

Starbucks Coffee Company

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MHR 3010.22 Team 11 Report

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Dillon Griswold - Table of Contents, Economy, Competition, Leadership Analysis, SWOT Analysis, Recommendations: Threats

Calvin Costales: Technology, Industry Regulations, Human Resources Management, Ethics, Corporate Social Responsibility, and Sustainability Issues, SWOT Analysis, Recommendations: Opportunity

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Table of Contents

Table of Contents.....	2
Company in Brief.....	4
General Environmental Analysis.....	5
Political and Legal Trends.....	5
Economy.....	7
Technology.....	8
Sociocultural Factors.....	10
Specific Environmental Analysis.....	12
Customers.....	12
Source: (Mohammad, 2025).....	13
Proactive Customer Monitoring.....	13
Suppliers.....	14
Competition.....	15
Industry Regulations.....	21
Advocacy Groups.....	22
Internal Environmental Analysis.....	23
Diversity Issues.....	23
Internal Environmental Analysis.....	25
Company Resources.....	25
Organizational Culture.....	27
Strategic Management.....	28
Corporate-level strategy.....	28
Industry-level strategy.....	29
5 Industry Forces.....	29
1. New Entrants: minimal - new coffee shops can open but starbucks stays strong.....	29
Firm-Level Strategy.....	29
Organizational Structure.....	30
Vertical Structure.....	30
Horizontal Structure.....	32

Human Resources Management.....	32
Ethics.....	35
Corporate Social Responsibility.....	38
Sustainability.....	40
Leadership Analysis.....	41
SWOT Analysis.....	43
Recommendations.....	45
Works Cited.....	47

Company in Brief

Starbucks Corporation is an American multinational chain of coffee houses headquartered in Seattle, Washington (*About Us*, Starbucks Coffee Company). It was established in 1971 as a quaint establishment at The Pike Place Market. Gathering avid coffee lovers along the way, it attracted a New York businessman, Howard Schultz, who joined the company in 1982 (Geereddy, *Starbucks Case Analysis*). While Schultz' has officially stepped down as of 2023, as of 2024, Brian Niccol has taken Shultz place as CEO (*Financial Releases*, 2024). All the while, Starbucks has expanded into 40,990 stores across 80 countries with a 61% majority located in the U.S. and China ending the 2025 quarter. (*Starbucks Reports Q4 and Full Fiscal Year 2025 Results*, 2025). Currently, Starbucks has over \$37.2 billion in revenue and a current stock price of \$83.69 per share (Nov. 17, 2025, Google Finance). Starbucks' stores offer an array of hot and cold coffee, teas, juices, snacks, and pastries at the stores. In addition, the company sells whole bean, ground, and Keurig-pod coffee; bottled/canned drinks; and food items like ice cream at local market stores adding to their high earnings (*About Us*, Starbucks Coffee Company).

Starbucks emphasizes that these products are ethically sourced and sustainable. All while maintaining social responsibility and aligning with their mission, “To be the premier purveyor of the finest coffee in the world, inspiring and nurturing the human spirit — one person, one cup and one neighborhood at a time,” delivering high-quality coffee across the world (*Our*

Mission, Starbucks, 2025). Their goal is to balance profitability with a positive impact on the planet and the communities the company serves (*Starbucks Fiscal 2024 Global Impact Report*, 2024). While Starbucks' vision is to deliver performance through the lens of humanity through craft, results, courage, belonging, and joy (*Belonging at Starbucks*, Starbucks).

General Environmental Analysis

Political and Legal Trends

A number of significant federal and state legal frameworks influence Starbucks' operations. These include employment and labor laws such as the Fair Labor Standards Act (FLSA), Family and Medical Leave Act (FMLA), Americans with Disabilities Act (ADA), and Equal Employment Opportunity (EEO) laws, all of which govern wages, leave protections, nondiscrimination, and workplace accommodations. Starbucks must also comply with federal financial and corporate disclosure regulations, including the Sarbanes-Oxley Act and the Corporate Transparency Act, along with consumer-protection laws such as the Federal Trade Commission Act (FTC Act) and the Children's Online Privacy Protection Act (COPPA). Workplace-safety requirements enforced by the Occupational Safety and Health Administration (OSHA) further shape operational policies. In addition, federal and state corporate tax regulations affect the company's fiscal planning and strategic decision-making.

Starbucks has recently faced increasing scrutiny regarding its compliance with federal labor law, particularly in relation to unionization efforts. In 2023, an administrative law judge ruled that Starbucks violated the National Labor Relations Act (NLRA) by granting wage increases and enhanced benefits exclusively to non-union stores, a practice deemed unlawful under federal labor standards (Bogage and O'Donovan, 2023). Further concerns emerged in 2024 when the National Labor Relations Board concluded that comments made by former CEO Howard Schultz—specifically telling an employee that if they were unhappy, they could work elsewhere—constituted an illegal threat that interfered with workers' protected rights under Section 7 of the NLRA (Hsu; Levy, 2024). Additional NLRB findings related to Starbucks' Buffalo locations characterized the company's conduct during unionization campaigns as "egregious and widespread," citing coercive statements, surveillance, and retaliatory actions against pro-union employees (Bronner, 2023).

These legal challenges highlight the company's ongoing exposure to regulatory scrutiny and reinforce the need for Starbucks to strengthen its labor relations strategy, ensure consistent adherence to federal labor law, and build transparent, equitable practices that support both compliance and organizational reputation.

Starbucks is currently facing significant external pressures driven by global economic and geopolitical conditions, most notably the imposition of U.S. tariffs on imported agricultural products and the public backlash connected to international conflicts. Recent tariffs—such as

the 50% U.S. tariff on Brazilian coffee, the world's largest coffee supplier, has materially increased Starbucks' cost of goods sold, resulting in tighter profit margins and added volatility in its supply chain (Lui, 2025). These tariff-driven cost increases coincide with heightened political sensitivity among consumers, particularly regarding Starbucks' perceived stance during the Israel–Hamas conflict, where the company's neutral corporate messaging led to widespread criticism, brand-damaging social media campaigns, and store-level disruptions in multiple regions (Fonda, 2023). The combination of rising import costs and reputational strain has increased operational risk for Starbucks, as inflationary pressures, commodity-price instability, and public sentiment converge to affect customer traffic, pricing flexibility, and overall financial performance. Together, these factors form significant threats within Starbucks' external environment, shaping both its short-term challenges and its long-term strategic considerations.

Economy

Since 2024, elevated global inflation has reduced consumers' purchasing power and weakened demand for higher-priced, non-staple goods. As a result, Starbucks reported an approximate 2% decline in global sales in its 2025 Q3 financial report (Starbucks Corporation). The report also notes a year-over-year increase in net revenue of roughly 10% (Starbucks Corporation); however, year-over-year operating income decreased by about 7% (Starbucks Corporation).

This decline is attributable to several factors, most notably rising operating costs that have lowered profit margins, as well as expenses associated with the company's new *Back to Starbucks* initiative. These include higher staffing costs, a one-time "Leadership Experience 2025" expense, and increased investments in store improvements (Starbucks Coffee Company). Overall, while the company's strategy is contributing to revenue growth, the associated costs are at the same time shrinking profitability. The broader economic environment characterized by inflation and lowered discretionary spending—poses clear threats to Starbucks, as reduced consumer purchasing power directly impacts demand for premium beverages and non-essential products (Starbucks Corporation). However, these conditions also create opportunities: Starbucks' continued investment in operational efficiency, store modernization, and employee experience positions the company to strengthen customer loyalty and improve long-term competitiveness once economic pressures ease (Starbucks Coffee Company). By implementing these improvements and processes it may be an opportunity that positions Starbucks to strengthen future market share and profitability.

Technology

In recent years, several advanced technologies have profoundly impacted corporations by driving efficiency, innovation, and profitability. The most influential developments include Artificial Intelligence (AI), the Internet of Things (IoT), robotics, cloud computing, quantum computing, and the rising importance of cybersecurity (Research-Methodology, 2023). AI has

accelerated predictive analytics and business forecasting, and AI-driven personalization engines have increased customer reach, loyalty, and revenue (Jin, 2024). Starbucks demonstrates this through Deep Brew, an AI engine that analyzes customer data to generate personalized drink recommendations (Starbucks Fiscal 2024 Global Impact Report, 2024). In addition, Starbucks launched its generative-AI tool Green Dot Assist, piloting it in 35 stores in June 2025 with plans for U.S. and Canada expansion in 2026 (Cunningham, 2025). This system provides baristas with real-time support for beverage preparation, equipment troubleshooting, and staffing guidance, improving workflow and training. However, some critics warn that increased automation may weaken human interaction—a defining element of the Starbucks customer experience.

