The reason why Starbucks using ads campaign is that it wants to gain back the market share which it ceded to other small coffee house during the economic boom to let them redefine the coffee culture. However, this ads campaign is not effective; in another word, advertising is not a necessity for Starbucks. The purpose of advertising is to broadcast the brand to public, thereby to inform people product’s goodness and attract them to consume it. As a well-known brand, Starbucks has already gained enough awareness, so effect of advertising is minimize. (Suitability)Compared to that, Starbucks would get ahead by improving its product quality. What is more, within tight economy, ads like TV commercial should not be given priority because of its great expense. Instead, innovation would help greatly to improve company’s competitive power.

An approach to innovation is market pull, which means Starbucks could adopt the advanced technology without invention by itself. These new technologies can be presented in many aspects from suppliers to customers: Coffee can be remained fresh by innovative supply chain; low-tech manual work can be replaced by high-efficient machine; dining areas can be decorated by high-tech lights. What is more, (how) because machines can improve employee’s productivity, (Suitability) the issue can be easily solved that Starbucks has always been complaining about its low wages.

Many successful innovations do not simply dependent on new technologies, but the reorganization of all the elements of business. So we suppose that Starbucks can create a new business model. Starbucks could offer its customers more convenience by setting up coffee delivery service. For example, McDonald’s and Pizza Hut started delivering meals as well as drinks to customers’ houses around 1980, (acceptability)and this service has highly increased their revenue while boosting their global growth. (How)To realize this service, Starbucks should first (acceptability: low operation cost) establish an online website or telephone hotline in order to collect orders from customers, and then (feasibility: human resource)a group of staff should be trained to ensure its drinks will arrive in good conditions.

Despite of innovation, Starbucks could also develop product due to its high prices and the fact that people trends towards a healthier drinking habit. (Acceptability) New product like low calorie drinks and energy drinks can incentive new profit growth points and increase shareholders dividend.

Besides product development, Starbucks could go beyond the existing market and product. Product can be diversified by running baking business, selling ice cream and chocolate, which provide more choices to customers. Moreover, investments in natural drinks (e.g. juices) and package manufacturing market are highly recommended, (Suitability) for the issue that Starbucks’ investment is over-concentrating on the same type of products.

Corporate social responsibility is considered as a potential part of Starbucks to cover the (Suitability) shortage of employee wages. Starbucks could exceed its minimum obligations to employees by offering them equity compensation. Since equity is of higher risk than other asset, this form of wage tends to have a higher return over times. Meanwhile, Employees will care more about Starbucks’ operation as their dividends are related with that. This kind of return makes employees work harder and the whole company will strive for the common goal. On the other hand, Starbucks could offer benefits for its employees like life insurance. Through this welfare, employees can be compensated of their lives and their living expenses are reduced at the same time.

For strategic direction of market penetration, increasing the quality and quantity of comfort facilities, such as sofa, no-password Wi-Fi, clean toilet, can gain more market share for benefits; can enhance its competence; can attract more customers and hence gain more profit, better returns at low risk. However, there will be fees generated from maintenance of these comfort utilities. Sometimes it will also appeal to more people who merely go to Starbucks for rest instead of consumption and therefore increase the operating cost. In sum, Starbucks has the resources and capabilities to deliver this strategy at low risk.

As for market expansion, making investment in rural areas and expanding internationally is both likely to bring Starbucks more opportunities of gaining larger market share for geographical spread. Nevertheless, most of people who live in rural areas may work for farming and might not have interest in local Starbucks stores. And expanding to foreign countries should take local people’s living standard and their consumption demand into consideration, since people in some developing countries even cannot afford their basic food consumption, not to mention enjoying coffee in Starbucks. Additionally, Starbucks may have to find local partners or join local coffee stores through acquisition to avoid resistance of local people. Thus, these two strategies could bring more returns at high risk.

Apart from, in order to achieve customer’s loyalty, increasing the connection between customer, community and Starbucks, decorating digital picture frames in all stores and upload local customer photos is really a good idea. Digital picture frames are able to hold thousands of pictures which would turnover regularly throughout all day. Furthermore, it doesn’t cost much, since major amendment to any stores is not required. It would have an immediate effect on improving the family atmosphere of local people within Starbucks stores, because Starbucks gives people an opportunity to personalize their local coffee store and join a community. As a result, there may be more local people who prefer to buy coffee in Starbucks rather than other coffee shops.

Besides, to achieve the loyalty of suppliers, the strategies of offering coffee bean farmer a higher price than market price in case the coffee bean is of high quality and ensuring good living conditions of farmers and ecological environment of production are not reasonable in reality. Because thinking from the perspective of CEO of Starbucks, he/she will only attach importance to return and risk but not the interest of farmers. There are so many different suppliers in the whole world; Starbucks can change their supplier any time they want. However, it is still an effective method to carry on corporate social responsibility, or bad reputation within suppliers may lead to worse impressions for customers.

