

Strategic Analysis of Starbucks

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Abstract: Many multinational brands have emerged in the Chinese market as the global economy has become more integrated and many of China's opening-up policies have been implemented. With so many options available, consumers' frequent and erratic brand switching has deepened our understanding of how crucial it is to keep positive relationships with customers to achieve financial success. This paper focuses on the current state of Starbucks' business and the methods used by the Starbucks location in Zhuhai to increase client loyalty and achieve customer satisfaction.

1. Introduction

Starbucks Corporation, the world's largest roaster, marketer, and retailer of speciality coffee, was established in 1971 in Seattle, Washington. Starbucks has and franchisees 19,767 stores in 62 countries, employing over 182,000 people worldwide. They offer a range of freshly prepared dishes, roasted and handcrafted high-quality/expensive coffees, teas, and other beverages. They also offer coffee and tea goods and license their trademarks through various channels such as franchised stores, grocery stores, and national food service accounts [1].

"To inspire and nurture the human spirit – one person, one cup of coffee, and one community at a time," is the corporate mission of Starbucks Corporation. [1] This company's efforts to keep the firm operating are reflected in this mission statement. Starbucks Coffee strives to be a leader in the provision of its goods, particularly the highest-quality coffee [2][3]. This is what it means to be a premium supplier. Starbucks Corporation is one of several companies experiencing significant effects from the current global social environment shift. Therefore, this essay's goals are to investigate Starbucks' macro- and microenvironments within the current social context and to examine how consumer loyalty and happiness affect Starbucks Corporation. This study offers relevant and constructive suggestions for Starbucks Corporation, as well as provides lessons for the future development of the industry.

2. Macro and micro environmental analysis

2.1 Macro-environmental analysis

This study uses PEST analysis to assess and examine the analysis of the wider environment in which Starbucks operates.

1) Political Factors

Political considerations refer to the political forces and related rules and regulations that have actual and potential influence on an organisation's economic activity. Starbucks has grown its business in numerous nations throughout the world, which may provide a threat or opportunity to the corporation. Market consolidation in the area and government infrastructural support are factors that affect Starbucks' business. These elements are incredibly alluring to Starbucks and advantageous to it, and they present chances for business growth. Regional integration is an external aspect that greatly supports the business's international expansion.

2) Economic factors

Economic globalisation has also brought about economic interdependence between countries. Economic growth in most developing countries has increased economic activity in those countries, which in turn has increased employment opportunities. The favourable economic conditions in the country have helped companies such as Starbucks to increase their revenues (Hossain and Lassen, 2017). However, as the country grows, labour costs also rise and the increase in labour costs eventually increases the total expenses and costs of the company. However, in general, economic factors favour Starbucks to expand its business in different countries.

3) Social factors

The increasing demand for coffee and tea and the growing demand for coffee and tea create opportunities for Starbucks to increase revenue by expanding its business and opening new shops in attractive locations. However, with the emergence of a large number of milk and tea shops and coffee shops in society, which is becoming a trend, this also poses a threat.

4) Technology factors

The use of apps can improve customer convenience. By using modern technology, a company's supply chain can become more efficient. The correct and effective use of technology can improve service quality and customer satisfaction (He et al., 2017). Advances in technology have also created threats, such as the homemade coffee machine, as it provides an alternative to Starbucks coffee. However, the current trend of eating out and enjoying coffee outside also benefits business.

2.2 Micro-environmental analysis

This study uses Porter's five forces model, which brings together a large number of different factors in a simple model, to analyze the underlying competitive dynamics of Starbucks.

1) Bargaining power of suppliers

Starbucks' main suppliers are coffee bean suppliers and dairy product, suppliers. Although Starbucks purchases a tremendous amount of raw materials, it is not case that it does not place a large number of orders with one supplier, so the bargaining power of its suppliers is relatively strong. The bargaining power of its suppliers is relatively strong. In addition, Starbucks, like many other companies, does not deal directly with suppliers such as coffee farmers. Like many other companies, Starbucks does not deal directly with suppliers such as coffee farmers, but with exporters.

The vast resources of the exporters become their bargaining capital. However, as Starbucks is a very large company and an important customer for its suppliers, the two companies have always had a close relationship and the volume of Starbucks' purchases greatly affects the suppliers' income. So taking this factor into account, the bargaining power of the supplier is relatively reduced.

