

Starbucks CUEGIS Analysis

Background information

- Starbucks Corporation is an American coffee company and Italian styled coffeehouse chain. Starbucks was founded in Seattle, Washington in 1971.
- CEO – Howard Schultz (2008 -2017)
- It operates 23,768 locations worldwide
- Over the past 10 years, Starbucks stock (SBUX) has increased in price by 2,200%. Starbucks has made the list of Most Admired Companies in the U.S., the list of 100 Best Companies to Work For, the list of 100 Best Corporate Citizens, the list of the World's 50 Most Innovative Companies, and the list of the World's Most Ethical Companies.

Change - PESTLE	
Political	<ol style="list-style-type: none">1. Regional integration of markets (opportunity)2. Improving governmental support for infrastructure (opportunity)3. Bureaucratic red tape in developing countries (threat)
Economic	<ol style="list-style-type: none">1. High growth of developing countries (opportunity)2. Declining unemployment rates (opportunity)3. Rising labour cost in suppliers' countries (threat)
Socioeconomic trends	<ol style="list-style-type: none">1. Regional integration of markets (opportunity)2. Improving governmental support for infrastructure (opportunity)3. Bureaucratic red tape in developing countries (threat)
Technological	<ol style="list-style-type: none">1. Rising mobile purchases (opportunity)2. Technology transfers to coffee farmers (opportunity)3. Rising availability of specialty coffee machines for home use (threat)
Legal	<ol style="list-style-type: none">1. Product safety regulations (opportunity)2. GMO regulations outside the United States (opportunity)3. Increasing employment regulation (threat)
Environmental	<ol style="list-style-type: none">1. Business sustainability trend (opportunity)2. Growing popular support for responsible sourcing (opportunity)3. Growing popular support for environmentally friendly products (opportunity)

Culture	
Influences from Schultz	“When we began Starbucks what I wanted to try to do was to create a set of values, guiding principles, and culture.” – Schultz
Organisational culture	<ol style="list-style-type: none"> 1. <u>Servant Leadership (“employees first”)</u> <ul style="list-style-type: none"> • In this approach, leaders, managers and supervisors emphasize support for subordinates to ensure that everyone grows in the company. • Starbucks takes good care of their employees – entitle them with comprehensive health insurance and an option to own stocks, part-time employees, included. These are on top of tuition benefits and shifting schedules not requiring back-to-back graveyard shifts. Moreover, he listens to his employees • They call all their employees partners • the list of 100 Best Companies to Work For • Also, each store’s employees are allowed to select which local charities they wish to promote through volunteer hours, products, and cash contributions. For example, in April of 2012, Starbucks contributed 230,000 hours of community service. 2. <u>Relationship-driven approach</u> <ul style="list-style-type: none"> • Baristas give a personal touch to customers who are regulars and will usually know their orders. This practice makes a customer feel special. 3. <u>Collaboration and communication</u> <ul style="list-style-type: none"> • At the cafés, baristas clearly communicate with each other to fulfill orders. Also, they collaborate as teams to make the order fulfillment process efficient. Thus, Starbucks’ organizational culture supports efficiency in business processes, which contributes to quality of service, customer experience, and business cost-effectiveness. 4. <u>Openness</u> <ul style="list-style-type: none"> • Through this feature of its organizational culture, Starbucks empowers employees and facilitates innovation. 5. <u>Inclusion and diversity</u> <ul style="list-style-type: none"> • Encourages diversity – They are open to suppliers who belong in diversified communities which include Asian-Indian Americans, African-Americans, People with Disabilities, Veterans, LGBTs and Asian-Pacific Americans, among others. ○ Starbucks Coffee Company’s organizational culture is one of the most distinct characteristics of the firm ○ In Starbucks Coffee’s case, the company’s organizational culture permeates all aspects of its business

	<ul style="list-style-type: none"> ○ has an organizational culture that relates with the company's strategies for successful brand development and global expansion
Company values	<ol style="list-style-type: none"> 1. Community 2. Ethical Sourcing 3. Environment 4. Diversity 5. Customer wellness

Ethics	
Handling of employees	<ul style="list-style-type: none"> • The first company in America to offer comprehensive health insurance and ownership in the form of stock options to all of its employees, including part-time workers. Many employers in the fast food industry do not provide health benefits to part-time employees. • the list of 100 Best Companies to Work For
Community	<ul style="list-style-type: none"> • In April of 2012, Starbucks contributed 230,000 hours of community service. • The company also supports literacy programs and international relief efforts. • Concerned about rising unemployment in the United States, Starbucks opened up a factory in Georgia, which created 200 manufacturing jobs.
Suppliers	<ul style="list-style-type: none"> • Starbucks helps sustain coffee communities around the globe through its loan program. In 2011, Starbucks loaned a total of \$14 million to 45,000 farmers in seven countries around the globe. • Starbucks Supplier Diversity Program actively seeks out and contracts with suppliers that are either female or minority-owned.
Environment	<ul style="list-style-type: none"> • Starbucks contributes to the health of the environment in a number of ways, including using recycled paper and plastic, and in 2011 Starbucks achieved a 50% reduction of wastewater in 1000 of its stores by installing a new filtration system
Wellness for customers	<ul style="list-style-type: none"> • Also, Starbucks provides wellness for its customers through quality products that contain no more than 500 calories and are free from unnecessary ingredients like high fructose corn syrup, artificial flavors, dyes, and artificial trans-fats.

