

## C/ DETAILED OUTLINE

- **Identify the company and strategic dilemma**

- Search for your favorite company or companies in an industry you are interested in or familiar with.
- Review company websites, latest annual reports, news articles, and industry analyses to identify potential companies. Consider issues facing major players.

**NOTES:** Try to identify and relate to the current hot issues like AI. Here are a few sources that you can relate to:

- [Korn Ferry Digital](#): The company's SVP, Purbita Banerjee, discussed the pressure to integrate generative AI into internal processes and external solutions, highlighting the dilemma of whether to launch AI-powered products now or wait for tech giants to bring out similar products
- [Google](#): Google is facing a strategic dilemma related to the innovator's dilemma, which refers to the challenge of balancing the need to innovate with the risk of overlooking new technologies and lucrative gaps in the market. Google is facing competition from other tech giants, such as Microsoft's Bing, and the threat of AI competition looming over its search business. [\[1\]](#)

### **Example:**

#### **Company overview:**

- Starbucks is the world's largest specialty coffee retailer, with over 30,000 stores globally and annual revenues of \$26 billion ([Starbucks Annual Report, 2019](#)). The company has had incredible success with defining the café culture and positioning itself as an affordable luxury brand.

#### **Situation:**

- Comparable store sales grew 10%, down from 18% growth the previous year. Only 1% of this year's growth came from more transactions, a large drop versus the 12% transaction growth seen before. Nearly all growth this year has been from higher ticket prices rather than increased demand. This over-reliance on price increases likely poses a risk to future sales if customers balk at the higher prices or competitors offer better deals. [\[1\]](#)

- **Analysis of Current Situation**

#### **Suggested Flow:**

- Provide an overview of the company's current corporate and business level strategy based on elements such as:
  - Mission and vision statements
  - Competitive positioning and value proposition
  - Organizational structure and value chain
  - Core capabilities and resources
  - Product/service offerings and markets
  - Financial performance

**Examples:**

- *Starbucks currently operates with a focused differentiation strategy, leveraging premium products and an inviting café environment to attract discerning coffee drinkers (Porter). This is evident across elements of its strategic position:*
  - *Vision to "inspire and nurture the human spirit" and description as an "affordable luxury" brand [1]*
  - *VALUE proposition centered on product quality, in-store ambiance, customer service [2]*
  - *Organizational configuration with self-owned stores to control brand experience [3]*
  - *Core capabilities around building emotional connections with customers and coffee expertise [4] [5]*
  - *Offerings target specialty coffee niche; 83% of sales from beverages*
- Analyze the strategic dilemma identified in the introduction using relevant course concepts/frameworks such as:
  - PESTEL - Assess external factors affecting performance [1]; [2]; [3]; [4]; [5]; [6]

**Examples:**

- Political Factors
  - Market integration facilitates expansion opportunities, while disintegration erects barriers
  - Infrastructure improvement policies enable greater customer and supplier access
  - Bureaucratic red tape in developing countries hinders growth
- Economic Factors
  - Developing country growth presents expansion opportunities
  - Declining unemployment raises revenue potential in markets

- Rising labor costs among supplier countries threatens supply expenses
- Sociocultural Factors
  - Growing coffee culture and middle class boost demand
  - Increasing health trend allows for expanded offerings
  - Independent coffeehouse movements threaten market share
- Technological Factors
  - Mobile tech adoption enables online sales growth
  - Technology transfers improve supply chain efficiency
  - At-home specialty coffee machines substitute for retail purchases
- Ecological Factors
  - Sustainable processes improve brand image and attract eco-conscious consumers
  - Responsible sourcing enhances corporate social responsibility
  - Eco-friendly products innovation responds to sustainability trend
- Legal Factors
  - Product safety and GMO regulations spur improvements
  - Employment laws increase HR and operational costs
- Porter's 5 Forces – Analyze competitiveness of the industry landscape [1]; [2]; [3]; [4]; [5]; [6]; [7]

Force	Analysis	Implications
Competitive Rivalry	High and intensifying rivalry among major chains (Starbucks, Dunkin', McDonald's) and smaller independent cafes trying to differentiate with premium or niche offerings	Limits overall industry profitability; needs continuous innovation and reinvestment to stay ahead
Bargaining Power of Suppliers	High supplier power - specialty coffee bean	Input cost control and supply security key priorities

	suppliers have high negotiating position to determine pricing, could integrate forward to secure retail margins	
Bargaining Power of Customers	Customers have significant options with low switching costs. Buyer power increasing with more frugal consumer behaviors post-recession	Must focus on loyalty, brand differentiation and customer experience to retain base
Threat of Substitutes	Moderate - alternative beverage options perceived as healthier by consumers (tea, fresh juices), risk of at-home pod coffee as substitute	Emphasize premium positioning; opportunity to expand into substitute categories
Threat of New Entrants	Moderate barriers - saturated market deters entry but low-cost chains still breaching from periphery	Must maintain brand loyalty and continue raising the bar on differentiation