2) Bargaining power of buyers

Most ordinary consumers are less price sensitive and Starbucks' prices are not very difficult to accept compared to other coffee shops in China. As a leisure and cultural brand in the Chinese market, Starbucks is like a synonym for petty cash. White as a leisure and cultural brand in the Chinese market, Starbucks is synonymous with petty cash and white-collar people, representing a

petty and luxurious life with good taste. Its consumers are mainly Starbucks has its pricing system, with relatively fixed product prices. The price of the product is relatively fixed. So the bargaining power of buyers is not high.

3) Threat from competitors in the industry

There are a few various existing coffee shops in China, such as some non-branded coffee shops and bars like Rui Xing Coffee. These coffee shops will challenge Starbucks' market position to a certain extent due to factors such as geography and price.

4) Potential competitor threat

Coffee chains have a strong investment appeal as they do not require a high level of skill, do not require much capital, and have relatively high-profit margins.

The number of food-related industries involved in the coffee sector will increase. In addition, much capital not related to the food sector will become part of the coffee sector investments. Furthermore, many capitals not related to the food sector will also invest in the coffee sector and compete.

5) Threat of substitutes

The main substitutes for Starbucks coffee can be divided into the following three categories: non-coffee beverages such as juice and fruit juice and milk tea, packaged coffee beverages such as bottles and flasks, and instant coffee in bags. For non-coffee beverages, there is little impact on Starbucks. Firstly, most of them opened earlier than Starbucks, such as Fresh Fruit Time and Espresso, which have already formed a relatively regular consumer base. There is already a relatively established consumer base. Secondly, different consumers have different taste preferences. Different taste preferences. People who want to drink coffee will not easily turn to other beverages. People who want to drink coffee will not easily turn to other beverages.

3. Methodology

3.1 Data collection and sampling

The questionnaire in the Starbucks system covered a wide range of issues, but there was still some issues such as customers' price sensitivity that were not covered and some customers' information was not visible in the shop. 325 customers were invited to scan the QR code and fill in the questionnaire anonymously and the following conclusions were drawn from statistical analysis.

3.2 Data analysis

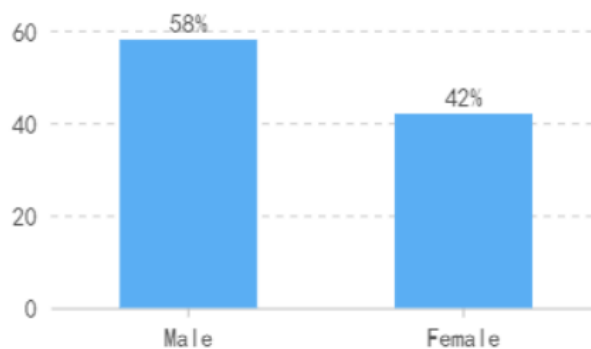


Figure 1: Gender ratio of Starbucks customers in Zhuhai

1) The Figure 1 proportion of female customers to male customers in Zhuhai is 58%, which is much higher than that of male customers. This figure is contrary to the results of the interviews with the Zhuhai Starbucks partners, who had expected a slightly higher proportion of male customers than female customers. Having concluded that male customers spend more frequently and that male customers are more likely to talk to mall staff during consumption, this study again validates that male customers spend more frequently.

2) The Figure 2 age group of main consumer group is 26-35 years old, with 64% of customers in this age group. This finding is largely in line with the interview prediction that customers in this age group are at the stage of discretionary economic income and that the Starbucks environment is just right for their fashion-conscious state of mind.

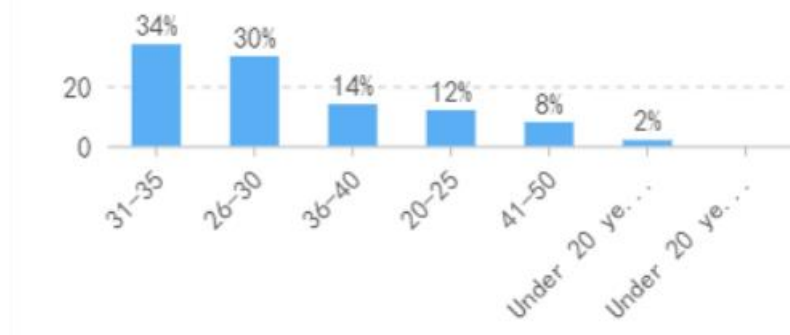


Figure 2: Age distribution of Starbucks customers in Zhuhai

3) The Figure 3 majority of customers who frequent Starbucks are company employees 38% and other categories 40%. The proportion of government workers exceeded expectations by 12%, and the average unit price for this segment was higher than the average price for all customers. The average unit price for this segment was higher than the average unit price for all customers. The proportion of customers who do not fall into the expected occupational category is 40%, which is to be expected. This group is understood to include mainly new entrepreneurs, webmasters, and the full-time and unemployed affluent generation.