IoT further enhances store efficiency by using connected devices and real-time data insights. For example, Starbucks uses IoT sensors on espresso machines to predict maintenance issues before failures occur (Starbucks Invests in Tech for Mobile Orders, 2025). The company is also expanding its digital ecosystem to strengthen its omnichannel strategy. Earlier voice-ordering through Amazon Alexa and Google Assistant laid the foundation for more advanced systems, and recent updates show Starbucks investing heavily in order-sequencing tools and app upgrades scheduled for rollout in 2025 (Wassel, 2025). One of these new platforms, Empower, helps manage mobile and in-store orders more efficiently. As Starbucks continues to offer more ordering pathways—mobile pickup, drive-thru, in-store, and voice—the operational system grows more complex, increasing the risk that any disruption

could negatively impact customer perception. Furthermore, data gathered from the Starbucks app and store transactions helps guide decisions regarding limited-time offers and new product development (Yaqub, 2025). Algorithms also analyze traffic patterns, demographics, and competitor activity to determine high-potential store locations (Nithin Geereddy, n.d.). Technologies such as AI, computer vision, and augmented reality support automated inventory tracking to reduce shortages of popular items such as oat milk and cold foam.

In summary, Starbucks continues to strengthen efficiency and decision-making through AI, IoT, and data-driven tools while maintaining a need to balance technological growth with the human-centered brand identity customers expect.

Sociocultural Factors

Starbucks is influenced by many social and cultural factors that shape the way people view and use the brand. A major trend is health and wellness. A new generation of customers is choosing drinks with less sugar, lower calories, and more plant-based ingredients. To meet this demand, Starbucks has expanded its menu with oat, soy, coconut, and almond milk, along with options like sugar-free syrups and smaller portion sizes. Customers also care more about transparency in nutrition, which is why Starbucks shares calorie information on its menus. Sustainability has also become a key social issue. Many people, especially younger generations, want the products they buy to support the environment. Starbucks has responded by working to reduce

waste, encouraging the use of reusable cups, and committing to becoming carbon neutral by 2050. The company also ensures that most of its coffee beans come from ethical and fair-trade sources, which matters to socially conscious consumers.

Technology and social media have changed the way people connect with Starbucks. The Starbucks Rewards app makes it easy to order ahead and earn points for free drinks and food, helping build customer loyalty. On social media, drinks like the Pumpkin Spice Latte or seasonal cold brews often go viral, turning them into trends. This keeps Starbucks popular with younger customers who enjoy sharing their experiences online or trying new seasonal items.

In 2023–2024, Starbucks also faced backlash from customers for not taking action to help end the Israel–Hamas war, as the company maintained a politically neutral position. The subsequent boycotts—driven by perceptions that Starbucks supported Israel—negatively affected global revenues and led to international employee layoffs as sales declined (Al-Rashdan & Parasie, *Bloomberg*, 2024). These events highlighted the importance of clear corporate messaging. Many customers wanted Starbucks to take a public political stance, and its decision to remain neutral damaged its brand reputation among some consumer groups.

Finally, Starbucks makes an effort to be welcoming to everyone, no matter who they are. The stores are often seen as a safe place where people can work, meet with friends, or take a break. Because of this, Starbucks has become more than a coffee shop—it is a space where people feel comfortable and included.

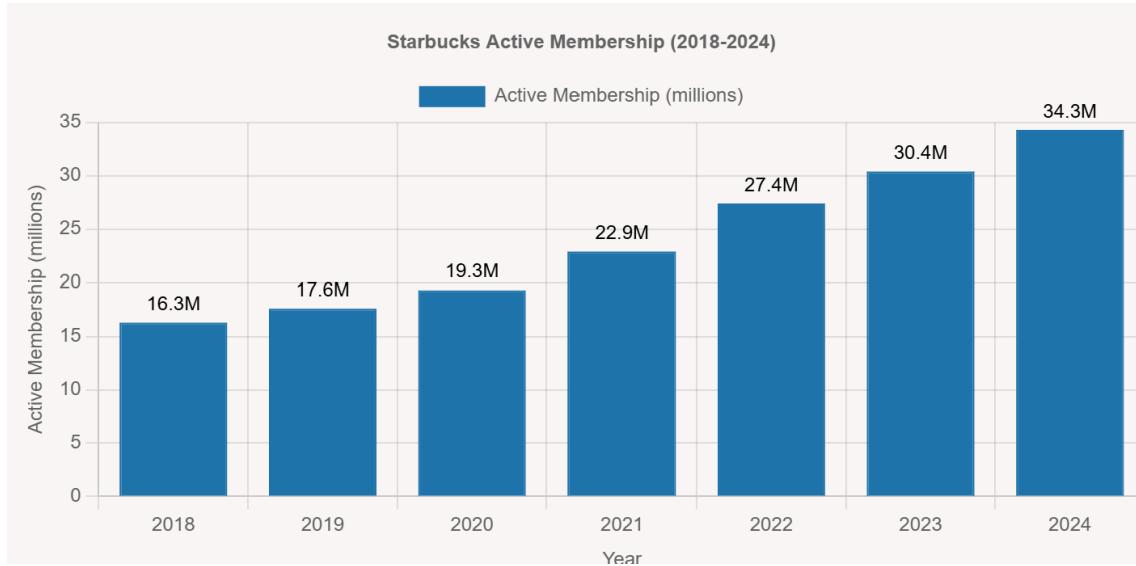
Overall, Starbucks is more than just a place to buy coffee. The brand has grown by paying attention to what people care about—health, sustainability, technology, inclusivity, and even global political issues. Because of this, Starbucks remains popular and continues to be a part of many people's daily lives.

Specific Environmental Analysis

Customers

Starbucks targets primarily consumers under 40 who belong to the upper-middle class, a demographic with the disposable income and lifestyle preference for premium coffee experiences. The company also focuses heavily on the 18–24 age group, integrating Starbucks into their primarily tech-savvy worlds (Jin, 2024). For loyal Starbucks customers, purchasing a beverage can become a part of their daily routine. In fact, Starbucks rewards members are 5.6 times more likely to visit a Starbucks every day (Mohammad, 2025). The number of users continue to grow as the chart below exhibits the increased amount of active users of the app

through recent years:



Source: (Mohammad, 2025)

Proactive Customer Monitoring

While Starbucks engages in both proactive and reactive customer monitoring, the primary driver of this monitoring is its highly developed mobile app. Through the app, Starbucks began using advanced user analytics to track purchasing behavior and customer preferences. By collecting customer data, the company can personalize rewards, tailor product recommendations, and adjust promotions to better fit individual habits. This system is powered by their digital flywheel program, which adapts recommendations in real time based on psychographic factors such as weather and time of day (Marr, 2018). In an industry defined by intense competition and low switching costs, combined with rising prices and reduced

purchasing power, customers hold a significant amount of influence. However, Starbucks's proactive use of data has helped strengthen customer loyalty and maintain its market position, even in an environment where consumers ultimately control purchasing decisions.

Suppliers

As a multinational company operating an extensive global supply chain, Starbucks partners with thousands of suppliers across industries, including agriculture, manufacturing, logistics, and packaging (Starbucks Corporation, 2024). Major suppliers include Ally Coffee Trading SA, Atlantic Specialty Coffee Inc., Falcon Coffees Limited, and Itochu Corporation. Starbucks also diversifies its coffee sourcing to reduce regional dependency, obtaining arabica and robusta beans from countries such as Vietnam and India in addition to Latin American suppliers—an approach that enhances supply stability and reduces risk associated with geopolitical or environmental disruptions (World Coffee Portal, 2024).

Starbucks emphasizes ethical and responsible sourcing across its global supplier network. The company maintains strict standards through its Coffee and Farmer Equity (C.A.F.E.) Practices, which focus on product quality, social responsibility, environmental sustainability, and economic transparency (Starbucks, “C.A.F.E. Practices,” 2024). Starbucks also enforces a Supplier Code of Conduct that outlines expectations related to anti-corruption, supply-chain security, labor protections, and compliance with both local and international regulations

(Starbucks, “Global Supplier Code of Conduct,” 2024). In addition, Starbucks provides training and support to help suppliers meet C.A.F.E. verification requirements and continuously improve their operations. Overall, the company’s scale, diversified supplier base, and rigorous compliance systems contribute to suppliers holding relatively low bargaining power over Starbucks.