- SWOT Analysis - Identify strengths, weaknesses and response to external threats/opportunities [\[1\]](#); [\[2\]](#); [\[3\]](#); [\[4\]](#); [\[5\]](#)

**Examples:**

- Strengths
  - High quality, profitable, and ethical brand image allowing them to charge premium prices
  - Efficient expansion strategy fueled by reinvesting profits to rapidly open new locations
  - Good employee treatment earning recognition as a top workplace

- Weaknesses
  - High prices deter some potential customers
  - Lacks unique products compared to competitors
- Opportunities
  - Further global expansion into markets like India and Central Europe
  - Introducing new products in supermarkets and partnerships to extend brand
- Threats
  - Facing increasing competition from cheaper similar chains like Dunkin' Donuts
  - Reliant on popularity of coffee/tea and vulnerable to ingredient price hikes
  - Risk of consumers moving away from hot beverages
- VRIO - Determine internal resources enabling competitive advantage

<b>Resource/Capability</b>	<b>Value</b>	<b>Rarity</b>	<b>Inimitability</b>	<b>Organization</b>	<b>Implications</b>
Brand image & loyalty	High value with very recognizable brand	Declining rarity as competition now mainstream	Difficult to imitate emotional connection with brand	Well leveraged with large marketing budget	Sustain brand building efforts
Store atmosphere	Valuable ambience and "3rd space" for customers	Less rare as others emulate	Challenging for low-cost chains to copy at scale	Aligned to operational model	Defend through continuous store design innovation
Coffee product expertise	Important to produce quality premium	Now widely available know-how in	Access to best roasting tech and sustainable	Appropriate roasting and product R&D	Prioritize direct trade sourcing practices

	coffees	industry	supplies key	infrastru cture	
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- Generic strategies - Identify current strategic positioning

**Examples:**

- *However, analysis with strategic frameworks exposes issues facing continued success of Starbucks' strategy:*
  - *Porter's Five Forces - Rival chains like Dunkin' and McDonald's placing pressure on profits*
  - *VRIO - Own scale in stores and roasting infrastructure is now matched by competitors.*
- Outline 2-3 core issues arising from this analysis that need to be addressed through new strategy

**Examples:**

- *In summary, Starbucks needs to address stagnating financial outlook due to market saturation and rising competitive activity through renewed differentiation or exploring synergistic diversification options.*

## ● Recommended Strategy & Rationale and Support

### a. Recommendations

**Suggested flow:**

- 1-2 first sentence: Clearly describe the strategy you are recommending to address the identified issues

**Examples:** *"Starbucks should pursue a related diversification strategy into the rapidly growing health and wellness beverage sector."*

- 2 -3 next sentences: Explain how it leverages the company's strengths and responds to external drivers of change

**Examples:** *"Initial offerings would include Refreshers, cold-pressed juices, and kombucha teas co-developed through strategic alliances with innovative beverage partners. By leveraging existing capabilities in creating an in-store experience and sharing back office functions, the diversification risks are mitigated."*

- 2 -3 next sentences: Outline the key elements like target customer segments, products/services, resources and capabilities required
  - Link and reference at least 3 course concepts that align to the choice of your recommended strategy

**Examples:**

- *"This will target a key customer segment outlined in the analysis who desire premium yet healthy drinks. Market data shows the US cold-pressed juice*

*market alone is expected to reach over \$1 billion by 2025 (1). Related frameworks like the BCG Matrix also support entering high-growth sectors to balance the mature core business.”*

## **b. Rationale & Support**

### **Suggested flow:**

- 1-2 first sentence: Provide well-reasoned justification for why the selected strategy meets the company's objectives

### **Examples:**

- *“Expanding into the health and wellness beverage segment will enable Starbucks to tap into rapidly growing demand for functional drinks.”*
- 2-3 next sentence: Discuss key expected benefits the strategy would achieve

### **Examples:**

- *“The global functional beverage market has been growing at 7% annually, driven by rising health consciousness amongst millennials (1). Furthermore, the global smoothie segment alone is forecasted to be worth \$15.78 billion by 2031 (2). Pursuing related diversification with products leveraging Starbucks’ capabilities in quality ingredients sourcing and crafting premium beverages will likely resonate with target customers. ”*
- 2-3 next sentence: Outline resources needed to implement the strategy successfully
  - Reference at least 4-5 high credibility sources to provide data, statistics, expert opinions that lend weight to your choice
  - Demonstrate critical thinking on the limits, risks, and extensions of your recommendation