For cultural and political issues in foreign countries, doing survey (questionnaire etc.) to know about the popularity and acceptability of Starbucks before entry and having a good understanding of culture and history of foreign countries are both necessary steps. Because without these strategies, Starbucks cannot figure out how much return and risk they will have for entry into market of foreign countries. And equipped with these strategies, Starbucks are capable to access foreign coffee shops market and hence make right decision about whether to enter. In addition, reflecting from the combat of entry into foreign markets, having negotiation with local government or joining local coffee shop union tends to be a wise choice. These strategies are probable to address the unlawful resistance from local people, to ensure the normal running of coffee shops and even gradually to be accepted by local customers, while Starbucks may need to bear the risk and expenses for seeking for legal protection from local government. What’s more, it is not a simple process for Starbucks to have negotiation with local government, they may even need to adopt much more resources or change core competence to adapt to local people’s demand. In conclusion, these strategies could get much more returns but also at higher risk.

From what we discussed before, we can conclude three tables as following:

Suitability

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Strategic option | Why this option might be suitable in terms of: | | | |
| issue | environment | capability | Stakeholder and/or cultural influences |
| marketing | Poor advertising | Try to gain back market share during economic downturn | Adopt TV commercial to advertise | Stick to the company’s core value but decrease shareholders’ dividend |
| Business model innovation | Establish delivery service | Boost global growth |
| Market pull | Low wages for employees | Import high technologies | Increase employees’ wages |
| Corporate social responsibility | Maintain market share | Offer employees equity and other benefits | Maintain employees’ loyalty and rich company’s culture |
| Product development | Customers prefer healthier life | Exploit knowledge of customer needs | Exploit low calorie and energy drinks | Minimize the risk of alienating stakeholders with interests |
| diversification | Concentration of investment on the same type of products | Current market saturated | Exploit core competence in new product and market | Meet the expectation of stakeholders for new profit growth points |
| Market penetration | Cannibalization of brand value | gain more market share for benefits | enhance competence | better returns at low risk |
| Market expansion | Scarcity of stores in suburban areas, Strong presence in US | New opportunities for geographical spread | Exploit new products for rural areas and foreign countries | Better returns at high risk |
| Increasing connection between customer, community and Starbucks | Achieve loyalty of customer | Enhance family atmosphere in Starbucks& fit Starbucks into local people | Enhance communication & relationship with local people | Better returns at low risk |
| Offering suppliers benefits | Achieve loyalty of suppliers | Enhance environment of production | Improve communication & relationship with suppliers | Better returns at moderate risk |
| Doing survey before entry into foreign market | Access of cultural issues of foreign market | Better understanding of foreign culture | Adjustment of Starbucks coffee stores to foreign market | Better returns at low risk |
| Negotiation with local government & join in local coffee shop union | Access of political issues of foreign market | Protection from resistance of local people to Starbucks local stores | Improve relationship with local people | Better returns at high risk |

Acceptability

|  |  |  |  |
| --- | --- | --- | --- |
| Strategic option | Why this option might be suitable in terms of: | | |
| cost | return | Risk |
| marketing | high | Low | High |
| Business model innovation | low | High | Low |
| Market pull | High | High | Moderate |
| Corporate social responsibility | Moderate | Low | Low |
| Product development | Moderate | Moderate | Moderate |
| diversification | Moderate | Moderate | Moderate |
| Market penetration | Moderate | Moderate | Low |
| Market expansion | High | High | High |
| Increasing connection between customer, community and Starbucks | Low | Moderate | Low |
| Offering suppliers benefits | Moderate | Moderate | Moderate |
| Doing survey before entry into foreign market | Low | High | Low |
| Negotiation with local government & join in local coffee shop union | High | High | High |

Feasibility

|  |  |  |
| --- | --- | --- |
| Strategic option | Why this option might be feasible in terms of: | |
| Financial feasibility | Resource feasibility |
| Business model innovation | Estimation of cash inflows by increasing orders from website | marketing |
| Market pull | Estimation of cash outflows by purchasing new equipment | Engineering skills |
| Corporate social  responsibility | Estimation of cash outflows by giving benefits to employees | Financial support |
| Product development | Estimation of cash inflows by consuming of the new product | Engineering skills |
| diversification | Company’s reputation for quality in new products |
| Market penetration | Estimation of cash inflows by increasing operating costs | Human labor for maintenance of facilities |
| Market expansion | Estimation of cash inflows by opening stores internationally | Cooperation with local coffee shop or acquisition of local coffee store |
| Increasing connection between customer, community and Starbucks | Estimation of cash inflows by decorating digital picture frames | Family photos supplied by local families |
| Offering suppliers benefits | Estimation of cash inflows by improving living conditions of suppliers | Financial support |
| Doing survey before entry into foreign market | Estimation of cash inflows by carrying on survey and analyzing the results | Design & delivery & collection of questionnaires, analytical methods |
| Negotiation with local government & join in local coffee shop union | Estimation of cash inflows by negotiation with local government& join in local coffee shop union | Deploy relation between USA government and local government |