Competition

Starbucks currently faces strong competition from competitors like Dunkin’, McDonald’s McCafé, Peet’s Coffee, and Costa Coffee, each fighting for the market in different ways. Dunkin’ and McDonald’s compete heavily on price and convenience, offering lower-cost coffee and food options that appeal to value-driven consumers. Peet’s Coffee challenges Starbucks in the specialized coffee division by highlighting their artisanal quality and traditional coffeehouse ambiance. Costa Coffee, which is backed by Coca-Cola, is expanding globally and competes directly with Starbucks’ international efforts, most noticeably in Europe and Asia.

These competitive dynamics create both threats and opportunities for Starbucks. The affordability of Dunkin’ and McDonald’s pressures Starbucks to continually highlight the value behind its premium pricing. At the same time, the rise of specialty competitors like Peet’s and Costa validates Starbucks’ strategy of focusing on quality, brand experience, and global expansion. Competition pushes Starbucks to innovate whether through its loyalty program,

new product offerings, marketing, or growth in international markets, ultimately pushing the brand to strengthen itself with its competitive advantages in convenience, value, and loyalty or risk falling to the competition.

Company	Revenue (most recent full year)	Net Income / Margin*	Approx. Stock Price / Market Cap / Brand Value**	Market Share / Size / Number of Stores***	Cost / Operating Efficiency Indicators (if available)
Starbucks	<u>US \$36.18 B (2024)</u> (Macrotrends)	<u>Net income ~\$3.7 B (2024); net margin around ~10-11% in recent quarters for certain segments</u> (Macrotrends)	<u>Stock price ~\$85-90 per share recently; brand value dropped but still among top restaurant/ coffee brands</u> (MarketBeat)	Leading share in U.S. specialty coffee (~39% in some reports) (Financhill); ~33-35K stores globally (Investopedia)	Relatively high cost structure: premium pricing; high operating & overhead costs; somewhat more exposure to international & non-company-operated segments which affect margins.
McDonald's (McCafé)	<u>US \$25.92 B (2024) for whole company (not all coffee-only)</u> (Macrotrends)	<u>Net income ~US\$8.5-9B range in recent years for overall McDonald's operations; margins for McCafé would</u>	<u>Stock price ~\$300-\$320 as of mid-2025; market cap large given global fast food</u>	<u>Vast store network (~40,000+ restaurants worldwide) and strong market share in fast food; McCafé embedded in many of those</u>	Higher operating leverage; efficiencies in scale; lower input cost per unit for drinks due to

		<u>be lower but specific data scarce</u> (Wikipedia)	<u>footprint</u> (Financhill)	<u>stores giving high reach.</u> (Investopedia)	volume; simpler menu items in many cases reduce cost complexity.
Dunkin'	<u>~\$11.2 B U.S. coffee brand sales (per some sources) vs Starbucks' ~\$27.5B in U.S. coffee sales (to compare; note this is only part of total revenue)</u> (Northmarg)	Smaller profit margins than Starbucks; net income data less public/fragmented; costs lower, pricing lower.	As a company, less expensive stock than Starbucks; higher value perceived for "value" market segment rather than premium. (Exact stock price & market cap vary.)	<u>Large footprint in U.S., strong brand recognition especially in Northeast; significant number of franchises; significant share among consumers looking for lower cost coffee.</u> (Corner Coffee Store)	Lower cost of goods sold (COGS) for many products; lower overhead per unit; simpler store formats; high franchise/licensing use reduces capital burden.
Peet's Coffee	<u>Approx under US\$1 B in recent past for Peet's alone (as part of JDE Peet's etc.)</u> (Coffee Intelligence)	Margins are much smaller; more niche; less scale leads to higher per-unit costs.	Public through parent company (JDE Peet's) but smaller market cap vs big chains; niche premium brand status.	<u>Much smaller store count; strong in specialty, high-end coffee; limited reach compared to Starbucks or McDonald's.</u> (Wikipedia)	Higher cost per store; premium ingredients; more focus on quality vs speed; fewer scale economies.

