STARBUCKS

Starbucks continues to be the undisputed global leader in coffee chains. There are currently around 35,700 of its locations operating worldwide (as of 2022). Since 1971, Starbucks has maintained a commitment to ethical sourcing. Starbucks Coffee's success is largely attributable to its ability to differentiate its products. Starbucks is noted for offering a unique customer experience at each of its locations, specializing in selling high-quality coffee, and is one of the most successful brands in the world*.* (Pratap, 2023)

Below listed are Starbucks' resources and capabilities and a more in-depth analysis using VRIO framework to touch base on

the resources that have helped Starbucks generate a sustainable competitive advantage.

**VRIO ANALYSIS**

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| --- | --- | --- | --- | --- | --- |
| ***Resources and capabilities*** | ***Value?*** | ***Rare?*** | ***Inimitable?*** | ***Organize ?*** | ***Competitive implication*** |
| **Global Brand Recognition & Equity** | YES | YES | YES | YES | Sustainable competitive  Advantage |
| **Vertically integrated Global Supply Chain** | YES | YES | YES | YES | Sustainable competitive  Advantage |
| Aesthetic Appeal and Concepts of its Stores | YES | YES | NO | - | Temporary competitive advantage |
| **High Quality Coffee and wide range of variants** | YES | YES | YES | YES | Sustainable competitive  Advantage |
| **Strong Global presence** | YES | YES | YES | YES | Sustainable competitive  Advantage |
| Technological advancement | YES | YES | NO | - | Temporary competitive advantage |
| Marketing Strategies | YES | YES | NO |  | Temporary competitive advantage |

Let’s analyse in details

1. **Global Brand Recognition & Equity:**

**Value :** Starbucks' global brand recognition and equity is a valuable resource because it helps the firm to attract customers and generate revenues. The Starbucks brand is recognized and trusted by millions of consumers around the world, which has helped the company to expand into new markets and introduce new products and services. Starbucks cemented its position as the world’s most valuable restaurant brand when its brand value was up by 17% to USD53.4 billion

**Rare:** Starbucks' global brand recognition and equity is rare because it is not easy for competitors to replicate the same level of brand recognition and equity that Starbucks has built over the years. Starbucks has made significant marketing and advertising investments to develop a distinctive brand image that appeals to its target consumer. Starbucks was recognized as the 10th most popular brand among American consumers in a YouGov survey from 2021, highlighting the rarity of Starbucks' brand equity and recognition.

**Inimitable :** Starbucks has created a strong emotional connection with its customers through its emphasis on quality, community, and sustainability. It is difficult for competitors to replicate the same level of brand loyalty and emotional connection that Starbucks has built with its customers. Starbucks was ranked as the most loyal fast food brand among US consumers, highlighting the inimitability of Starbucks' brand loyalty.

**Organized:** Starbucks has invested in marketing campaigns, its unique brand image, and consistent customer experience across all its stores to maintain their global brand recognition and equity . Starbucks has also developed a strong social media presence and has leveraged digital platforms to connect with its customers and build brand loyalty.

Starbucks global brand recognition and equity is a key resource that has helped the company cement their position in the global coffee market.

1. **Vertically integrated Global Supply Chain**

**Value**: Starbucks maintains its consistent quality and lower costs as it has direct control of every stage in moving coffee beans from the farm to the store, thanks to their vertically integrated supply chain. By eliminating the middlemen and relying on direct relationships with farmers, Starbucks can ensure the quality of its coffee beans and maintain consistency in the taste and flavour of its products. This has helped the company to establish a reputation for high-quality coffee and differentiate itself from its competitors. Starbucks reported a net revenue of $23.5 billion in 2020, indicating the value of its vertically integrated global supply chain.

**Rare**: It is not easy for competitors to replicate the same level of control and efficiency in their supply chains as most of them rely on middlemen and other distribution channels resulting in delays, increased costs, and lower quality products. Starbucks leverages its direct and long-term connections with the people who grow the coffee, tea and cocoa used in its stores as well with other suppliers to differentiate itself from its competitors and establish a strong competitive position in the global coffee market. Starbucks market share, which stood at 3.7% in the US coffee shop market in 2021 confirms the same.