To the extent that this was an accident or a marketing ploy to justify higher prices is unclear. In its early years, Starbucks did not appear to promote itself as a company with defined goals of social responsibility as it does today. Starbucks marketed itself as a fun, funky place to get a great cup of coffee served to you from friendly employees. A cynic could allege that Starbucks developed its social conscious as a clever way to justify higher prices for its products. Customers won't feel bad about paying more for a cup of coffee if they feel they are serving just causes at the same time. But I would argue their point is irrelevant. At the end of the day, Starbucks has demonstrated that a company can grow profitably while acting ethically and serving social responsibilities at the same time. What does it matter whether the awareness of the social conscious occurred early or later in the business cycle? The point is that the goals are not mutually exclusive and in fact may produce a symbiotic relationship from which everyone benefits.

Globalisation	
Logo	<ul style="list-style-type: none"> • Its own logo has been globalised and seen as a symbol of coffee, a lifestyle
Global expansion	<ul style="list-style-type: none"> • Global expansion is essential to successful companies; Starbucks is no exception. While Starbucks was very successful in its domestic market, the leaders of the company knew they would have to exploit globalization and expand the company to foreign markets to fully utilize the potential that the company had. • In 2003, Starbucks quickly expanded into foreign markets and began to evolve into the world-wide company we know today. Countries began experiencing the “Starbucks Effect,” which is the continuous emergence of new competitors with superior business models that force businesses to reconsider the viability of what they’ve always done. • When Starbucks first expanded internationally, it used the same aggressive business model that it had developed in the US, but quickly discovered that the same tactics that had worked to establish the market in the domestic market were not favorable to international expansion. • In addition to culture conflicts between retail practices of the organization and various regions, many cities opposed the establishment of Starbucks as a means to protest against the larger trend of globalization. • In a 2005 interview regarding international development and adaptation, Jim Donald, CEO of Starbucks from 2005-2008,[5] said “The peak time in China is not 7 to 10 in the morning, it is 4 to 6 in the afternoon. And there are also food preferences we had to adapt to. There is the holiday Yorkshire pudding that is big in the UK but does not work in New York. Breakfast sandwiches in Germany, for example, are made up with a hard roll with sausage and tomato and served cold. So we listen hard to what our partners in a region say.”

Innovation	
Apple	<ul style="list-style-type: none"> • They partnered with Apple where customers can now download Starbucks’ playlists from iTunes.
Tmall (China)	<ul style="list-style-type: none"> • The company also opened its e-flagship store in Alibaba Tmall (B2C platform) which provides a social gifting option to its Chinese customers. • Starbucks claims that its e-store on Tmall registered more than 300,000 fans and became the top performing brand in Tmall’s “Food and Beverage” category in the first month.
“Reserve” Stores	<ul style="list-style-type: none"> • specialized experience stores, highlighting rare and exquisite coffees that are available in limited quantities globally • The Starbucks Reserve Roastery and Tasting Room is “Niketown meets Apple meets Starbucks,” says Schultz, and will feature small-batch roasting and coffee education amid a 15,000-square-foot interactive retail store.
Loyalty program	<ul style="list-style-type: none"> • The -Starbucks Rewards mobile-payment -application has 12 million active users, -making it the third-most-popular digital-payment app used by U.S.

	<p>consumers, according to Comscore, which puts it ahead of iTunes and American Express Serve.</p> <ul style="list-style-type: none"> the company is testing a version of the app that allows customers to order ahead, due later this year (2014) Starbucks digital ecosystem achieved significant milestones in 2015 with the launch, nationwide rollout and international pilot of Mobile Order & Pay. Recently, Starbucks has partnered with brands such as Spotify, Lyft, and the New York Times, where the company's star rewards act as an external currency [5]. Subscribers of partner organizations can earn reward points that are only redeemable at Starbucks locations
Wifi	<ul style="list-style-type: none"> The company has adopted customer-centric digital strategies, such as free Wi-Fi in stores and a mobile application, which has helped the company adapt and drive traffic into the store.

Strategy	
Loyalty program	<ul style="list-style-type: none"> In May 2008, a loyalty program was introduced for registered users of the Starbucks Card (previously simply a gift card) offering perks such as free Wi-Fi Internet access, no charge for soy milk and flavoured syrups, and free refills on brewed drip coffee, iced coffee, or tea
Broad differentiation	<ul style="list-style-type: none"> Starbucks Coffee uses the broad differentiation generic strategy. In this generic strategy, the goal is to make the company different from other competitors. It is such difference that makes Starbucks stand out. The company's emphasis on specialty coffee easily differentiates Starbucks cafés from many other establishments that offer coffee. An implication of the broad differentiation generic strategy is that Starbucks Coffee must continue innovating to ensure differentiation in the long term. This generic strategy could lose its strength when competitors also find ways to stand out. To address this issue, Starbucks keeps innovating its product mix and supply chain.
Market Penetration	<ul style="list-style-type: none"> Starbucks Coffee's main intensive growth strategy is market penetration. This intensive strategy supports the firm's growth by maximizing revenues from existing markets. Starbucks already has presence in 65 countries around the world. To maximize revenues and growth in these current markets, the company applies the market penetration intensive strategy by opening more company-owned stores. Starbucks also applies this intensive strategy for growth through licensing for merchandise and franchising in some countries, such as the Dominican Republic.
Market Development	<ul style="list-style-type: none"> Starbucks Coffee uses market development as its secondary intensive growth strategy. This intensive strategy supports the company's growth by generating revenues in new markets or market segments. For example, Starbucks Coffee plans to enter more countries. These countries are mostly in Africa and the

	<p>Middle East. In this intensive strategy, Starbucks grows by expanding its global reach.</p>
Product Development	<ul style="list-style-type: none"> Starbucks Coffee also uses product development as a secondary intensive growth strategy. This intensive strategy involves creating new products to gain more revenues. Starbucks continues innovating its product mix. For example, after the firm acquired The Coffee Connection, it started offering Frappuccino at Starbucks cafés. The company also introduced sodas in 2014. Through such new products, Starbucks grows through this intensive strategy.