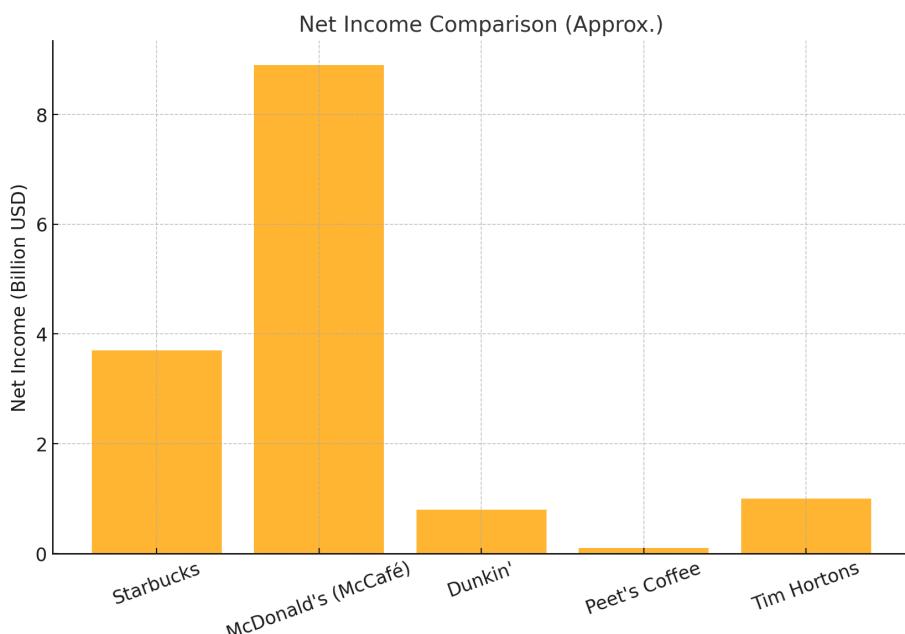
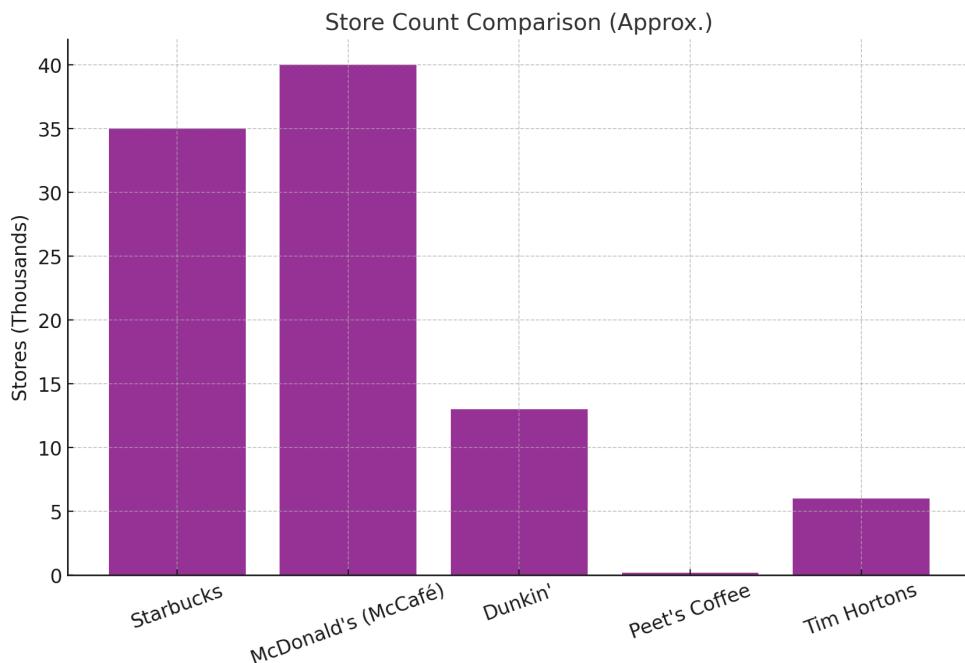
Tim Hortons	<p><u>~\$2-3B range (for coffee/fast food)</u></p> <p><u>among top coffee chains; but its total revenue includes more than just coffee shops.</u></p> <p><u>(Coffee Intelligence)</u></p>	<p><u>Net income in recent years ~\$1B+ for Tim Hortons brand/segment; moderate margins depending on geography.</u></p> <p><u>(Coffee Intelligence)</u></p>	<p>Stock not a standalone U.S. major like Starbucks/ McDonald's in US markets; strong brand in Canada, expanding abroad; value perception moderate.</p>	<p><u>~5-6K stores (Canada + international) for Tim Hortons as per reports; significant presence in Canada; brand size smaller globally but large in its core market.</u></p> <p><u>(Coffee Intelligence)</u></p>	<p>Lower costs in core markets; menu breadth helps; yet less pricing power internationally ; cost of expansion & operations in foreign markets can be challenging.</p>
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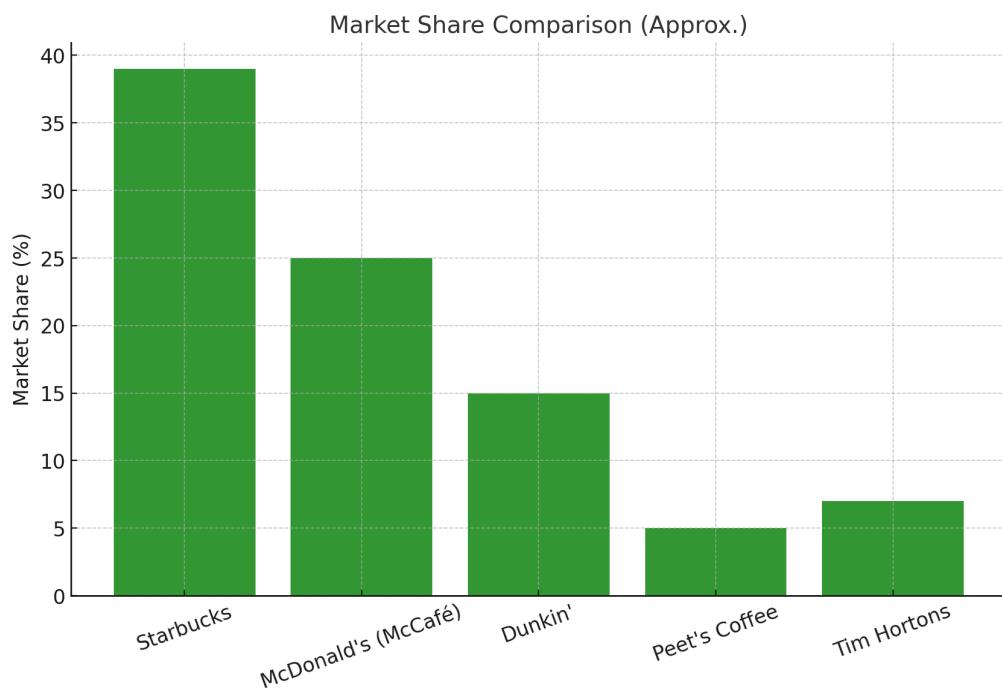
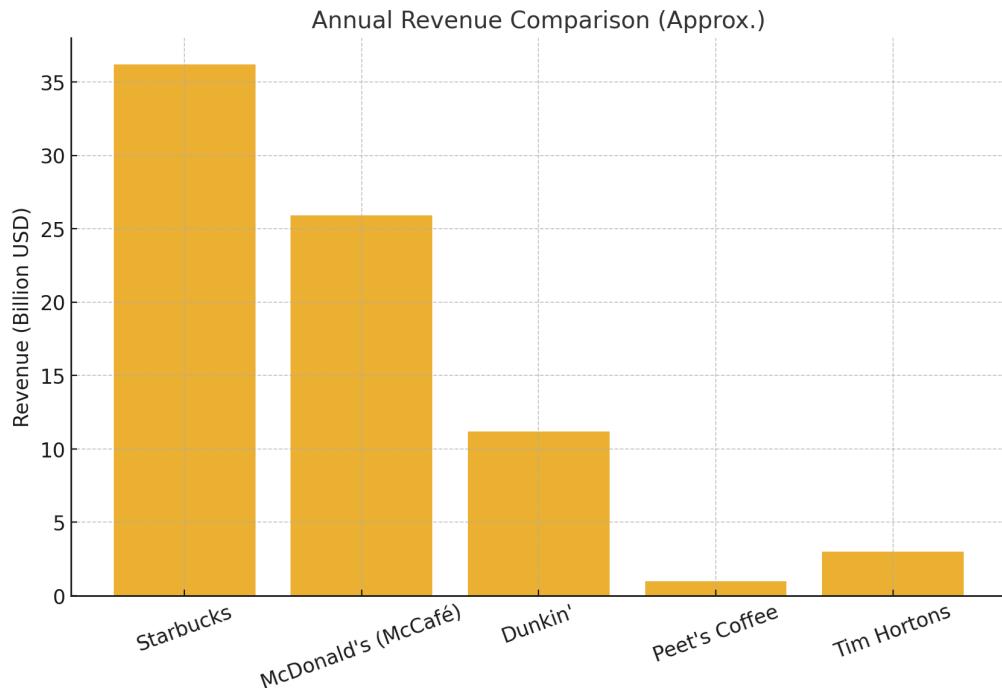
Looking at the table, Starbucks is clearly ahead of most of its direct competitors when it comes to revenue and global presence. With over 36 billion dollars in annual sales and tens of thousands of stores worldwide, it has built a strong lead, especially in the premium coffee market. McDonald's is a tough competitor because of its massive size and efficiency, but coffee is only one relatively small part of its business, so it doesn't compete with Starbucks in the exact same way. Dunkin' puts pressure on Starbucks by offering lower-priced options, making it harder for Starbucks to raise prices without losing some cost-conscious customers.

Peet's and Tim Hortons are important players too, but they are smaller and more regional, so they aren't up to par with Starbucks' scale. Overall, Starbucks is competing successfully by focusing on brand experience, loyalty programs, and premium products, even

though it faces pressure from cheaper rivals and very efficient global chains like McDonald's.

In general, competition in this industry is high, since many companies are fighting for customers at different price points and with different strategies.





Industry Regulations

The food and beverage industry is heavily regulated to ensure consumer safety, fair labor practices, and environmental responsibility. At the federal level, the FDA Food Code provides science-based guidance for food safety, including proper handling, storage, and preparation of ingredients (FDA, 2023). Restaurants with 20 or more locations, like Starbucks, must comply with menu labeling regulations, which require calorie counts on menus and written nutrition information available upon request, as well as proper labeling for major allergens. Starbucks also follows the Food Safety Modernization Act (FSMA) by maintaining risk-based food safety plans, hazard analyses, and preventive controls across its stores (Starbucks Fiscal 2024 Global Impact Report, 2024).

Occupational safety is another key regulatory area, and Starbucks adheres to OSHA standards to protect employees from workplace hazards, ensure proper equipment use, and maintain safe working conditions. On the labor side, the company operates under the National Labor Relations Act (NLRA), which guarantees employees' rights to unionize and collectively bargain (U.S. NLRB, 2024), while Starbucks has taken steps to reinforce management training and compliance after facing labor-related disputes.

Environmentally, Starbucks aligns with both national and international standards, such as EPA waste reduction policies and ESG/GRI reporting guidelines (Starbucks Global

Environmental and Social Impact Report, 2024). The company has announced commitments to carbon neutrality by 2050 through initiatives such as reducing water use, minimizing waste, and implementing energy-efficient store designs. Overall, Starbucks' compliance with these regulations demonstrates its commitment to ethical operations, food safety, and social responsibility throughout its global operations (Starbucks, 2024; Reuters, 2024; FDA).

Advocacy Groups

Starbucks faces ongoing monitoring from advocacy groups that seek to influence corporate decisions and promote ethical business practices. Environmental organizations such as Greenpeace and the Rainforest Alliance encourage increased sustainability initiatives, including the use of reusable cups, waste reduction strategies, and responsible coffee sourcing. Compliance with these recommendations enhances corporate reputation and strengthens customer loyalty among environmentally conscious consumers. These environmental advocacy groups present a medium-level strategic threat due to their potential influence on brand reputation and consumer behavior if recommendations are ignored.

