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### Case Write-Up: Starbucks Corporation

The Threat of New Entrants for Starbucks Corporation ranges from low to moderate. They have attempted to go against their competitors in numerous ways as they launched new and better breakfast sandwiches that come in four options which were probably meant to go head-to-head with McDonald's egg white delight McMuffin. The company also acquired certain companies that fall under the fresh juice and premium loose-leaf tea sector and a bakery.

The market seems to be very saturated, and entering the business requires a significant amount of financial resources linked with buildings and properties. The cost of running a local coffee shop, for instance, is cheaper in terms of a larger coffee chain. Smaller cafés, on the other hand, have reduced supply demands and, as a result, cheaper supply chain expenses. These external elements make it possible for smaller businesses to compete with the company. Furthermore, brand development is an expensive endeavor. An example would be, small coffee shops. They do not have the means to establish their brands. Consumers have become accustomed to the taste and quality of the company's products, making it harder for newcomers to gain traction. Also, brand development takes time to attain and it would be difficult to compete with the popularity of Starbucks which holds one of the top positions in the rigorous market in the coffee industry.

The bargaining power of buyers is high. Starbucks is up against a lot of rivalries, meaning more options for customers. Today's consumers are slowly becoming well-informed and aware of their preferences despite the coffee chain trying to launch new products from teas to fresh juices, even an attempt to beer and wine after 4:00 pm. If Starbucks or any other company tries to raise pricing, customers can easily leave because switching costs are low. Starbucks, on the other hand, has acquired customer loyalty and brand recognition due to its distinctive store atmosphere and product's particular taste, as well as its, being customizable. Some clients are less budget conscious and will decide to purchase from Starbucks even if the prices are substantially raised. Coffee has an addictive quality to it, causing customers to return for a specific taste. Besides that, the abundance of replacements implies that

consumers may avoid Starbucks if they so choose, since there are other alternatives, such as quick drinks from vending machines or convenience stores.

The bargaining power of suppliers is low. An external component that exerts a minor effect on Starbucks would be the moderate volume of individual suppliers. However, the large number of suppliers reduces their negotiating strength. Suppliers, for instance, utilize a variety of tactics and skills to compete against one another to increase profits by delivering more resources, such as coffee beans, to the company. Due to the enormous total supply, suppliers' bargaining power is further undermined. As an example, there are several tea and coffee providers all over the globe. Individual providers' effect is limited by this external factor.

The threat of new substitutes is high. Every product that Starbucks offers on its menu has substitutes. They sell coffee, tea, and a variety of food items. A good population of individuals usually prepare their coffee and tea in their homes. Juice, drinks, and other beverages may be substituted for such drinks. Food products with low switching costs may also be replaced. Most of those alternatives are also less expensive than Starbucks' goods. Due to the fact that substitutes are widely available, customers may easily purchase them rather than Starbucks items. Alternatives such as fully prepared beverages, instant powder drinks and smoothies, vending machines, stores and groceries, and local convenience stores, for instance, are accessible from different channels including fast food and formal seating restaurants. Furthermore, the low switching costs intensify the risk of replacements, since it is simple for customers to purchase alternatives to Starbucks goods. Additionally, most of these options are less expensive than the company's offerings.

Competitive Rivalry is high. The vast amount of companies is an essential facet that heightens competition. Starbucks is up against a slew of smaller rivals. In this regard, the rival population is somewhat diverse in terms of specialization and strategy. Furthermore, due to the low switching costs, which seem to be the drawbacks that customers face when transferring from one supplier to another, competition is bolstered.

The industry is attractive for Starbucks Corporation because of the large market and customer base. Their customers are individuals who are not budget-conscious and can afford to have a cup of coffee from them every single day. Their channel development sector increased to \$1.4 billion and acquired three brands: a premium fresh juice and premium loose-leaf tea company as well as a bakery. They focused on keeping their products unique and diverse to enhance customer experience and expand internationally.

