

**A Case Study on STARBUCKS**



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## Abstract (Executive Summary)

In this task, we have selected an association which is working at global dimension. This association is going to the Starbucks. It is putting forth espresso administrations to its clients at worldwide dimension and in the global market. In spite of the fact that it has been putting forth most vital administrations identified with the clients yet there is another thought for this association that it must need to give the taste offices in the associations as per request of its clients. It has been examining that there is need high spotlight on the individual need of each culture and requesting taste of each culture and nation as it has been enlisting workers from everywhere throughout the world.

All of the provided services are pivotal requirements for the networks which will be given by the organization. It can likewise offer these administrations at global dimension. In this examination, there is a completed discussion about the target advertise for this new idea in the business and there will be a completed examination of monetary, social, political and regular effects of this new business thought. According to the examination of outside factors, it has been bankrupting down that these all are certain in this business to recognize the new idea as there is limit as for starting this unique organization to improve the proficiency and the profit of the continuous business.

According to the creative condition, it is analyzed in this examination that these are also positive as the enlistment needs at universal market for the phenomenal administrations. There are a couple of threats to start this new idea in the business which joins the hazard for dissatisfaction and the low appropriateness from the customer side. With the failure of thought, there is a peril for losing the huge proportion of capital which is a remarkable hardship to the association. This contemplation is sensible as it is the enthusiasm of the customers of this relationship as it has been giving selection organizations to the customers and with the associate of planning workplaces with its customers, there will grow interest as the customers don't have need to go for finding another association to get the readiness organizations for the enlistment in global market. As the wrapped-up remarks, it has been exploring that this business thought is sensible and most fitting for this relationship as it has the positive results for affiliation.

Starbucks has the open door at worldwide market to develop and to set up its business with the interesting thought. As indicated by all investigation, it has been assessed that it is a more extensive and practical open door for Starbucks to enter with the new and required preference for the global market.

### **Chapter No.1: Introduction**

The company was started in 1971 to sell the whole beans coffee with high quality by the three businessmen. In 1987 Howard Schultz made the decision to start this business on a larger scale and developed the brand name as Starbucks. The aim of the business is to provide high quality coffee and innovative retail activities, achieving the satisfaction of the customers. The first coffee store was established in Seattle, Washington. In 1990 they expanded their headquarters in the same city and also established a roasting plant. In the same year it also opened total of 60 retail stores in all over the United Kingdom. Starbucks continued to start its new branches and in 2000s it had opened more than 300 shops in different cities. In that era the coffee business was at its peak because almost 49 percent of the population in USA and America used to drink coffee daily. The reason behind the success of Starbucks was also the effective business strategies (Noe et al., 2017).

Target market selection means the selection of the targeted customer to whom you would sell your product or the selection of the target market segment that may be one or more. Starbucks targeted the consumption habits of the customer and positioned itself as the best quality seller of the coffee. There were many market changes that helped the Starbucks to be successful at the end of 20 century. The biggest helpful change was the change in world economic policies. The main targeted customers of the Starbucks were the people between the age of 18 and 24 years, because they use the coffee in daily routine. They established their outlets at very picky and attractive places, like at the first floor or basement of plazas where they are very visible and at the urban areas. The prices are very high so they targeted the wealthy consumers who would be agree to pay a large amount of money for the quality products (Arrigo, 2018).

Today the Starbucks has captured a larger market share in the coffee market and has become an international brand. Still the expansion is considered as at the early stage and there are still many opportunities for expansion around the globe. The main objective of the company was to build its name as the most attractive, respectful and renowned name in the coffee market in all over the world. The worldwide expansion was also the main objective of the company. For the fulfilment of these objectives the company developed a broad chain of retail store, use innovative products and techniques and the introduction of new and attractive distribution channels (Lee et al., 2018a).

They adopted very effective and useful business strategies that resulted in the market leadership. The one reason behind the leadership of the Starbucks is that it is the first American store that started its business in another country like Tokyo. They have paid a great attention to external strategies also. They have increased the demand of the products by using the marketing mix strategy. The selection of the place for the stores is also very helpful in the success of the company.

### **Chapter No.2: Background of the Idea**

#### **Idea and market analysis**

The idea that is given to the company is the introduction of the customized coffee and the different flavors in tea. The idea is very attractive for the customers who always want attractive, innovative and customized products. As the targeted segment of the Starbucks is the professional and students, they usually want to try some different and new things. Hopefully this customization would get acceptability and the attraction of the customers. The customize products would definitely be sold at a higher price than the traditional products that would lead to the increasing profits. The Starbucks is already a leading brand in the coffee and tea and is very famous among the young professionals and elite class. People want to sit a place that is very peaceful and soothing in their breaks and the spare time. So with the peaceful and attractive environment the provision of different choices in the flavors of tea and coffee