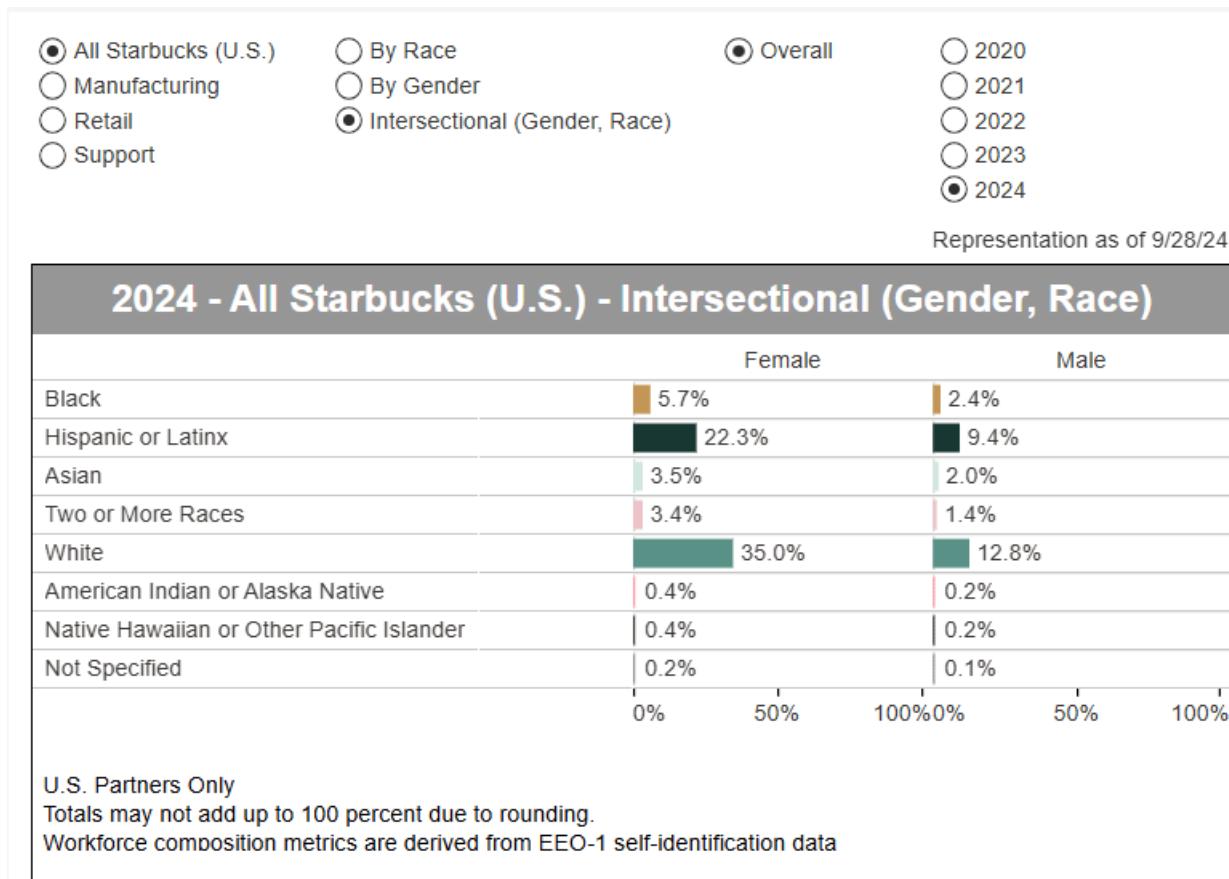
Labor advocacy organizations, including Workers United, focus on employee rights by advocating for higher wages, improved workplace conditions, and stronger labor protections. Starbucks has faced public criticism and legal challenges related to labor practices, increasing reputational and regulatory risk. Consumer and worker protection groups maintain oversight to promote fair and responsible corporate behavior. These labor-focused organizations create

high-level strategic threats while simultaneously presenting opportunities for Starbucks to demonstrate corporate social responsibility and ethical commitment.

Internal Environmental Analysis

Diversity Issues

At the end of 2024, Starbucks reported that 70.9% of its workforce was female and 28.4% was male (Diversity, Starbucks, 2025). The largest demographic groups within the company were White women and Hispanic women, and overall the data shows that Starbucks maintains limited racial diversity, as reflected in the accompanying graph. Although the company regularly publishes diversity statements and emphasizes its commitment to an inclusive culture, it does not outline any specific diversity policies or programs. In 2024, Starbucks joined the Access Collection for the Association of People with Disabilities (AAPD) and earned a score of 100 on the DEI Index, highlighting its representation and inclusion efforts on its official website.



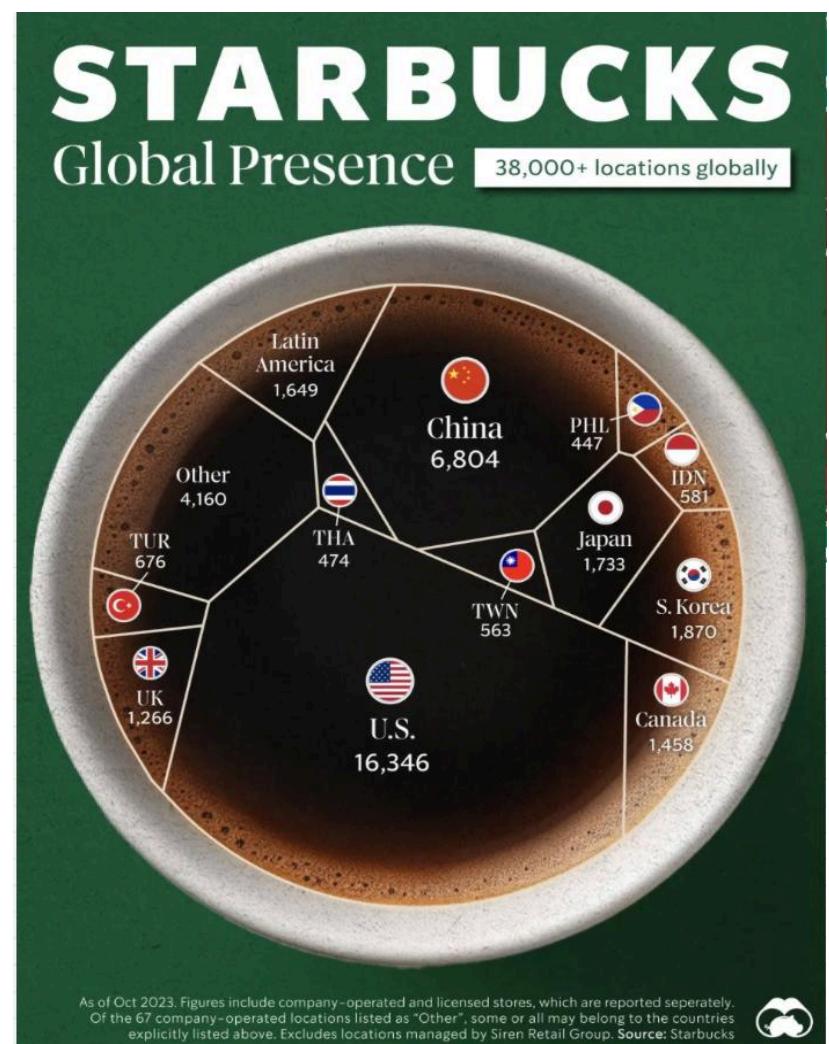
Source: Diversity, Starbucks, 2024

Internal Environmental Analysis

Company Resources

Starbucks holds the majority of its operations in the United States, with 16,346 of its locations situated in that region. Globally, Starbucks has more than 38,000 stores, including locations in Europe, Canada, and China, among other markets (NetEase News, 2024).

The Starbucks headquarters, also known as the Starbucks Center, is located in Seattle, Washington. Starbucks stock is publicly traded under the ticker symbol SBUX.



