# Unit 4 Assignment - Research Assignment: External Environment

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BU 690 Business Integration & Strategic Planning

**INTRODUCTION**

This paper is a research assignment that will conduct an external analysis of a selected company. The organization that will be analyzed is Starbucks Corporation. Treatment will be given to its global position and diversification of its interests. In examining its global position and diversification, an analysis and evaluation of those areas will be performed.

**EXTERNAL ENVIRONMENT**

The external environment consists of forces outside the business that can impact its operations. The external environment is composed of a micro and a macro environment. The external micro environment are those factors that are connected to the business by industry such as New Entrants, Suppliers, Rivalry Buyers and Substitutes. The external macro environment is the general larger societal forces that affect the microenvironment.

1. **EXTERNAL MICRO ENVIRONMENT**

The external micro environment of the company will be performed using the tool of the Porter’s Five-Forces.

1. New Entrants – Local coffee shops are new entrants that can be a significant factor. Such businesses give customers a neighborhood perception that larger companies cannot present. Larger companies such as Starbucks have a commercial, cookie cutter impression. The small local neighborhood coffee shops have a sense of uniqueness.
2. Supplier Power – The quality of the product as well as the price can directly affect the business’s profitability and class of product that is offered. If the supplier is unable to produce a quality product, the product that business offers to customers will be limited to what is obtained from the supplier.
3. Buyer Power – What buyers are willing to purchase and how much they are willing to spend. Buyers often want more for less money. This can influence product offerings in the battle to win the buyers’ patronage.
4. Substitutes – Some buyers will prefer tea or juice over coffee. This can be due to the perception of the beforementioned substitutes being promoted as a healthier or more palatable beverage.
5. Rivalry – There are some existing chains that offer competition. Dunkin, Caribou Coffee and McDonald’s are probably the top competitors due to have a nationwide presence. McDonald’s is not known for its coffee but may be convenient due to bundle coffee with food purchase. Dunkin’s specialty is a variety of doughnuts but it has begun to expand its coffee product line. Peet’s Coffee & Tea, The Coffee Bean & Tea Leaf and Tully’s Coffee are concentrated in the western parts of the United States.
6. **MACRO ENVIRONMENT ANALYSIS**

External macro environment analysis and evaluation of the company will be performed using the tool of the PESTLE model.

1. **P**olitical factors – Starbucks obtains its coffee beans directly from the farms located in Latin America, Africa and Asia. Though it is not an issue now, regionally political stability could affect coffee availability. Currency rates and trade tariffs could present positive and negative challenges.
2. **E**conomic conditions – Coffee is a staple in the lives of many people. It serves as a part of the breakfast/morning routine and as an energizer during other parts of the day and especially at night. By being a staple, the coffee industry will withstand some of the effects of a recession. A standard cup of coffee, with or without cream and sugar is a mainstay yet consideration should be given to the effect of an economic downturn on consumer spending in regards to pricey specialty coffee-based drinks.
3. **S**ociocultural forces – The call for environmental responsibility has been a constant topic in various social circles. Environmental advocates are an ever-present voice demanding that companies commit to environmentally responsible practices. To mitigate the direct and indirect impact of company operations, Walt Disney Company has an environmental sustainability policy that aims to conserve water, utilize renewable electricity, conserve fuel with the use of recycled cooking oil and 50% renewable diesel fuel; to reduce greenhouse gas emissions; greening production of studio live-action feature films; to minimize waste and to inspire public consciousness. Walt Disney Company is family-oriented and very inclusive of all members of the family. Though the larger part of target market is the younger family members, the business has managed to cross age barriers and appeal to all ages. Overall, the company has a track record of being good and wholesome.
4. **T**echnological factors – Starbucks has done well to keep pace with trend in technology. Business locations have online and mobile order placement, as well as drive-through as well as traditional walk-in counter orders. It would be advantageous for Starbucks to examine one of the strategies of McDonalds and Panera Bread regarding kiosks. This could provide greater service to in-store customers during peak hours or other times where an influx is experienced.
5. **E**nvironmental factors – Starbucks obtains its coffee from Latin America, Africa and Asia. Each location has variances in soil, climate, elevation and seasons. IN consideration of these environmental factors, Starbucks worked toward producing better coffee crops by partnering with coffee growers and assisting in discovering sustainable ways to produce quality coffee.
6. **L**egal/regulatory conditions – The legal environment has been impacted by Corvid-19. The company will need to take the necessary precautions to keep employees safe as well as customers.

**GLOBAL STRATEGIES**

Starbucks Corporation Vision Statement: “To establish Starbucks as the premier purveyor of the finest coffee in the world while maintaining our uncompromising principles while we grow.”

Starbucks strategy for obtaining their vision involves their undertaking to invest in assisting coffee farms producing the best coffee and utilize Starbucks master roasters to bring forth the highest standards of quality flavor from those coffee beans. The organization has expanded their presence to bring their signature high quality products to over 80 markets.

**DIVERSIFICATION**

Starbucks has diversified its business to include several other sectors of the beverage industry. This will cater to other portions of the market that prefer beverages other than coffee. Its product offerings are not only offered in Starbucks locations but grocery stores, and other retail locations as well.

* Seattle’s Best Coffee – Starbuck’s rival in the coffee roaster and wholesaler market. The company was the 2nd largest in the U.S. Acquisition 2003
* Teavana, a company that specializes in brewed loose-leaf tea. Acquisition 2012
* Evolution Fresh - Cold pressed bottled fruit juices and vegetable and fruit blended juices. Acquisition 2011
* Tazo – Premium packaged tea and herbal tea and bottled beverages. Acquisition 1999
* Ethos Water – Bottles water company. A social project that donates 5 cents of every bottles sold toward a humanitarian program to provide clean and safe drinking water to coffee-growing countries.
* Torrefazione Italia Coffee packaged coffee. Included in the Seattle’s best coffee purchase. Acquisition 2003

**CONCLUSION**

Analysis of the external environment reveals that in the early years of the company, substitutes were a threat. That threat has been minimized by the company’s diversification into additional beverage markets. If and when economic conditions take a downturn, the pricier products may experience a decrease in sales. On the technological front, Starbucks could benefit from kiosk technology as it would actually alleviate some of need to manually take orders and allow baristas prepare orders and improve customer service. Environmentally, the company has helped farmers to develop better farming methods based on region. This on-hands approach has positioned Starbucks to have a source of consistent quality that is heighten by its own crafters of coffee roasting. With the opening of its shops in over 80 countries, the company’s global strategy is working.

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