would add more in the value of the product. The location of all the stores of the company around the world is already very attractive and the presentation and environment is also very charming (Grant, 2016). The consumers today are very conscious about the environment and the corporate social responsibility of the companies. The Starbucks is very responsive and friendly to the environment as it uses the products that are not harmful for the atmosphere. The quality of the coffee that is collected through many different parts of the world and with different blends the company is already very famous among many ethnically diverse groups. The use of handcrafted beverages and the packaging of the products are also very attractive. Now they have also targeted the customers who use pre packed coffee and drink at home, with those who prefer to go to the store to take and enjoy the coffee. The age of targeted customers has also increased as 20 to 40 years old women and men. Because now the people of this age are also very fond of coffee (Yan et al., 2018). The targeted customers are also divided by the demographics. They wanted to give an unforgettable experience to their customers with the provision of quality and the place to relax. The company aimed to force the customers to stay for a longer time in very attractive environment. The company would also consider to add the variety of flavors in the instant coffee packages and the introduction of the instant tea with different flavors available at stores or for the customers who want to drink at home. The company from the start has targeted the customers of elite class and the educated persons, because they always never compromise over quality and make sure to provide high quality products to the customers, so the customers that are targeted are willing to pay high price for the coffee and tea of high quality. This segmentation and positioning strategy of the company is very favorable for the implementation of the new idea of customization (Armstrong et al., 2015).

### PEST Analysis

This is the analysis that evaluate and examine the broader environment in which Starbucks is being operating. The main four factors that must be examine before the launch of any new products are the political, economic, social and technological factors. These factors are very helpful for the evaluation of the previous and forecast of the future operations of any company.

**Political Factors Starbucks** has expanded its business in many countries around the globe. The political conditions, rules and regulations, taxes, local employment related laws and many other things of the countries in which the company is operating have a great influence on the operations of the company. These are the factors related to the government of the countries here the business activities are taken place. These factors may cause threats or the opportunities for the company. The factors that have influence on the business of Starbucks are the market integration of the region and the support of the government related to the infrastructure. These are the factors that are very attractive and favorable for the Starbucks and provide opportunities for the business expansion. The red tape of bureaucrats in different developing countries is the factor that have negative impact over the business causing many threats to the company (Lee et al., 2018b).

Regional integration is the external factor that is very supportive for the expansion of the business globally. The governments almost in every country is giving a great attention for the betterment of the infrastructure, this is very helpful for the businesses like Starbucks to approach to new markets and the suppliers. The political aspect of the PEST analysis is favorable for the business expansion of Starbucks as it creates most of the opportunities (Hossain and Islam, 2015).

### Economic

These are the factors related to the economic conditions of the countries that have influence on the business operations. Now the countries are developing very rapidly and the unemployment rate is also declining. The economic growth of most of the developing countries increase the economic activities in those countries, this led to the reduction in unemployment rate. Because the increase in economic activities creates many opportunities for employment. These are the factors that are very supportive for

the international businesses and creates opportunities for Starbucks to cash. The favorable economic condition of the country helps the business-like Starbucks to increase the revenues (Hossain and Lassen, 2017). With the development of countries, the labor cost is also rising that is a threat for the expansion of the business in these countries. The company is purchasing the coffee beans from many developing countries where the increase of the labor cost ultimately increases the total spending and expenses of the company. But as a whole the economic factors are favorable for the Starbucks to expand its operations and stores in different countries. With the development of the countries the purchasing power and the standard of living of the people is also increasing that is very helpful for the success of business s Starbucks. Because the targeted population of the Starbucks is the elite class and professionals, the increasing revenues of the people is also very supportive for the Starbucks (Burns, 2016).

### **Social Factors**

These are the factors that is related to the social trends and values of the people that influence the business. The social preferences of the people have a great influence over the success or the failure of the business. These factors are very supportive for the coffee business. Today the demand of the coffee and tea is continuously increasing, it has become the part of the daily life particularly in urban areas. This increased demand for the coffee and tea has created an opportunity for the Starbucks to increase its revenues by expanding business and opening of the new stores at attractive places. People have more awareness and conscious about the health. They prefer to eat the healthy food and prefer to go to the places to eat that ensure the quality of the products (Gassmann et al., 2016). This is also an opportunity to increase the product line that is much healthy to attract the health-conscious customers. The growing middle class around the world is also an opportunity for the expansion of products, especially to capture this class of the society.

**Technological Factors** These are the factors that are related to the technology and related trends that also influence the business very significantly. Today the use of mobile phones has increased this is an opportunity for the business to develop an app in order to increase the volume of sales by connecting with sale of mobile phones. The apps could also be used for the online orders of the products to enhance the ease for the customers. The supply chain of the business could be more efficient with the use of modern technologies. The appropriate and effective use of the technologies could reduce the wait time for the provision of services this would ultimately increase the quality of the services and the customer satisfaction (He et al., 2017). The technology advancement also creates the threat as in form of homemade coffee machines as it provides a substitute for the coffee of the Starbucks. But now a day the trend to eat out and enjoy coffee to outside is also favorable for the business. The overall technological factors are favorable for the Starbucks.