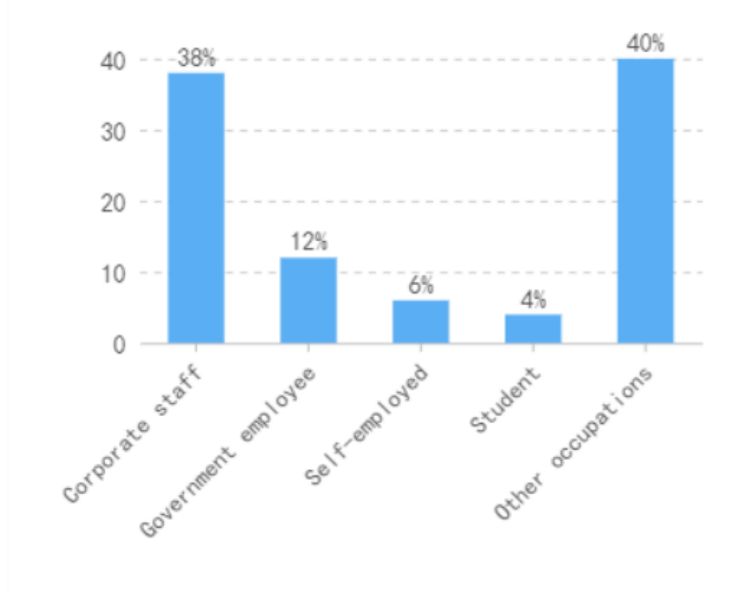


Figure 3: Occupational distribution of Starbucks customers in Zhuhai

4) The Table 1 survey results show that the main factor that attracts customers to Starbucks is the experience environment, which accounts for 50% of the total. The next most important factor was the quality of the drinks and pastries. We interviewed our partners in different shops in the area and found that most customers who were unfamiliar with Starbucks or were not yet members often ordered a drink just to have their picture taken. It seems that a good and pleasant environment is an important first step in attracting customers to become members. In this way, a good and pleasant environment is the first step in attracting customers to become members, and only based on customers entering the shop can customer satisfaction be achieved through the quality of drinks and cakes and proper communication and service. Customer satisfaction can be obtained through the quality of the drinks and cakes as well as proper communication service. Customer satisfaction and frequent consumption will eventually translate into loyal customers.

Table 1: Factors considered most important by consumers

Factors considered	Percentage
Environment	50%
Coffee and cake	38%
Interaction with mall staff	38%
Classes	8%

5) Zhuhai customers have a high level of loyalty to the existing Starbucks brand, with approximately 60% of customers having absolute loyalty. Combined with the interviews, we conclude that this segment of loyal customers cannot be considered to be loyal to the Starbucks brand, but rather to a greater extent to the skills of a particular barista or a steady concentration of deep-roasted Arabica. Figure 4 For example, a particular customer will only drink the same drink every day, which never changes, and will designate a particular barista to make it for him/her, and this is not a small number of cases. As you can see, customer loyalty to Starbucks is based on the stability of the equipment in Starbucks shops and the stability of barista skills.

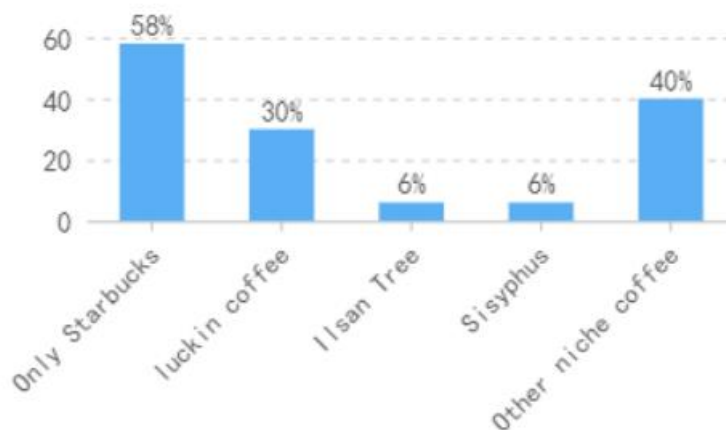


Figure 4: Distribution of coffee brands chosen by Zhuhai consumers

4. Problems and solutions at Starbucks

4.1 Brand quality and service problems

Nowadays, with the development of multinational enterprises, brand image has become an advantage for their participation in the market, but the brand crisis of world-famous brands has also brought great disasters to their multinational enterprises. Brand crises have led to brand image damage, declining customer loyalty, shrinking market share, and declining performance. This