### **Examples:**

- *“Required capabilities also have strategic relatedness with roasting and managing heavily perishable ingredients. Resources to support market entry include utilizing existing supply chain infrastructure and countrywide store footprint for cross-promotion. Whilst an ambitious departure from its origins, Starbucks has executed successful diversifications before with Evolution Fresh juices and the Teavana tea business. However, risks remain around perfecting new capabilities in fresh foods and juices and avoiding overextension of retail footprint during its rollout.”*

## **● Implementation Plan**

### **Suggested flow:**

- 1-2 first sentence: Provide a high-level overview of how the recommended strategy would be rolled out

#### **Examples:**

- *“Rolling out the health and wellness beverage diversification should follow a phased region-by-region approach over a 5-year timeline.”*
- Outline the key activities involved in executing the plan successfully
- Identify resources needed including financial, human, infrastructure etc.
- Include a rough timeframe or roadmap covering major milestones

#### **Examples:**

- *“The first 6 months would involve finalizing the new product portfolio through in-house R&D and using insights from the Evolution Fresh team. Concurrently, supply chain contracts with ingredient suppliers would be secured leveraging Starbucks’ purchasing scale. The next year would pilot openings focused in major West Coast cities with heavy early adopter populations, supported by marketing campaigns and existing store promotions. Years 2-3 would slowly expand openings mapped to enterprises zones analysis ensuring each location has integrated logistics support.”*
- Outline governance mechanisms to track progress

#### **Examples:**

- *“Ongoing oversight from regional managers would provide governance, tracking KPIs such as new product contribution margins and cannibalization rates of core offerings. By Year 5, the goal would be to have enabled health-focused offerings across 50% of outlets.”*

<b>Phase</b>	<b>Key Activities</b>	<b>Timeframe</b>	<b>Resources Required</b>	<b>Progress Measures</b>
<i>Planning</i>	<ul style="list-style-type: none"> <li>- Conduct market research on product demand</li> <li>- Develop new beverage product portfolio- Estimate cannibalization impact- Lock in supplier agreements</li> </ul>	<i>Months 1-6</i>	<ul style="list-style-type: none"> <li>- R&amp;D staff- Finance for supplier contracts- Customer insights team</li> </ul>	<ul style="list-style-type: none"> <li>- # of products in development- Savings vs. retail price on ingredients</li> </ul>



<i>Pilot Testing</i>	<ul style="list-style-type: none"> <li>- Launch specialty juice/tea products in Los Angeles and San Francisco stores- Retrain staff on preparation methods</li> <li>- Marketing campaigns driving awareness- In-store promotions and sampling</li> </ul>	<i>Months 7-12</i>	<ul style="list-style-type: none"> <li>- Rollout budget ~\$500K- Store operations and training staff- Regional marketing staff</li> </ul>	<ul style="list-style-type: none"> <li>- Sales performance vs. forecasts- Customer feedback/reviews- Staff proficiency metrics</li> </ul>
<i>Phased Expansion</i>	<ul style="list-style-type: none"> <li>- Expand to additional West Coast metro locations- Scale up supply chain and logistics support- Structure policies for store-level inventory mgt - Enable mobile ordering channel</li> </ul>	<i>Years 1-3</i>	<ul style="list-style-type: none"> <li>- Capital for new juice production and logistics infrastructure - Real estate teams to evaluate new retail sites- Technology team for mobile ordering build</li> </ul>	<ul style="list-style-type: none"> <li>- Year-over-year regional same-store sales - Distribution cost per unit benchmarks- % of revenue from mobile orders</li> </ul>
<i>National Launch</i>	<ul style="list-style-type: none"> <li>- Expand to any remaining company-owned stores nationwide- Launch nationwide marketing focused on functional</li> </ul>	<i>Years 4-5</i>	<ul style="list-style-type: none"> <li>- Executive oversight on entry to new regions - Marketing budget ~\$5M/year - Procurement and legal teams</li> </ul>	<ul style="list-style-type: none"> <li>- Percentage of total stores with offerings- Revenue and margin goals met- Brand awareness scores</li> </ul>

	<i>benefits- Form additional supplier relationships</i>			
<i>Ongoing Management</i>	<ul style="list-style-type: none"> <li>- Supply chain optimization- Location performance tracking</li> <li>- Adjust product portfolio based on consumer preferences</li> </ul>	<i>On-going</i>	<ul style="list-style-type: none"> <li>- central team compiling performance data- regional managers governance</li> </ul>	<ul style="list-style-type: none"> <li>- First year sales vs. forecast</li> <li>- Customer segmentation models</li> <li>- Product revenue contribution</li> </ul>