



Prifysgol Cymru
Y Drindod Dewi Sant
University of Wales
Trinity Saint David

Assignment 2/3: A SWOT analysis of Starbucks in the UK

Problem solving and Innovation(BMSW4014)

Student name : Alin Horatiu Dimbean

Student number: 2332766

Lecturer name : Rebecca Francis-Davies

BMSW4014 Problem Solving and Innovation Assignment 2 (3)

Table of Contents

1. Introduction	3
2. Findings	4
3. Conclusion	6
4. Recommendations	7
Reference List	8

1. Introduction

Starbucks is one of the largest coffee house chains of the world. It is an American company and has the headquarter in Seattle, Washington. It is expanded across 80 countries around the globe with around 35,000 stores (starbucks.com, 2024). Starbucks was established in the year 1971 with its first store that offered fresh roasted coffee beans. The company's mission is to nurture human connection with every sip of coffee, irrespective of which community the individuals belong to. Over the years, it has managed to change people's perception about coffeehouse and gained tremendous popularity. It has also achieved a dominant name globally in the coffeehouse industry.

The company has used a strategic analysis tool, such as SWOT (Strength, Weakness, Opportunity and Threats) analysis, to evaluate its current position and gain competitive advantage in the market. It has a strong global presence and brand visibility. It has managed to make a huge and loyal customer base due to its high-quality wide range of products, such as tea, coffee, pastries and even juices (Kurtz, et al., 2023). The company also tend to attract customers due to its customer loyalty programmes, which forces them to avail the offers next time they visit the coffee house. The company also contributes heavily for sustainable environment through waste elimination and low emission of carbon footprints. These remarkable strengths make the company highly competitive. However, its primary focus is on a single product line, such as coffee, which costs higher due to its high quality and brand name. Due to this weakness, there is high chance of customers changing their preferences and switching to other coffee houses whose product prices are significantly lower than that of Starbucks. The company even lacks flexibility to customise its coffee matching the local cultural tastes.

In spite of its price weakness, Starbucks has the opportunity to engage into partnerships or collaborations with other popular brands in order to further expand its business in the market across the globe. This expansion will help it to remain visible to the customers (MacIntosh, et al., 2023). Starbucks also has the opportunity to utilise the price differentiation strategy to address the customer requirements and needs. These initiatives would help the company to gain competitive advantage. Apart from these opportunities, Starbucks has threats of getting the closure of its stores due to the saturation of the coffee in the market. The socio-economic stress, such as war, rise in

inflation, economic slowdown, natural calamities and political unrest poses threats of increase in price of its products, which enables customers to change their preferences.

2. Findings

As SWOT analysis tool helps to analyse the internal factors of an organisation that have an impact on its business, the PESTEL analysis tool helps to analyse the external or macro-environmental factors having an impact on the organisation (Lynch, 2018). The external factors of the PESTEL analysis that haven an impact on Starbucks are:

Political

This external factor deals with how the Government intervenes in the economy of a country. Such intervention can be in the form of Government policy, trade restriction, trade law, environmental law, trade policy and political stability (Gillespie, 2024). Political stability of UK has created a favourable environment for Starbucks to operate its business in the country. Such political stability provides a reliable regulatory framework for trading within and outside the country. As a result, the organisation can make long-term business strategies without any concerns (Dimitrakaki, 2021). The fair-trade policies of the country positively impact the supply chain of Starbucks for procurements of raw materials, such as coffee beans and dairy products, which are essential elements for the business of Starbucks. If the tariffs on imported goods are increased, the cost of procurement of raw materials for Starbucks will also increase as mostly it gets high quality coffee beans from countries outside UK. Any change in the tax rates, such as corporate and sales tax, can affect the profitability of the business of Starbucks.

Economic

The economic factors that impact the business of Starbucks include economic growth, disposable income of its customers, inflation and even interest and exchange rates (Mayabi, 2019). This strong and stable economic conditions of UK have positive impact on the business of Starbucks. The high disposable income of people boosts its sales and profitability. The developing countries where there is high unemployment rate and low disposable incomes, the sales volumes of the business are comparatively less than that of developed and high disposable income countries (Egan, 2022). The currency

fluctuations in the country where Starbucks is operating affects the cost of procurement of raw materials and its profitability as the foreign revenue has to be converted to US dollar. Similarly, interest rates affect the organisations costs. For example, low interest costs in UK increases the disposable income of its consumers. This results in the increase in sales of its business.

Social

This includes the socio-cultural factors, such as population growth, age distribution, health consciousness, career focussed and even continuous change of consumer preferences. The changed consumer preferences, such as focussing on healthier foods and beverages and aligning with healthier lifestyles, affects the sales of Starbucks' products (Carvill, et al., 2021). The career focussed consumers often lead a very busier life due to which they prefer foods that can give them instant relief and satisfaction. Coffee is one such beverage and is in huge demand amongst such people. If Starbucks focuses such target market, there is high change of increasing the sales volume of its business. Cultural diversities in any region or country provides both opportunities and challenges to Starbucks in operating in those areas.

Technological

The continuous changes in technological landscape of any country or the use of advanced technologies have a huge impact on how any organisation market their products. In Starbucks, the use of advanced technologies in its supply chain, such as efficient inventory and logistic system, use of Artificial Intelligence for forecasting the demand of products, helps to the effectively manage the costs of business (Kim & Lee, 2021). The adoption to recent innovations in payment technologies, such as use of digital and contactless payments and use of cryptocurrency, streamlines the transaction process and makes the payment system of Starbucks very effective and efficient. When technologies, such as digital menu boards and Wi-fi connectivity, is used in the coffeehouses of Starbucks, the customer experiences are enhanced. This provides added value to the brand.