Source: Starbucks

Starbucks Corp (SBUX)					
Income Statement - Annual (As Reported)					
FYE September	9/29/24	10/1/23	10/2/22	10/3/21	9/27/20
Currency	USD	USD	USD	USD	USD
Scale	Million	Million	Million	Million	Million
Total Revenue	36176.2	35975.6	32250.3	29060.6	23518
Total Operating Expense	30767.4	30104.8	27632.5	23324	21956.3
Operating Income	5408.8	5870.8	4617.8	5736.6	1561.7
Net Income Before Taxes	4969.6	5401.9	4231.9	5356.9	1164.4
Net Income	3760.9	4124.5	3281.6	4199.3	928.3
Number of Employees	361000	381000	402000	383000	349000

Source: Mergent Atlas 2025

Over the last five years (2020–2024), total revenue grew by 54%, while total expenses increased by less than 40%. This helped the company increase its operating income by 246%. However, it is essential to note that 2020 marked the peak of pandemic-related closures, which had a profoundly detrimental impact on Starbucks' income. Therefore, a more accurate evaluation of the company's performance is reflected in a four-year analysis spanning the period from 2021 to 2024. Between 2021 and 2024, the company's total revenue grew by only 24%, while total expenses increased at a higher rate of 32%. As a result, the company's operating income declined by 0.5%. Examining employee figures shows that Starbucks has laid off workers and reduced its workforce size in an effort to control expenses. Despite these retrenchment strategies, the company's net income still decreased by 10% between 2021 and 2024. These financial challenges are connected to high inflation, lower consumer spending, and increased competition in the industry, particularly from the rise of boba shops and other lower-priced alternatives to Starbucks coffee.

Organizational Culture

Overall, Starbucks has a competitive and results-oriented market culture, but it is strengthened by a strong sense of community and shared purpose. They refer to their employees as “partners,” reflecting the belief that everyone contributes directly to the company’s success. This is reinforced through the Bean Stock Grant program, which gives partners the opportunity to earn shares in the company (*Culture*, Starbucks). By allowing employees to have ownership in the business, Starbucks encourages accountability, motivation, and long-term commitment. This approach not only aligns with the company’s focus on performance and results, but also supports a culture where partners feel valued, invested, and connected to the broader goals of the organization.

Additionally, at the store level, Starbucks fits best into a Clan culture, which focuses on people, relationships, and shared values. They aim to create a family-like atmosphere where everyone contributes to the brand's success and is dedicated to being an inclusive, equitable, accessible, and diverse company (*Belonging at Starbucks*, Starbucks). The company exhibits and celebrates its values through partner stories, volunteer events, and diversity campaigns that highlight employees' impact, closely with Starbucks's mission. This is because the company's focus on teamwork, empowerment, and community directly supports its strategic direction of creating meaningful customer connections and fostering global growth.

Strategic Management

Corporate-level strategy

Starbucks employs a related diversification strategy by broadening its product offerings beyond traditional coffee and espresso beverages. This expansion includes the introduction of food items, Starbucks-branded retail products, and plant-based milk alternatives, thereby appealing to non-dairy consumers. This strategic approach mitigates business risk and enlarges the customer base by accommodating a variety of dietary needs and preferences.

In addition, Starbucks actively pursues international expansion and invests in digital technologies such as mobile ordering and rewards programs to enhance customer convenience and foster brand loyalty. Concurrently, the company implements a retrenchment strategy by closing underperforming stores, thereby mitigating losses and concentrating resources on more profitable locations. Moreover, Starbucks over the years has increased the number of drive-thru and pickup-only locations to better align with evolving customer preferences.

Industry-level strategy

5 Industry Forces
<ol style="list-style-type: none"> 1. New Extrants: minimal - new coffee shops can open but starbucks stays strong 2. Substitutes: minimal - Other coffee and energy drinks exist 3. Suppliers: Low - Starbucks works with many suppliers 4. Buyer: minimal - people can switch up but the brand is loyal 5. Rivalry: High - Competes with others like Dunkin, Mc donalds, Dutch bros ect.

At the industry level, Starbucks operates in a highly competitive environment characterized by low switching costs, rising consumer price sensitivity, and a growing number of specialty coffee competitors. To maintain its competitive advantage, Starbucks relies heavily on a differentiated strategy. They position themselves through premium coffee, ethically-sourced products, and brand loyalty (*Global Impact Report*, 2024). All while keeping up with trends, and maintaining their community-focused values.

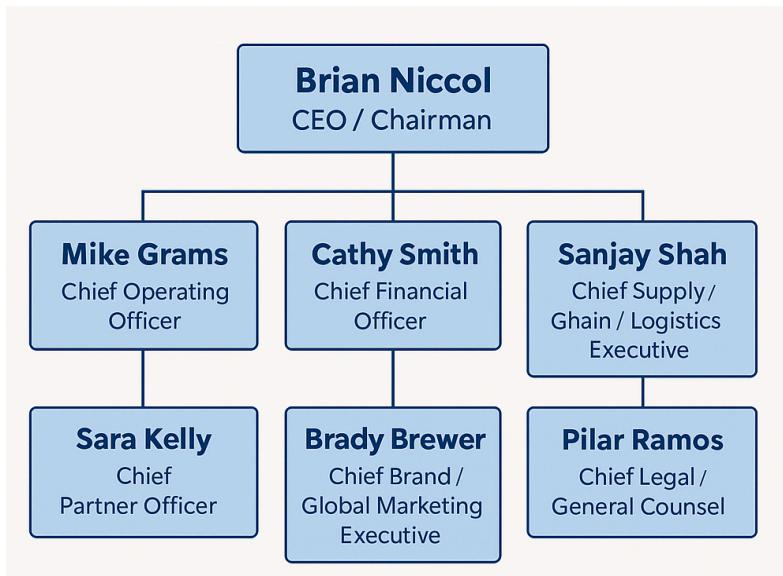
Firm-Level Strategy

Starbucks' main competition is Dunkin' Donuts as it is Starbucks' number one competitor in the coffee and café industry. Dunkin' also offers drive-thru, mobile-ordering, and competitive prices. However, Starbucks defends its market position by creating new products like plant-based drinks and offering loyal rewards to members using points through the app. Additionally, they are able to retain customers with the constant effort to train the baristas to deliver high-quality service. In an article from CNN, Meyersohn, discusses the shut down of

some Starbucks locations after a few quarters of declining revenue. The company's first order of business is to revamp these stores with comfy chairs, couches, tables and power outlets in the next year. Aligning with their vision, "...to deliver performance through the lens of humanity through craft, results, courage, belonging, and joy (*Belonging at Starbucks*, Starbucks). Thus, the brand is able to have a strong connection with its customers. This aids Starbucks to protect its marketing strategy, attract new customers, and respond to Dunkin's and other local cafés' reach for their customer base; launching them ahead of the competition.

Organizational Structure

Vertical Structure



At each Starbucks location, stores manage to remain largely universal in brand and experience. This is due to their CEO, Brian Niccol, along with other top executives' centralized, mechanistic structure at the corporate level.

Starbucks Executive Org Chart (created by ChatGPT, 2025)

Source: (*Executive Leadership*, Starbucks)

The structure allows for major business decisions such as closing mobile order only stores, launching seasonal beverages, and adding new personal touches like the drawings and notes on cups introduced this year. This level of control is essential to maintain profitability and satisfy stakeholders. However, to truly align with its mission, decentralization and flexibility are needed at the store level. Organic structure at the store level gives employees and local managers the freedom to make decisions that enhance customer experiences based on their unique communities, something even top executives cannot replicate from a distance. Starbucks also maintains a more organic organizational structure, one that emphasizes teamwork, communication, and flexibility rather than rigid rules or layers of control. Decision making power is shared across levels of the company, with leaders serving as mentors who support and empower employees. This dual approach allows Starbucks to centralize where standardization is crucial, such as brand image, product quality, and ethical sourcing, while decentralizing where innovation and local adaptation matter most, such as customizing products and store experiences for different markets (Dimitrakaki, 2023). By balancing efficiency with adaptability, Starbucks remains both globally recognizable and locally relevant, aligning its organizational design with its mission to inspire and in their words, nurture the human spirit.

Horizontal Structure

Starbucks operates under a matrix organizational form, one of the seven main organizational structures. It blends multiple forms; functional divisions (marketing, finance, HR, operations), with divisional structure including geographic divisions (North America, EMEA, China/Asia Pacific, Latin America), and by product line (Meyer, 2025). They recognize the different cultures may have different needs in terms of culture. This structure allows Starbucks to maintain global brand consistency while adapting to local market needs simultaneously. This is especially important to maintain their ‘community-focused’ brand by dividing these structures to personalize that experience worldwide. Starbucks’s structure effectively supports its strategic goals of innovation, global growth, and customer intimacy; aligning with its core values. As shown in Starbucks’s organizational chart, the CEO oversees multiple regional presidents, executive vice presidents, and senior vice presidents, creating a tall yet flexible structure that enables both centralized strategic leadership and decentralized operational autonomy (Meyer, 2023).