So finally we can assess the strategies by

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Strategic option | suitability | acceptability | feasibility | Rank |
| marketing | C:\DOCUME~1\XIESG~1.PC-\LOCALS~1\Temp\SGTpbq\3656\013750F5.png | C:\DOCUME~1\XIESG~1.PC-\LOCALS~1\Temp\SGTpbq\3656\01375E53.png | C:\DOCUME~1\XIESG~1.PC-\LOCALS~1\Temp\SGTpbq\3656\01376E80.png | C |
| Business model innovation | C:\DOCUME~1\XIESG~1.PC-\LOCALS~1\Temp\SGTpbq\3656\01376E80.png | C:\DOCUME~1\XIESG~1.PC-\LOCALS~1\Temp\SGTpbq\3656\01376E80.png | C:\DOCUME~1\XIESG~1.PC-\LOCALS~1\Temp\SGTpbq\3656\01376E80.png | A |
| Market pull | C:\DOCUME~1\XIESG~1.PC-\LOCALS~1\Temp\SGTpbq\3656\01376E80.png | C:\DOCUME~1\XIESG~1.PC-\LOCALS~1\Temp\SGTpbq\3656\01389B77.png | C:\DOCUME~1\XIESG~1.PC-\LOCALS~1\Temp\SGTpbq\3656\0138A5D7.png | C |
| Corporate social responsibility | C:\DOCUME~1\XIESG~1.PC-\LOCALS~1\Temp\SGTpbq\3656\01376E80.png | C:\DOCUME~1\XIESG~1.PC-\LOCALS~1\Temp\SGTpbq\3656\0138FD2E.png | C:\DOCUME~1\XIESG~1.PC-\LOCALS~1\Temp\SGTpbq\3656\01376E80.png | B |
| Product development | C:\DOCUME~1\XIESG~1.PC-\LOCALS~1\Temp\SGTpbq\3656\01376E80.png | C:\DOCUME~1\XIESG~1.PC-\LOCALS~1\Temp\SGTpbq\3656\01376E80.png | C:\DOCUME~1\XIESG~1.PC-\LOCALS~1\Temp\SGTpbq\3656\01376E80.png | A |
| diversification | C:\DOCUME~1\XIESG~1.PC-\LOCALS~1\Temp\SGTpbq\3656\01376E80.png | C:\DOCUME~1\XIESG~1.PC-\LOCALS~1\Temp\SGTpbq\3656\01376E80.png | C:\DOCUME~1\XIESG~1.PC-\LOCALS~1\Temp\SGTpbq\3656\01376E80.png | A |
| Market penetration | C:\DOCUME~1\XIESG~1.PC-\LOCALS~1\Temp\SGTpbq\3656\01376E80.png | C:\DOCUME~1\XIESG~1.PC-\LOCALS~1\Temp\SGTpbq\3656\01376E80.png | C:\DOCUME~1\XIESG~1.PC-\LOCALS~1\Temp\SGTpbq\3656\01376E80.png | A |
| Market expansion | C:\DOCUME~1\XIESG~1.PC-\LOCALS~1\Temp\SGTpbq\3656\01376E80.png | C:\DOCUME~1\XIESG~1.PC-\LOCALS~1\Temp\SGTpbq\3656\0138FD2E.png | C:\DOCUME~1\XIESG~1.PC-\LOCALS~1\Temp\SGTpbq\3656\01376E80.png | B |
| Increasing connection between customer, community and Starbucks | C:\DOCUME~1\XIESG~1.PC-\LOCALS~1\Temp\SGTpbq\3656\01376E80.png | C:\DOCUME~1\XIESG~1.PC-\LOCALS~1\Temp\SGTpbq\3656\01376E80.png | **C:\DOCUME~1\XIESG~1.PC-\LOCALS~1\Temp\SGTpbq\3656\01376E80.png** | A |
| Offering suppliers benefits | C:\DOCUME~1\XIESG~1.PC-\LOCALS~1\Temp\SGTpbq\3656\0138FD2E.png | C:\DOCUME~1\XIESG~1.PC-\LOCALS~1\Temp\SGTpbq\3656\0138FD2E.png | **C:\DOCUME~1\XIESG~1.PC-\LOCALS~1\Temp\SGTpbq\3656\01376E80.png** | C |
| Doing survey before entry into foreign market | C:\DOCUME~1\XIESG~1.PC-\LOCALS~1\Temp\SGTpbq\3656\01376E80.png | C:\DOCUME~1\XIESG~1.PC-\LOCALS~1\Temp\SGTpbq\3656\01376E80.png | **C:\DOCUME~1\XIESG~1.PC-\LOCALS~1\Temp\SGTpbq\3656\01376E80.png** | A |
| Negotiation with local government & join in local coffee shop union | C:\DOCUME~1\XIESG~1.PC-\LOCALS~1\Temp\SGTpbq\3656\01376E80.png | C:\DOCUME~1\XIESG~1.PC-\LOCALS~1\Temp\SGTpbq\3656\0138FD2E.png | **C:\DOCUME~1\XIESG~1.PC-\LOCALS~1\Temp\SGTpbq\3656\01376E80.png** | B |

From what has been discussed above, we can conclude that Rank A strategies, such as Business innovation model, Product development, Diversification, Market penetration, Increasing connection between customer, Community and Starbucks, Doing survey before entry into foreign market, are recommended to be carried out by Starbucks.