There are several key factors to consider if you want to succeed in the coffee industry. We are all aware that opening a coffee shop is easy although the internal and external factors that come with it make it quite difficult. As you get into this business, you have to keep in mind that serving high-quality products is very important to attract potential customers and build long-term relationships with them. The location needs to be good and accessible. The traffic and parking spots should be well examined to make sure that your consumers have somewhere to park their vehicles as well as not need to pass through congested roads just to visit your store. Keeping up with the industry is also vital as you need to be updated with current trends in the market, being aware of these components can enable you to understand more about the field and create unique products of your own by mixing one thing with another. If you hit that certain taste amongst your customers, it would make them keep coming back. Offering pastries, other food items, and a store atmosphere should also be on your list. Coffee shops are usually a meet-up place for friends and family to socialize, students to fulfill their school work or just to study, and business employees to do their work. They would rather do this as they sit down and appreciate the ambiance that motivates them to do what they have to while having a bite of tasty food items. Lastly, Starbucks made sure to incorporate some innovative aspects into their business through mobile payments, gift, and loyalty card programs which other shops should also do.

The company's main political challenge is addressing concerns about the procurement of its raw materials, which has caught the eye of politicians in the West as well as in the places where it obtains its raw resources. This is why Starbucks is committed to following social and environmental standards, as well as acceptable and compliant sourcing techniques in accordance with "Fair Trade" policies recognized by worldwide companies and governments of growing and developed nations. Another factor Starbucks confronts is adhering to the rules and regulations of the nations from where it acquires its raw materials. It has become necessary as a result of rising political awareness and action in developing nations, which serve as the foundation for Starbucks' sourcing policies. Also, clients can browse the web and work while drinking coffee since the firm has already installed Wi-Fi services at its locations. This is a great way to add value to the Starbucks brand while also improving the customer experience. Starbucks may implement mobile payments, which it is now testing in trial areas around the United States. "We can introduce a product in our stores and then use social media and mobile payments to draft off that unique asset. That reduces the cost of customer acquisition and creates value," (Schultz, 2014).

Starbucks' core competencies are valuable, costly-to-imitate, and non-substitutable. It is valuable because of its strong global presence, which is very vital for a company that is planning to expand its size, sales, and market share. This is an approach for them to gain more revenue from new, potential, and existing customers. The variety of options available including the unique and satisfying taste of their products that their rivals do not offer and coming up with low-calorie options makes it even more appealing to the buyers especially those who are health conscious. Also, the company is supportive when it comes to diversity. "We employ over 200,000 people in this company, and we want to embrace diversity," (Schultz, 2014). This results in individuals wanting to purchase their products more and support them as they take diversity seriously. Starbucks is costly to imitate despite the ingredients that seem basic and easy to buy at any store. This is because the coffee chain has its own products that are accustomed to them which is why even if you buy ground coffee beans, the taste will still not be the same due to the brand difference. When it comes to the store aspect, Starbucks has outlets all over the world in premium and accessible locations, this is hard to imitate as finding prime locations and renting in one is not budget-friendly nor easy. Also, they have special drinks that they offer every season. An example would be their Christmas drinks, even if their competitors launched their own version of Christmas drinks, consumers would still prefer the taste they have been used to which is Starbucks and they also receive a stamp card to be completed to avail a planner which is what they are known for as well. Lastly, the corporation is non-substitutable due to its fundamental capabilities that include high-quality coffee and goods at convenient places at reasonable costs, a community to enjoy the coffee experience, and a wide range of options. Starbucks is likewise committed to ethical and fair company operations. Quality, service, ambiance, and culture are all factors that contribute to their competitive edge. Starbucks Corporation has complete control over each aspect of its firm, from the purchase of high-quality coffee beans to the style of its franchise decor. The chain is also huge enough to have and receive many "clout" with its suppliers, which means guaranteed low costs, high quality, and the proper quantity at the right moment. Starbucks is consistently incorporating innovation into its business, upgrading its menu, and launching new enterprises, including selling energy drinks or coffee machines, to maintain its competitive edge. They have lately focused on rebranding its sandwiches and bakery operations, as well as incorporating its Teavana items into outlets. They are not really considered rare as there are thousands of other coffee chains all over the world, yes they are the most recognizable but this does not mean that no one could ever get their hands on

something similar to what Starbucks offers and for those who could not maintain to have Starbucks part of their lifestyle, they will explore other alternatives in the market.