**Inimitable**: Building a vertically integrated supply chain requires significant investments in infrastructure, technology, and relationships with farmers. According to a report by Harvard Business Review, Starbucks has invested heavily in building relationships with farmers and establishing its own distribution centers to improve efficiency and reduce costs. This has helped the company to achieve a competitive advantage in its supply chain operations, making it difficult for competitors to imitate.

**Organized**: Starbucks uses a more hands-on approach to gain competitive advantage because it can avoid fluctuations in the supply of its basic ingredients like coffee, tea and cocoa. The company has setup its own distribution centers and roasting plants to improve efficiency and reduce costs. Starbucks' digital traceability system that allows them to track the journey of its coffee beans from the farm to the stores, ensuring quality and consistency.

Starbucks' Vertically integrated Global Supply Chain is a key resource that has helped the company to establish a strong competitive position in the global coffee market.

1. **Aesthetic Appeal and Concepts of its Stores**

**Value :** Starbucks stores provide an exceptional experience to customers through their visually appealing design, comfortable atmosphere, and community-oriented concept. By providing free Wi-Fi, great music, and excellent customer service, Starbucks creates an environment where customers can enjoy their coffee while socializing or working.

**Rare:** The unique design and concept of Starbucks stores are rare in the coffee shop industry. While other coffee shops may offer similar services, the community-focused atmosphere , the idea of a 'third place' , Starbucks Reserve Roastery characterised by a mix of experiences for the eyes and the taste buds is something that sets Starbucks apart. The Third Place policy therefore sets Starbucks apart from other major coffee chains such as Dunkin’ Donuts and McCafé, which have more of a fast-food atmosphere and are not over-focused on creating a full aesthetic experience. (Thomas, 2021)

**Inimitable :** While Starbucks' stores and design concepts are rare, they can be replicated by competitors.

1. **High Quality Coffee and wide range of variants** (Geereddy)**:**

**Value:** The high quality coffee and wide range of varieties offered by Starbucks provide value to customers who are willing to pay a premium price for a unique and high-quality coffee experience. In 2021, beverage sales revenue stood at $18.32 billion , which is their primary revenue generator where as food products accounted for $5.05 billion.

**Rare:** This resource is rare as Starbucks has invested heavily in sourcing high-quality coffee beans and creating unique blends, which are difficult for competitors to imitate. Starbucks drinks are innovated to suit each season.

With more than 170,000 ways to customize beverages at Starbucks stores, customers can create a favourite drink that fits their lifestyle. (Starbucks, 2020). During the 2022 financial year, Starbucks generated a majority of its global revenue from beverage products which amounted to 19.56 billion U.S. dollars. (Statista, Revenue distribution of Starbucks 2009-2022, by product type, 2023)

**Inimitable:** Starbucks' expertise in roasting and blending coffee beans, along with their unique recipes and processes, makes it difficult for competitors to imitate their offerings. Starbucks’ seasonal drinks like Cinderella Latte , Iced Pineapple Green Tea Infusion(Summer drink ), Pumpkin Cream Cold Brew(fall season), Apple Crisp Oatmilk Macchiato(Fall season) etc are drinks which are unique and drink customisation , makes it difficult to imitate.

**Organization:** Starbucks' organizational culture emphasizes the importance of providing high-quality coffee and continually innovating their coffee offerings with wide variants and , ensuring that this resource is leveraged effectively.

Starbucks' High Quality Coffee and wide range of variants is a key resource that has helped the company to establish a strong competitive position in the global coffee market.