### **Chapter No.3: Idea Justification**

#### **Justification of idea**

Starbucks has developed as a very attractive brand among the users of coffee and tea. It has gained fame all around the world. They have successfully captured a large market share and is considered as the first priority of the coffee users in elite class due to its high prices. The main and primary purpose of the company was to provide the high-quality products to the consumer, for the provision and maintenance of the quality the prices were settled very high from the beginning of the business. Because of the high prices they targeted the customers in elite class and the students of universities and the official persons. They have every outlet at the very obvious and attractive place to capture the attention of the consumers. The provision of the quality products has caused the customer satisfaction and loyalty with the brand (Mohrman et al., 2017).

The market conditions are very favorable for the company. The company has always tried to provide innovative products to its customers. The customer response is always very positive for innovative



products. In this era of awareness customers always was something different and innovative so it is very favorable for the company to introduce the customized coffee and many flavors in tea to attract and retain a large number of customers. Customers always like the choices and customization so this would definitely bring the positive outcomes for the company. The customization may increase the cost of the products slightly as comparing with the traditional coffee, but the company has already targeted the customers who are always willing to pay some extra price for the quality, these consumers would definitely be willing to pay extra pennies for choices and customization. So, the market conditions are very useful and favorable for the implementation of the idea (Martins et al., 2015). The analysis that are related to the market are also ensures the opportunities for the business of Starbucks. The growth of developing countries and the trends in people to eat and enjoy outside are very favorable for the business expansion of Starbucks. People now prefer to go outside or during the break time to take a cup of coffee or tea. The choices among the tastes and flavors is a new trend and is preferred by the customers. They take it a source of joy, relaxation and value for the money paid.

#### **Chapter No.4: Idea Implementation**

##### **Brain storming**

Inventive individuals have numerous thoughts going through their heads at every time. As not these thoughts are really appropriate to be assessed, huge numbers of them later can come close by. It is dependably a smart thought to record your bits of knowledge and to keep them in one spot – on your cell phone or in a reading material – it doesn't make a difference. The essential part is to have them all at one spot and to experience your notes normally. No one can tell when something that has entered your thoughts months prior can really be helpful right now. Brain storming about the ideas by the innovative people in organization is very helpful for making the idea more appropriate (Dong and Wu, 2015).

##### **Second look on the idea**

After the brainstorming about the idea with the people who are specialized in their field and have expertise there must be a meeting to further discuss the idea and the possibilities of the success of the idea. The factors that are favorable for the idea execution and the possible threats must be discussed in this meeting. The idea could be discussed with the group of some loyal and regular customers to know their preferences and feedback about the idea. The idea must be discussed with the specialist who have the knowledge of the market to finally set it and develop an execution plan (Ojala, 2016).

##### **Execution**

After you have made the careful execution plan, the time some to introduce the product in the market. The product could be introduced at the start at a limited scale to get and evaluate the feedback of the customers and the acceptability of the customers. If there are needed some changes and improvements in the final product that must be add. If the management feel that the product has potential for growth and would earn the higher revenues then it must continue to introduce at increased level. The execution process is very important because if there is a delay in the execution then it would give a chance to the competitors to introduce the similar product in the market (Sharma et al., 2018).

##### **Assessment**

After the execution of the product introduction there must be an effective assessment plan to analyze the success of the execution process. At this step there are many chances to make a blunder that would lead to a great loss may be in form of failure of the product. Assessment is very necessary to evaluate the success of the idea implementation as it helps to make decision related to the further steps that must be taken for making the product successful (Milani, 2019).

Every step of the idea implementation is very important and need a great attention to make the launch of the product successful. The success of the completion of each step must be evaluated at the end of each

step and the steps and the required changes must be taken to assure the success. Company management must focus on the growth of the business and to grab the available opportunities, yet additionally ought to almost certainly continue searching for ideas that would be helpful in increasing the efficiency of business activities and to see and grab the new opportunities in the market (Barlatier and Mention, 2019).

### **Chapter No. 5: Recommendations**

The overall market analysis presents a lot of opportunities for the Starbucks to implement the idea and the expansion of the business in new markets. The changed and increased preferences of the consumers are also very favorable for it. Starbucks is a brand in the coffee and tea market that is currently leading the market. People are very satisfied with the quality of the products.

Starbucks should work to overcome the threats like the availability of homemade instant coffee machines that provide a very close substitute to the products of it.

It should find some new markets to expand the business and for the supply of quality tea where the labor cost is low. This would help to increase the revenues for the company. The company may increase its products for the middle class because the middle class is increasing rapidly in all over the world. The increase of products for the middle class would enhance the overall sales volume.

### **Conclusion**

Starbucks is no doubt a leading brand in the market of coffee and tea. They are very successfully doing business and expanding the market in almost every developed country. The developing countries are very attractive markets for the Starbucks as in these countries the economic development is very fast and the increasing number of middle class with low rate of unemployment. The overall external market factors have potential and are favorable for the introduction of new products and the expansion of the business.

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