There are numerous varieties Starbucks Corporation could employ to build a sustainable competitive advantage. According to the case, the three-year transformation plan included closing more than 900 stores, ceasing 18,700 jobs, changing the senior leadership team, and executing new Lean store practices to fulfill exemplary operations. However, their developing success continues to increase their revenues from previous years to 2014. They started acquiring new companies and exploring other opportunities for them to broaden their exposure, increase revenue and budget, and improve quality. These fall under the business-level strategy as it consists of the corporation's strategy, objectives, and activities, to provide value to consumers while retaining a competitive edge. Throughout this period, Starbucks deeply invested in social media, which included the Starbucks Digital Network, as well as Facebook, Twitter, Instagram, and an effective crowdsourcing platform called My Starbucks Idea, which served as an instrument for marketing and customer engagement along with generating ideas. When the firm launched a Tweet-a-Coffee promotion in October 2013, its Twitter presence became even more profitable. Customers may give \$5 Starbucks gift cards to pals through Twitter as part of the promotion by first connecting their Starbucks accounts and credit cards to the social media site.

The business's corporate-level strategy aims to completely identify itself as the world's leading provider of the best coffees while adhering to its core values as it expands. Starbucks' values are to provide the finest quality product while maintaining diversity, a workplace culture, and customer contentment. Every employee at its retail outlets performs in a comfortable environment and receives several perks. The corporation's variety and guarantees of the highest quality standards are maintained as it obtains the best possible sources and continues growing and modifying the goods it provides. Customers are satisfied, and the firm delivers unrivaled service while also giving back to the community. Starbucks remains successful while adhering to a stringent, slow-growth guideline. They guarantee total dominance of a market prior to laying its attention on future growth. Even though it was tough and pricey at first, this approach has allowed Starbucks to become one of the fastest-growing businesses in the nation. As for the M&A, in an attempt to limit rivalry and utilize distribution networks, Starbucks merged with their local competitor "Seattle's Best Coffee," which mostly serves "blue-collar" coffee drinkers, in 2003. They will indeed obtain all 129 North American outlets as well as 21 outlets located in Italy for \$72 million in cash and shares. In addition, they have indicated that this agreement would enable the company to

expand its footprint throughout new areas, and also acquire wholesale contracts with around 12,000 outlets that sell Seattle's Best coffee beans. Keeping their relationships strong with their current partners and maintaining the enterprises they have attained will continue to serve as a way for them to increase their revenue and make sure that their consumers keep choosing them over their competitors. A translational strategy could be the best option as they expand in the international market. It was mentioned in the case that they want to remain consistent with being “the leading retailer and brand of coffee” in the international market. “By mid-2014, the company had expanded to 20,000 stores in 64 countries and was serving more than 70 million customers per week, 26 and yet the company claimed that by still only accounting for a small share of the total “global coffee occasions,” it remained “significantly under-stored” and ripe for expansion in several markets, including North America, China, Brazil, and India,” (Starbucks, 2014). They are more attractive due to being foreign so it serves as an advantage for attracting local markets and with consistency, their market will continue to develop. McDonald’s and Burger King have their own breakfast and coffee selections although instead of Starbucks directly competing with them, they partner up or buy companies like Evolution Fresh, Inc. to offer fresh juice options for their consumers. The corporation will keep seeking other ventures to offer a variety of products to indirectly beat their competitors. They already have a huge customer base that grows each year. However, the mentioned competitors above like McDonald’s tailor their menu based on the country they are in, and surprisingly Starbucks’ menu is not the same for every country as well. In addition, despite the differentiation of their menu in every country, Starbucks should keep it that way since their consumers are already used to it and what makes them unique. This could also be a part of the multi-domestic strategy.

To conclude this paper, we can determine that Starbucks revolves around an attractive market as they have a huge market and countless stores around the world. As we analyzed the company using Porter’s five forces, we could see why they operate in an attractive industry as mentioned above. Starbucks is very focused on seeking new customers and building long-term relationships with them to keep the company growing. The fact that they have acquired several companies just to cater to their customers says a lot about their passion for the industry as well as giving diversification importance. It does not matter where they open new stores, consumers from around the globe will always find their way back to them as they can customize and have alternatives when it comes to their drinks.