Human Resources Management

Starbucks' dedication to developing a talented and driven workforce that supports the company's overarching mission and brand identity is shown in its approach to human resources management. Starbucks' recruitment and selection process focuses heavily on hiring

individuals who align with its customer-centric culture. Applicants typically apply online, complete availability and skills screening, and then participate in behavioral interviews that evaluate communication skills, warmth, teamwork, and ability to deliver the Starbucks Experience. The company also uses community hiring events, internal referrals, and values-based selection to ensure new hires embody hospitality and brand culture (Meyer, 2025; Workforce Diversity at Starbucks, 2024).

Starbucks prioritizes hiring new employees and makes sure they fit in with the company's customer-focused culture. After being employed, staff members go through extensive training programs that are intended to impart not only technical and operational skills but also the Starbucks Experience; a culture of involvement, cooperation, and service (Panmore Institute — Meyer, 2025). Training includes barista onboarding modules, drink-craft certifications, customer-service simulations, and store-level mentorship. Development continues through the Coffee Master Program, leadership pathways, and access to career advancement tools via the partner portal (Starbucks Global Impact Report, 2024). In order to promote long-term career advancement within the company, these training programs are supplemented by professional development opportunities, mentorship programs, and continuous performance reviews (Starbucks Workforce Diversity Report, 2024).

Starbucks provides a wide range of benefits, including paid leave, tuition help, stock options, and health insurance, add more please (Insert Citation), as well as mental-health

support, free therapy sessions, 401(k) matching, and the Starbucks College Achievement Plan that pays full tuition at Arizona State University for partners working 20+ hours per week (Workforce Diversity at Starbucks, 2024). Partners also receive Bean Stock equity grants and discounts on food and beverage, which act as retention incentives (Starbucks, 2024), all of which act as retention strategies and ways to uphold corporate ideals.

Starbucks' HR system is designed not just to manage employees, but to develop long-term internal talent pipelines. The company invests in equity and representation initiatives, leadership development tracks, and promotes from within whenever possible. According to the Workforce Diversity Report (2024), 69% of Starbucks retail managers began as baristas, demonstrating internal mobility as a core HR outcome. Starbucks also operates Partner Networks to support underrepresented groups in leadership pathways and uses pay-transparency reporting to monitor equity progress. These efforts align with Starbucks' goal of creating a workforce that reflects the communities it serves while maintaining brand culture across all stores (Starbucks Workforce Diversity Report, 2024).

Notwithstanding these advantages, Starbucks still has difficulties leading a worldwide workforce. Tensions between the company's HR policies and employee expectations are brought to light by labor unionization initiatives and conflicts over working conditions (Hussain, 2024; Tabassum, 2025; Sainato, 2025). Additionally, it takes careful balance to retain

brand consistency while honoring local conventions when adjusting standardized HR procedures to various worldwide labor laws and cultural situations.

Overall, Starbucks' HR practices are strong in training, career growth, and benefits, which has helped the company maintain a recognizable service culture and high employee retention compared to industry averages. However, ongoing labor disputes demonstrate that Starbucks is successful in development and culture-building, yet continues to struggle with union relations and meeting employee expectations — representing the main weakness within an otherwise well-developed HR system (Hussain, 2024; Sainato, 2025; Tabassum, 2025).

Ethics

Starbucks' commitment to ethical practices is central to its corporate identity and public reputation. The company has established comprehensive codes of conduct and supplier standards, such as the Coffee and Farmer Equity (C.A.F.E.) Practices, designed to ensure responsible sourcing, fair labor treatment, and environmental sustainability (*Starbucks Fiscal 2024 Global Impact Report*). These ethical guidelines extend across Starbucks' global operations, reflecting a dedication to accountability, transparency, and corporate integrity (“Sustainability: Giving More Than We Take”). By embedding ethical considerations into everyday business decisions, Starbucks seeks to balance profit with social responsibility,

demonstrating how moral principles can guide corporate strategy (“About Us: Starbucks Coffee Company”).

However, the company’s ethical record has been tested by high-profile incidents that have drawn national attention. In 2018, the arrest of two Black men at a Philadelphia store raised significant concerns about racial bias and discrimination within Starbucks locations. In response, the company temporarily closed thousands of stores to conduct racial-bias training for employees, signaling a visible commitment to addressing systemic issues (“What Is Happening with Starbucks and Labor Unions?”). While this action demonstrated ethical responsibility, it also highlighted the ongoing challenges of enforcing consistent standards across a large and diverse workforce (“Workforce Diversity at Starbucks”). Consequently, Starbucks must continually evaluate and update its practices to ensure that its stated ethical commitments translate into meaningful outcomes for both employees and customers (“Belonging at Starbucks”).

Ethical considerations also extend to Starbucks’ global supply chain. Although the company promotes responsible sourcing and labor protections, investigations have revealed that conditions at some supplier farms do not always meet Starbucks’ published standards (*Starbucks Fiscal 2024 Global Impact Report*). This discrepancy underscores the inherent difficulties of ensuring ethical compliance across multiple countries and complex agricultural supply networks. Despite these challenges, Starbucks continues to invest in ethical leadership

programs, diversity initiatives, and supplier monitoring, demonstrating an ongoing effort to uphold its moral obligations (“Sustainability: Giving More Than We Take”). Through these actions, Starbucks shows that ethical decision-making is not only a social responsibility but also a means of building long-term trust and credibility with stakeholders (“About Us: Starbucks Coffee Company”).

In addition to these ethical challenges, Starbucks has repeatedly violated federal labor laws. In 2023, CNN reported that Starbucks provided wage increases and additional perks exclusively to non-unionized employees, a practice that violated the National Labor Relations Act (NLRA) (Wiener-Bronner, CNN Business, 2023). Starbucks’ ongoing resistance to employee unionization highlights a pattern of deviant behavior rooted in its corporate culture. The pushback, led in part by top-level management such as Howard Schultz, became especially evident when Schultz told a union organizer, “*If you’re not happy at Starbucks, you can go work for another company*”—a statement later deemed coercive by federal authorities (Hussain, *Los Angeles Times*, 2024). Following this incident, the National Labor Relations Board ordered Starbucks to cease and desist and required the posting of employee rights at Long Beach café locations (Hussain, *Los Angeles Times*, 2024).

Despite these labor-related violations, Starbucks maintains a stated commitment to regulatory compliance and industry standards. The company’s *2024 Global Impact Report* outlines its efforts to advance ethical sourcing, environmental responsibility, and fair labor practices across

its global operations (*Starbucks Fiscal 2024 Global Impact Report*). Through the C.A.F.E. Practices program, Starbucks ensures that its coffee is sourced from suppliers who meet strict benchmarks for product quality, worker well-being, and environmental sustainability (*Starbucks Fiscal 2024 Global Impact Report*). These initiatives not only align with international agricultural and trade regulations but also reinforce Starbucks' reputation for maintaining transparency and ethical accountability throughout its supply chain (*Starbucks Fiscal 2024 Global Impact Report*).

Corporate Social Responsibility

A key component of Starbucks' strategy is corporate social responsibility, reflecting the company's goal to generate value for both society and business. Starbucks' C.A.F.E. Practices ensure ethical sourcing, paying farmers premium pricing and requiring compliance with environmental standards. 99% of Starbucks coffee is verified ethically sourced, one of the highest rates globally (Starbucks C.A.F.E. Practices, 2024). The company also invests directly in farming communities, including \$50M in Farmer Support Centers and farmer loan programs, and committed to 100% responsible coffee sourcing by 2030 (Starbucks Fiscal 2024 Global Impact Report). Community programs also demonstrate measurable outcomes: through neighborhood grants and youth programs, Starbucks has funded over 15,000 community projects since launch, supporting food access, youth workforce development, and local nonprofits (Global Environmental and Social Impact Report, 2024). Starbucks also encourages

partner engagement through volunteer paid time, reporting 1.6 million partner volunteer hours completed since 2015 (Starbucks Sustainability Report, 2024).

Starbucks' CSR strategy is directly tied to brand equity and customer perception. Research shows 62% of consumers prefer to buy from socially responsible brands, aligning with Starbucks' communication of sustainability and social impact initiatives (Starbucks Fiscal 2024 Global Impact Report). The company publishes annual social and environmental progress reports, tracking emissions, sourcing, diversity and equity goals. Starbucks has set the target to cut carbon, water, and waste by 50% by 2030, and has reported a 28% reduction in store-waste-to-landfill since 2021, progress toward that goal (Global Environmental and Social Impact Report, 2024). Starbucks also reports that over 400,000 trees have been planted in coffee-growing regions, and 70% of company-operated stores have implemented energy-efficient equipment (Starbucks Sustainability: Giving More Than We Take), demonstrating measurable ecological action rather than messaging alone.