damage is becoming increasingly serious. Quality is the basis for a company's survival and the value of a brand depends largely on the quality of the brand's products. In September 2005, the General Administration of Quality Supervision, Inspection, and Quarantine (AQSIQ) announced the results of a 430g sample of Starbucks "Heartfelt Gift Box" produced at Starbucks Coffee Company on 28 July 2005. The first Starbucks bottled ready-to-drink coffee drinks were expected to arrive in major supermarkets, convenience stores, and food retailers for RMB18 per bottle. But Starbucks forgot that its fans were keen to consume the less expensive 'Starbucks' coffee for the psychological satisfaction and enjoyment of the experience, not just for the coffee itself [4].

Starbucks has experienced quality problems with its brand, partly due to defects in the product itself, such as lax quality supervision and inspection during the sourcing, production, storage, and transportation of raw materials, and partly due to the negligence of the company's employees, which has led to unexpected food safety problems [5]. Once such incidents come to light, Starbucks will quickly lose the public's trust and the extent of the damage to the brand cannot be overstated.

When a company is faced with a brand crisis caused by product quality, it should always respond to the crisis with a mindset of "customer interest first". Firstly, companies should unconditionally and immediately recall substandard products and voluntarily stop producing and selling such products. At the same time, it should actively reassure the victims, understand their situation, apologize to them promptly, compensate them for their losses, provide them with the services they need as far as possible, and do a good job in the aftermath. In the future, the company should focus on highlighting the training of employees' ideological education and make good use of assessment methods such as stage tests or marking systems to assess both the professionalism and quality of employees. The company should then investigate and understand the extent to which brand reputation and loyalty has been damaged and restored, and through assessment, develop a plan to restore and rebrand the brand image.

4.2 The rise of other alternative and competitive products

With the development of the times and the growth of people's demand for service consumption, the coffee industry is rapidly emerging. Although Starbucks was the first to expand in the Chinese market, it now has a large number of market followers and Starbucks is no longer able to dominate the market [6]. Costa Coffee, which entered China in 2007, is different from the American-style coffee represented by Starbucks in that Costa originates from Italy and has a European aristocratic quality. Fragrance Brown, on the other hand, is currently the oldest and largest coffee and tea franchise chain provider in the United States, with 700 franchise chains, 289 directly operated chains, and 403 franchised chains internationally. These coffee brands are similar in style to Starbucks and pose a significant alternative threat.

Today, many foods and beverage outlets are beginning to marginalize their offerings, with the tea culture of The Haven, McDonald's McCafe, and the 85 Degrees Celsius complex chains all posing a competitive threat to Starbucks. One of the world's leading fast food restaurants, McDonald's launched its Ultimate Coffee in February 2006 and has added coffee drinks to its 800 locations in the US. McDonald's introduced coffee at a much lower price than Starbucks while offering a quality guarantee. 85 Degrees C is a young coffee chain brand born in Taiwan. Its model is a coffee-bread-cake complex chain. Three years after its birth, its market share reached 32%, much higher than Starbucks' 25% market share (for the Taiwanese market only), and its revenue and the number of coffee cups sold surpassed those of Starbucks, which had struggled for eight years in Taiwan, making it the leader of the coffee chain segment in Taiwan. Starbucks' share price plunged 42% in 2007, making it one of the worst performers on the NASDAQ stock exchange.

The sinking market and the rise of luckin coffee. Another major advantage of mid-range brands

is that the number of shops has much greater scope for expansion than premium brands, something that Starbucks has arguably been thrown off track. The self-timer model has a very large target customer base, above the third space model. The third space is not an immediate need for coffee consumers. According to data from the Huajing Industry Research Institute, the purpose of coffee consumption in the third space is only fourth in terms of business and social purposes, with the functional consumption of refreshments being the most important purpose of coffee consumption.

According to GeoHEY, luckin coffee has now surpassed Starbucks in terms of the number of shops. Specifically, luckin coffee now has over 5,671 shops covering 217 cities, while Starbucks has about 5,360 shops covering 212 cities, with the number of luckin coffee shops being better than Starbucks.