Environmental

For Starbucks, the environmental factors include sustainable sourcing, climate change and natural resources and even waste management. Starbucks has effectively adopted sustainable sourcing practices to meet the demand for environment-friendly products by minimising the negative impact of its supply chain on environmental. Climate change resulting in drought or scarcity of water affects the production of coffee beans. This affects its supply chain and operations (Ferrell, et al., 2023). So, Starbucks participates in water conservation initiatives to overcome these challenges. Since waste management ensures environment sustainability, Starbucks effectively implemented such initiative to reduce packaging waste and encourage recycling. It promotes the use of reusable cups and even provides promotional offers to customers who bring their own cups to sip coffee in the store.

Legal

The legal factors include employment and wage laws and regulations, food safety regulations, trademark registration laws and even intellectual property protection regulations. The employment and wage laws and regulations help the organisations to effectively manage its workforce (Pereira, 2023). So, Starbucks adhere to the compliances related to labour law, staff benefits and even minimum wages and maximum working hour regulations. The organisation also ensures customer satisfaction and loyalty with adhering to food and safety regulations. Finally, in order to maintain competitive advantage in the market, Starbucks ensures to protect its trademark, brand identity and any registered intellectual property from unauthorised access.

3. Conclusion

It is concluded that Starbucks has been impacted, either positively or negatively, by its internal or external factors. Such impacts have been identified and analysed using SWOT and PESTEL analysis tools, respectively. Starbucks has strong global presence and a popular and renowned brand identity, which has given it an edge over its competitors. However, its focus on single product line makes its product costly.

Starbucks effort to overcome the challenges of economic fluctuations and ever-changing needs and preferences of the consumers can thrive it to enhance its business profitability in the coffee industry. The organisation can continue to invest in latest technologies and adhere to all legal laws and regulations to make the customers happy and satisfied.

4. Recommendations

As per the SWOT and PESTEL analysis of Starbucks, it is clear that the organisation has a stable internal and external environment. However, there are certain recommendations for Starbucks to increase the sales and profitability of its business. One recommendation is to start offering wide range of healthy products to its health-conscious customers in order to cater to their health and wellness needs (Ngugi, et al., 2020). These offerings can be customised as per the requirement of the customers. This initiative would help Starbucks to attract customers and increase their customer base. The second recommendation is to accommodate price hedging strategies for its commodities. This is required when there is unexpected rise in the costs of raw materials due to reasons, such as inflation (Palazzo & Foroudi, 2019). In such cases, the organisation has to increase the price of its products, which may not be appreciated by the existing or potential customers. Such dissatisfied customers do not take long time to switch to the competitors. In order to avoid such circumstances, Starbucks need to get involved in price hedging strategies to manage the costs of its products and even maintain its profit margins. Another recommendation for Starbucks is that it can implement market specific strategies as it is spread in many countries across the globe (Nyandat, 2019). This will help the organisation to align its strategies to optimise product offerings and adjust prices based on the economic conditions of the country.

Reference List

Carvill, M., Butler, G. & Evans, G., 2021. *Sustainable Marketing: How to Drive Profits with Purpose*. London: Bloomsbury Publishing.

Dimitrakaki, I., 2021. STRATEGIC GROWTH CASE STUDY: STARBUCKS. *Journal of Economics, Business and Market Research*.

Egan, J., 2022. *Marketing Communications*. London: SAGE Publications.

Ferrell, O., Thorne, D. M. & Ferrell, L., 2023. *Business & Society: A Strategic Approach to Social Responsibility & Ethics*. London: SAGE Publications.

Gillespie, A., 2024. *Foundations of Business*. Oxford: Oxford University Press.

Kim, J. & Lee, R., 2021. *Data Science and Digital Transformation in the Fourth Industrial Revolution*. Hamburg: Springer International Publishing.

Kurtz, D. L. et al., 2023. *Contemporary Business*. New Jersey: John Wiley & Sons.

Lynch, R., 2018. *Strategic Management*. Essex: Pearson Education Limited.

MacIntosh, R., MacLean, D. & Robinson, C., 2023. *Strategic Management: Strategists at Work*. London: Bloomsbury Publishing.

Mayabi, B., 2019. *Primark. Core Competencies, Pestle Analysis, SWOT-Analysis*. Norderstedt: GRIN Verlag.

Ngugi, I. K., O'Sullivan, H. & Osman, H., 2020. *Consumer Behaviour in Food and Healthy Lifestyle: A Global Perspective*. Oxfordshire: CABI.

Nyandat, C., 2019. *Starbucks International Strategy*. Norderstedt: GRIN Verlag.

Palazzo, M. & Foroudi, P., 2019. *Contemporary Issues in Branding*. New Jersey: Taylor & Francis.

Pereira, D., 2023. *Starbucks PESTLE Analysis*. [Online] Available at: businessmodelanalyst.com/starbucks-pestle-analysis/?srsltid=AfmBOogCbQ4ObyMaRZf8Sfltupts4ISTZ4qsDU44J_E24hxy7sN9-

B1

[Accessed 2024].

starbucks.com, 2024. *Our Company.* [Online]
Available at: www.starbucks.com/about-us
[Accessed 2024].