1. **Strong Global presence**

**Value:** Strong global presence is a valuable resource for Starbucks . There were 35,711 thousand Starbucks stores worldwide in 2022 (Statista, 2023). It is also aggressively investing in expanding its global footprint and aspires to have more than 50,000 stores operational globally by 2025. In terms of competition, its global presence gives the company a sharp edge against all its rivals. (Pratap, 2023)

**Rare:** With stores in more than 80 nations, Starbucks has a significant worldwide footprint. This allows the company to reach a wide and diverse customer base, as well as tap into new markets and revenue streams. The company has also made efforts to adapt to local tastes and preferences, offering a range of customized products and services in different regions. This helps Starbucks appeal to a wide range of customers and maintain a strong presence in many different markets

**Inimitable** : Starbucks' global presence is not easily imitable by its competitors. The company has invested significant resources into expanding and building its brand, which is difficult for other companies to replicate.Value-based pricing is adopted for markets worldwide which contributes to Starbucks premium image**.**

**Organized:** Starbucks' global presence is supported by an effective organizational structure, including a strong management team and a well-trained workforce. The company also uses technology and data to optimize its global operations and improve customer experiences.

Starbucks' Strong Global presence is a key resource that has helped the company to establish a strong competitive position in the global coffee market.

1. **Technological advancement**

**Value**: Starbucks' extensive use of technology and investment in innovative technologies such as mobile ordering and payment systems, the Clover brewing system, and AI and machine learning technologies adds value to their business by improving their operations and customer experience. These technologies make it more convenient for customers to order and pay for their drinks, provide unique and high-quality coffee blends, and optimize operations to better serve customers. This value translates into increased customer satisfaction, repeat business, and revenue for Starbucks

**Rare**: Dunkin' Donuts, McDonald's, and Tim Hortons have adopted similar technologies as Starbucks, such as mobile ordering and payment systems. However, Starbucks' extensive use of technology and its investment in artificial intelligence and machine learning technologies is relatively rare in the industry, giving them a competitive advantage.

**Inimitable** : Starbucks' ability to integrate technology into its operations and create a seamless customer experience is not entirely inimitable. Some of their competitors have adopted similar technologies such as mobile ordering and payment systems. While Starbucks' use of technology may be rare and give them a competitive advantage in the coffee industry. It is not entirely inimitable as competitors have already started to adopt similar technologies and other companies outside the coffee industry have the potential to enter the market.

1. **Marketing Strategies**

**Value:** Starbucks' marketing strategies have been effective in creating brand awareness and driving sales. Starbucks is no doubt expertly acing the four P’s throughout their marketing mix Product, Price , Promotion , Place. (Lan, 2021)

**Rare:** While many companies use marketing to promote their products and services, Starbucks' unique and creative marketing campaigns are relatively rare in the coffee industry. E.g.: Collaborated with Lady Gaga to launch the "Cups of Kindness" collection, The red cup contest(ultimate sign to show that Christmas is here), the Peppermint Mocha has become one of the most beloved holiday beverage on the menu **.**

**Inimitable :** While Starbucks' marketing strategies are rare , they can be easily replicated by competitors. For example in 2018 Dunkin Donut unwrapped its 2018 holiday menu and cup design to include New Cinnamon Sticky Bun Coffee and Lattes, New Cinnamon Cream Cheese Spread, White Chocolate Coffees and Lattes etc which is similar to Starbucks seasonal promotion While Dunkin' Donuts' promotion was not exactly the same as Starbucks', it demonstrates how competitors can imitate similar marketing strategies to increase customer base. (Dunkin'Donut, 2018)

**Conclusion :**

After conducting a VRIO analysis of Starbucks, it is evident that the company possesses several sustainable competitive advantages that contribute to its long-term success in the global coffee market. These include global brand recognition and equity, a vertically integrated global supply chain, high-quality coffee, and a wide range of variants, and a strong global presence. These advantages are difficult for competitors to replicate and provide the company with a significant competitive edge.

However, there are areas where Starbucks may only have temporary competitive advantages, such as its aesthetic appeal and store concepts, technological advancements, and marketing strategies. These areas may require continued investment and innovation to maintain their competitive edge over time.

Overall, Starbucks has established itself as a global leader in the coffee industry, successfully distinguishing itself from its competitors through sustainable  competitive advantages. However, in order to stay ahead of the competition and meet the changing needs and preferences of its customers, the company must remain vigilant and constantly evolve.

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