According to product theory, products can be classified into five value levels low to high. Core benefits (the base services and benefits that satisfy the customer's purchase); Basic product (the basic form of the product); Desired product (the attributes that the buyer wants and defaults to when purchasing the product); Additional product (including added services and benefits); Potential product (the full range of additional components that may eventually be realized and those that will be converted in the future; successful companies add additional benefits that exceed the customer's expectations and make the customer happy). Competition occurs mainly at the level of additional products. Of course, additional benefits can increase costs: additional benefits can become desired benefits: additional product price increases can be met by competitors' price reduction strategies. Starbucks not only define its coffee above the additional product level but also creates an intangible potential product through its service that constantly surprises and delights its customers. Starbucks produce simple products and services that exceed expectations, based on one principle of the Starbucks experience: surprise and lightness. This includes: Creating a variety of surprises that customers don't expect and providing products and services that exceed customer expectations. Examples include shop graffiti, online graffiti, free tastings, and humorous games of service.

4.3 Risk of the raw material price increase and investment in expansion under New Crown pneumonia

Rising costs due to inflation and New Crown pneumonia threatens Starbucks' earnings. Coffee beans are an important part of Starbucks' value chain, and the market price of high-quality coffee beans is highly volatile [7]. Starbucks reported a 16.8% year-over-year increase in operating costs to \$6,913 million in the first quarter of fiscal 2022, with the largest increase in product and distribution costs (23.3%) and the second largest increase in warehouse operating costs (18.6%).

The introduction of capital allowed Starbucks to expand rapidly and deviate from the original corporate brand growth curve. Spreading the word about Starbucks' unique culture and quality of service has not been able to keep up with the pace of expansion. As Starbucks shops appeared in every corner of the city, the cultural capital created by scarce resources became less and less, and the added value of the Starbucks product offered to customers diminished [8]. The rapid expansion allowed Starbucks to promote the brand quickly and bring in popularity, but the fast-rising customer traffic began to outstrip Starbucks' capacity, leading to a decline in service quality. Shops located in large retail plazas are usually overcrowded with dense tables and chairs, making it difficult to walk to an empty seat inside [9].

Considering all the features of Starbucks' current business model, it is important to define targets for the near future. One of the most important market segments the company will be targeting next year will be the post-coronavirus era consumer. Understanding consumers' buying behavior in the post-neo-coronavirus era and tailoring marketing strategies to their needs will be imperative.

For Starbucks, it should adopt a steady expansion model, i.e. selectively opening shops in the

right locations and shopping areas after rigorous management training for a large number of service staff, while ensuring adequate working capital. Starbucks' customer loyalty is based on its unique brand value of "experiential consumption". If the brand's soul is not preserved and the pace and details of expansion is not controlled, the "Starbucks-style experiential marketing" that has been practiced for some time will become a page in history that no one will remember.

5. Conclusion

This article has investigated and analysed the current state of Starbucks' operations, customer satisfaction and loyalty in Zhuhai, identifying Starbucks' existing strengths in terms of brand loyalty: high brand awareness, leading and consistent coffee quality and technology, new product development and innovation, and winning customers over to the third space experience. The paper also analyses the problems of Starbucks. 1) brand quality and service issues. 2) the rise of other alternatives. 3) rising raw material prices and the risk of investment in expansion under the epidemic.

In Zhuhai, due to the economic downturn caused by the epidemic, Starbucks, like other companies, has focused more on the pursuit of profit and sales growth, resulting in some weakening of the sense of belonging and corporate loyalty of partners and a slight discount in the work product presented, further affecting customer experience and satisfaction as well as loyalty. In response to the problem analysis of Starbucks' current situation, this paper proposes solutions: 1) adapt to local conditions and respond to public opinion; 2) cultivate and reinforce customer loyalty by increasing snacks and beverages, networking with large retailers and strengthening advertising and marketing; and 3) analyse the situation in advance during field trips, implement relevant pricing strategies, manage costs and make the purposeful investment in expansion.

With a comfortable and elegant environmental experience, high-quality drinks and decent service, Starbucks wins customer satisfaction and further develops into loyal customers based on customer satisfaction. The customer loyalty base in Zhuhai is good, with a large percentage of customers demonstrating a high level of loyalty that will be maintained over time. By maintaining a good environmental experience, the loyalty of regular customers can be retained and further developed into more loyal customers, thus enabling the company to achieve sustainable growth and increase its competitiveness.

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