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SWOT ANALYSIS OF STARBUCKS

The following shows the SWOT analysis of Starbucks coffee:

<u>STRENGTHS</u>	<u>WEAKNESSES</u>
<ul style="list-style-type: none">● Leading brand● Trust of customers● Good relationships with coffee beans suppliers● Wide Variety of coffee● Stores locations● The ambiance of the store is fantastic● Starbucks card and loyalty system	<ul style="list-style-type: none">● High prices● Majorly dependent on the American market● Not always meeting customer's expectations● Lack of items in the food category● Largely dependent on coffee beans suppliers
<u>OPPORTUNITIES</u>	<u>THREATS</u>
<ul style="list-style-type: none">● Expansion into Asian, European and Latin American markets● Use of supermarkets as a way of expanding into international markets● Brand extension● Product innovation● Distribution agreements, such as hotels, airlines, and office coffee suppliers	<ul style="list-style-type: none">● Many competitors in the market● Cost of coffee beans is expected to rise in future● Market saturation in the near future● Food and restaurants joints entering into coffee business

Introduction:

The first Starbucks opened in 1971 in Seattle's historic Pike Place Market. Starbucks is a globally recognized coffee and beverages brand that has rapidly made progress into all major markets of the world. The company has a lead over its nearest competitors including Barista and other emerging competitors. Indeed, Starbucks is so well known throughout the world that it has become a household name for coffee. Starbucks Coffee's SWOT analysis shows that Starbucks has the business strength to maintain competitiveness. However, the company must create more opportunities for global expansion as soon as possible, to gain an advantage over other firms also attempting to globally expand. To address the issue of competition with low-cost coffee products, Starbucks can emphasize quality and uniqueness in the innovation of products to differentiate them.

Strengths:

Starbucks is a well-recognized brand throughout much of the world, and likely one of the leading brands in the coffeehouse business. The company has a growing population of loyal customers who prefer Starbucks based on quality and the brand. Starbucks has built trust among its customers by providing facilities like Starbucks cards and loyalty systems. The main strength of Starbucks is its strong financial performance which has given Starbucks the number one spot among coffee and beverage retailers in the world. Starbucks is one of the largest coffeehouses in the world and because of this it can afford to price its products in the premium as well as the middle tier range to attract more consumers. The logo of Starbucks is fascinating, and attracts both new and repeat customers. The Starbucks stores are usually in the most prime locations around the globe, with high traffic and visibility. Not only does

the company offer premium, high-quality coffees, but it also provides the customer with a fantastic ambiance. This includes excellent customer service, clean and well-maintained stores, comfortable sitting arrangements, good and calm music, a relaxing atmosphere, and free wireless Internet access. The company also has an extensive customer loyalty program, in which consumers can earn loyalty points with each purchase that can be redeemed for free products. Starbucks offers a positive and welcoming workplace for its employees, which translates into happier associates serving customers in a superior way leading to all-round benefits for the company. These factors have built a high degree of customer loyalty, which has helped Starbucks to achieve great profits in local as well as international markets.

Weaknesses

The company is heavily dependent on its main and key input, which is the coffee beans and hence, is mainly dependent on the price of coffee beans which has a major effect on the profits made by the company. This means that Starbucks is overly priced sensitive to the fluctuations in the price of coffee beans and hence, must diversify its product range to reduce the risk associated with such dependence. The relatively higher prices of Starbucks products make them less accessible to the large population of lower-middle class and lower class consumers. The company prices its products in the premium to the middle tiers of the market segment which places its products outside the budgets of many working consumers who prefer to frequent McDonald's and other outlets for their coffee instead of Starbucks. Most Starbucks products are also based on generalized corporate standards that make the products less aligned with cultural demands in some markets. Also, there is a lack of items in the food menu of Starbucks which gives its competitors an advantage over Starbucks.

The company is largely dependent on relationships with the coffee beans suppliers and thus have to maintain a good relationship with them giving the suppliers an upper hand.

Opportunities

Starbucks has the opportunity to expand its business in European, African and Latin American markets where the firm currently has a minimal presence. The company also has the opportunity to expand in Asia, where economic growth rates are high. In addition, even though Starbucks already has a considerably diverse product mix, further diversification can help improve its competitive advantage. Partnerships and alliances can also strengthen Starbucks Coffee's competitive position. The company has a huge opportunity waiting for it as far as its expansion into the emerging markets is concerned. With a billion consumers likely to join the pool of those who want instant coffee and breakfast in China and India, the company can expand into these countries and other emerging markets, which represents an opportunity for the taking. Starbucks also has the opportunity to expand its product offerings to take on the full spectrum food and beverage retailers like McDonald's and Burger King as the consumer segment which these retailers target is expanding leading to more business opportunities for Starbucks to take advantage of.

Expansion plans could include new beverage and/or food concepts, as the company continues to be active on the acquisition front. The company has an opportunity to expand its supplier network and expand the range of suppliers from whom it sources in order to diversify its sources of inputs and not be at the mercy of the suppliers. Further, this would also help the company in becoming less sensitive to the prices of coffee beans and make it resilient against supply chain risks.

Threats:

Low-cost coffee from firms like McDonald's and Dunkin' Donuts effectively compete against the more pricey Starbucks products. Also, other companies can imitate the business. The company faces a tough challenge from local stores such as 7-eleven, BIGGBY Coffee, Caribou Coffee, Panera Bread, and Einstein Bagel who attract the customers who are extremely price sensitive. There is also a growing social movement supporting independent coffeehouses and opposing large coffeehouse chains like Starbucks. The company faces threats from the rising prices of coffee beans and is subject to supply chain risks related to fluctuations in the prices of this key input. Starbucks, along with its major competitors, typically use more expensive Arabica beans rather than the cheaper Robusta beans used in supermarket brands and instant coffee. The prices of these beans are typically very volatile. Further, the increase in the prices of dairy products impacts the company adversely leading to another threat to its profitability. Many food and restaurant joints are entering in the coffee business posing a threat to large coffeehouse chains like Starbucks. Starbucks faces significant challenges because of its global supply chain and is subject to disruptions in the supply chain because of any reason related to either global or local conditions.

Conclusion:

Thus by this SWOT analysis, we analyzed how to determine the strengths, weaknesses, opportunities, and threats of an organization. And by these facts, it is clear that Starbucks continues to dominate and lead the way in coffeehouse business all around the globe.

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