because the franchisees may not be able to maintain the highest standards of quality and service which forms the bulwark of Starbucks' reputation. However, their competitor, First Cup operates through a chain of franchisees. The main problem with franchisees is that consistency of franchises performance over all the territories have to be maintained, and a greater degree of control has to be established. Franchisee reporting also has to be delineated. The degree of autonomy and chain of command which is available to own staff cannot be extended for the franchisees. This is the reason why Starbucks operate their own chain of stores in all their destinations, and have overseas business agreements with local buyers in those countries. Besides they also operate in

groceries, foodstuff shops, airport and public establishments like hospitals, schools and colleges and public places. Most of these shops are run by Starbucks themselves.

The unique aspect of Starbucks is that their marketing strategy differs from others. Upon deciding upon the business potential of an area, Starbucks rapidly builds a number of their shops in here, thereby, completely covering the market, leaving the competitors, no choice but to sell their establishments to Starbucks or to quit. While other companies take time to slowly build one shop after another, the fact that a large numbers of similar branded shops of Starbucks appearing immediately, leaves the brand image and product awareness sharply in the minds of the consumers. This reinforces the brand image positively and creates additional sales for the Company. This is the USP, Unique selling point of Starbucks sales and marketing strategy. Around a decade ago, the company had only 125 stores in North America, with around 2000 employees. Today, Starbucks can lay claim to having 62, 000 people working in 30 countries of the world, including Japan, Taiwan, China, Bahrain, Hawaii and Greece, serving 22 millions cups per month. (Starbucks Corporation: Competing in a Global Market. 2003).

Over the years, the efforts of Starbucks have endured itself to the consumers, in most countries and it is regarded as a global brand. The advent of globalization has been both exciting and challenging. For one, it brings more markets and geographical opportunities to these countries, and the local governments are also benefited with advent of multinational consumer giants. However, Starbucks, like many other MNC Companies, has become target of anti-globalization moves, with ominous overtures.

However, Starbucks is determined to move ahead, in the international coffee arena, with the support of local partners, in order for making more and more consumers understand and savor the taste of excellent coffee.

Given the excellent infra-structural facilities that Starbucks enjoys with its emphasis on the right combination of technical, organizational and logistics combined with a good management structure, its strategic planning and programming, it is widely expected that it would soon become one of the best global brands for whole bean coffee and coffee products in future.

Anti-competitive tactics:

However, in the past there have been instances when Starbucks have been accused of anti-competitive tactics. They buy out small autonomous coffee houses in prime sale locations and convert them into Starbucks. Their other strategy is to crowd their shops within small areas, giving consumers no other choice, but to purchase from them. They are also suspected of creating artificial price hikes of real estate prices by purchasing land at exorbitant prices, which small coffee shops cannot buy, and therefore they are constrained to sell their shops to Starbucks. However, their nearest competitor cannot be accused of this alleged misconduct since they operate franchisees.

The fundamental reasons for Starbucks' success has been its focus on quality and highest processing standards and this aspect would be the bedrock of its future growth and development in the global business markets in the years to come.

Works Cited

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