Despite strong commitments, performance is not without challenges. Only 31% of stores currently meet full zero-waste operational criteria, showing that waste reduction remains incomplete (Starbucks Global Environmental and Social Impact Report, 2024). Critics also argue that visibility of CSR programs sometimes outweighs measurable impact, stressing the need for greater transparency in reporting program outcomes beyond input metrics (Starbucks Fiscal 2024 Global Impact Report). Additionally, maintaining consistent ethical standards

globally remains complex, especially across regions with different labor laws, wage structures, and environmental regulations (Xu, 2020; Starbucks Global Environmental and Social Impact Report).

Nevertheless, Starbucks demonstrates progress by achieving 99% ethically sourced coffee, reducing operational waste nearly one-third, and expanding community investment programs globally, showing that CSR contributes to measurable environmental and social outcomes alongside business performance (Sustainability: Giving More Than We Take; Global Impact Report, 2024).

Sustainability

Sustainability is a core priority for Starbucks, reflecting the company's commitment to the environmental impacts of a global coffee business. Starbucks aims to reduce its carbon, water, and waste footprints by 50 percent by 2030 through initiatives such as reusable cup programs, renewable energy adoption, waste reduction strategies, and sustainable packaging (Starbucks Global Environmental and Social Impact Report, 2024). The company also invests in innovation farms and research to develop climate-resilient coffee varieties, providing farmers with training and financial support for environmentally responsible practices (Starbucks C.A.F.E. Practices Report, 2024).

These efforts influence consumer engagement and brand perception, as studies show that environmentally conscious customers are more likely to support brands with measurable sustainability commitments (Starbucks Fiscal 2024 Global Impact Report). Starbucks promotes these initiatives through public reporting, educational campaigns, and eco-friendly store practices (Sustainability: Giving More Than We Take, Starbucks). Challenges remain, including high costs, supply chain complexity, and influencing consumer behavior, but the company's proactive approach demonstrates how sustainability can align corporate growth with environmental responsibility (Global Environmental and Social Impact Report, 2024).

Starbucks' sustainability strategy also offers competitive advantages. By addressing climate risks, promoting resource efficiency, and supporting sustainable agriculture, the company not only protects the environment but also strengthens brand loyalty and market differentiation, highlighting the link between long-term business success and environmental performance (Starbucks Fiscal 2024 Global Impact Report).

Leadership Analysis

Starbucks' sitting CEO, Brian Niccol, who started the position in September 2024, immediately implemented a turnaround called "Back to Starbucks," which pledges to return to the core values of Starbucks by spending his first 100 days in stores, listening to partners (employees) and tightening execution (Niccol). To start this improvement, an operational target

was set to get orders to customers in four minutes or less. This has been achieved by simplifying workflow and menu options (Durbin). Niccol also adopted a new “Green Apron” staffing and service model based on technology that aligns orders and dedicated roles for drive-thru for all company-owned stores in North America by summer 2025 (Cunningham, 2025). These plans and decisions highlight a leader who prioritizes operational efficiency, firsthand experience, and a dedication to improvement.

Based on research and the LinkedIn learning management courses, Niccol exhibits attributes of multiple styles. Some of the most apparent attributes are developing strong structure, setting goals, and uniting the company under a common vision. Niccol uses both strong actions and words to position and posture the company towards a public outlook of strength and efficiency. The outward posture can also be seen in relation to organized labor, where he publicly committed to “engage constructively” with unions while maintaining alignments with stakeholder leadership (Tabassum). At the same time, the decision to lay off 1,100 corporate employees and close dozens of stores projects a focused restructure for speed, simplicity, and efficiency at all of their locations (Sainato).

Early signs show Niccole is looking to be an effective leader. The categories he is focusing on include operation effectiveness by developing a vision and breaking it down into measurable steps and procedures (Cunningham). He has also focused on pairing discipline with selective partnerships. While his Chipotle playbook shows a prior record of transformational turnaround

grounded in customer experience and digital rigor (Niccol, HBR). The question remains, will the union relations remain a positive improvement, potentially restarting talks. In sum, Niccol's attributes and styles align with the demands of Starbucks' internal environment; if he closes the gap on employee relations while sustaining operational gains, his leadership will likely prove effective over the long run.

SWOT Analysis

Strengths:

- Established global brand equity with strong recognition and a premium market position.
- Extensive international store network, enabling a broad market and global presence
- Highly effective customer loyalty ecosystem, driven by the Starbucks Rewards program and mobile app
- Diverse product portfolio, including handcrafted beverages, food items, and consumer packaged goods
- Robust supply chain infrastructure supported by long-term partnerships with coffee growers and distributors
- Strong commitment to sustainability and ethical sourcing, enhancing corporate reputation and stakeholder trust
- Advanced digital capabilities, particularly in mobile ordering, personalized marketing, and digital payments

Weaknesses:

- Premium pricing strategy may limit appeal among consumers
- Significant reliance on U.S. market performance, despite global operations
- Operational complexity due to high levels of customization and product variety, potentially affecting service speed and efficiency
- Labor-related challenges, including unionization efforts, employee turnover, and rising wage pressures

- Brand differentiation pressures, particularly in saturated urban markets where competitors offer comparable products

Opportunities:

- Expansion into high-growth emerging markets, such as India, Southeast Asia, and select regions in Africa
- Continued growth of at-home and ready-to-drink coffee categories, leveraging partnerships and brand recognition
- Increasing consumer interest in premium, artisanal, and specialty beverages
- Further integration of digital technologies, including AI-driven personalization and operational optimization
- Development of sustainable and plant-based offerings to meet evolving environmental and dietary preferences
- Strategic collaborations with retailers, delivery platforms, and consumer goods companies

Threats:

- Intensifying competition from quick-service chains, local cafés, and specialty coffee brands
- Economic uncertainty and potential declines in discretionary consumer spending
- Volatility in coffee bean prices and exposure to global supply chain disruptions
- Changing consumer preferences, including health-conscious behaviors and reduced caffeine consumption
- Increasing regulatory scrutiny, particularly regarding labor practices, sustainability standards, and food safety
- Reputation risks stemming from labor disputes, ethical sourcing concerns, negative media coverage, or political stances

Recommendations

Strengths:

- Highlight sustainability metrics in marketing and integrate them into product packaging to increase eco-driven loyalty.
- Leverage brand equity to launch premium limited products and expand into new high-growth markets.
- Add personalized rewards and push-notification offers to increase frequency and basket size.
- Introduce rapid-cycle testing for new drink categories and expand protein/sugar-free SKUs based on app data.
- Enhance in-store experiences with localized events and improved seating/WiFi zones to increase dwell time.
- Expand co-branded products and cross-platform integrations to widen reach and strengthen brand differentiation.

Weaknesses:

- Reinvest savings into high-performing markets and optimize future site selection through data analytics.
- Rebuild organizational stability with clearer role alignment and transparent communication structures.
- Deploy targeted promotions and new product bundles to re-accelerate sales growth.
- Standardize barista training programs and implement mystery-shopper scoring worldwide.
- Strengthen leadership pipelines by offering management development programs with measurable KPIs.
- Introduce more value-tier options and limited-time discounts to retain price-sensitive customers.

Opportunities

- Pilot healthier and premium food lines that pair well with core beverages to increase average order value.

- Add gamified rewards, subscription perks, and improved delivery integrations to boost digital engagement.
- Expand micro-seasonal launches and regional exclusives to create recurring demand spikes.
- Localize menus and partner with regional distributors to accelerate entry and brand adoption.

Threats:

- Differentiate with superior customization, ethically sourced beans, and premium experiences.
- Maintain neutral, values-based communication and strengthen crisis-response protocols.
- Audit supply chains proactively and invest in compliance systems for international markets.
- Offer periodic value bundles and loyalty-based price incentives to combat churn.
- Expand Starbucks-branded home brewing products and subscription services with partners like Nespresso.
- Diversify suppliers and adjust market strategies to minimize regional risk exposure.
- Build alternative supplier networks and increase inventory buffers for critical ingredients.

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