



Assignment 1: A SWOT analysis of Starbucks in the UK

Problem solving and Innovation(BMSW4014)

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Submission Deadline 08.11.2024

Problem Solving and Innovation

A SWOT Analysis of Starbucks in the UK

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SWOT Analysis of Starbucks- Strengths and weaknesses

SWOT Analysis of Starbucks –Strengths and Weaknesses



Strengths

- Global presence and strong brand recognition
- Loyal customer base with efficient loyalty programmes and strong product differentiation.
- Innovative business model.
- Sustainable practices attract socially conscious consumers and employees and reduce operational costs.
- It fosters brand loyalty through its strong digital presence and social media updates.
- Expanded food offerings have made it an attractive option for food at any time of the day.

Weaknesses

- Major dependence and primary focus on a single product line, coffee.
- Strong competition makes it susceptible to price wars impacting its profitability and margins.
- Vulnerable to commodity price fluctuations relating to raw materials impacting its profit margins.
- Higher prices for its products make it a less attractive option for price-sensitive customers.
- It is recognised as an American brand that does not offer diversity in its stores to recognise local cultural tastes.

SWOT Analysis of Starbucks- Opportunities and Threats



SWOT Analysis of Starbucks –Opportunities and Threats

Opportunities

- Expand into new markets and diversify its business.
- Enter into partnerships or collaborations with other brands or companies.
- Adopt price differentiation to meet customer needs and to cater to different customer segments.
- It should continue to innovate and introduce new products to meet changing customer preferences.
- Acquiring complementary businesses or brands can help Starbucks gain a competitive advantage.
- Expand supplier network for better options and better control over pricing and supply disruptions.

Threats

- Saturation in the coffee market has led to the closure of Starbucks stores.
- Threats from activist stakeholders have damaged the company's reputation.
- Economic slowdown and increase in the cost of living have reduced customer spending on coffee.
- High inflation rates have raised raw materials costs and operational costs, increasing product prices.
- Weather or natural disasters, political unrest, and labour strikes can disrupt raw material supply.
- Boycott campaigns due to the Israel-Gaza war have affected its revenues.
- Employees' votes to join unions have tarnished its reputation as a modern organisation.

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Speaker Notes

According to Starbucks (2023), one of the major strengths of Starbucks is its strong global presence in over 84 countries and brand recognition as a coffee shop serving coffee of the highest quality, using ethical sourcing practices, and providing quality service. High-quality Arabica beans are selected by coffee buyers who travel to Latin America, Africa and Asia. Starbucks aspires to be resource-positive by storing more carbon than it emits, eliminating waste, providing more clean fresh water than it uses, and attracting socially conscious customers and employees. It offers a wide variety of products including coffee, tea, juices, pastries, and more. It has built a loyal customer base due to its product offerings and efficient, convenient, and rewarding loyalty programmes. Starbucks has worked on improving its brand visibility by opening stores in traditional retail locations and non-traditional outlets such as airports and grocery stores. It makes use of print and digital media to communicate and engage with its customers.

Although Starbucks is known for its good quality coffee, its primary dependence on a single product line makes it vulnerable to changes in customer preferences and economic fluctuations. Higher prices for its products make it a less attractive option for price-sensitive customers. According to Sherman (2024), the increased prices have made even loyal customers rethink their spending at Starbucks. Its recognition as an American brand has brought the wrath of boycott calls amidst the Israel-Gaza war. The pricing of its products is highly dependent on prices of its raw materials and labour costs.

According to Lucas (2023), Starbucks is planning to expand its business by opening 17000 stores globally, more than 100 stores in the UK, and to cut costs by USD 3 billion globally. It has seen increased demand for its cold beverages. Investments in drive-thru stores and digital channels and improvements to loyalty programmes have helped in the growth of Starbucks in UK (Starbucks, 2024). The performance-linked bonus, salary increases, and green apron discounts have motivated employees to drive performance.

Loyalty programmes offered by Starbucks Cards, which can be physical or digital offer convenience and promote loyalty (Westberg, 2024). Preloading money onto their cards makes Starbucks receive cash upfront when customers load their cards with money, which can be used for operational needs before the customer makes the purchase.

According to Reiff (2024), Starbucks has expanded its portfolio by acquiring tea and coffee chains, fruit juice makers, bakery chain, and bottled water company. Acquisition of Teavana, La Boulange, Evolution Fresh, Seattle Coffee Co., and Ethos Water has helped Starbucks expand its market share. Such strategic acquisitions can increase the customer base and can help Starbucks gain a competitive advantage. According to Starbucks (2024), the supplier diversity program has helped Starbucks to identify and deliver high-quality products and services across business channels.

Starbucks has closed a few stores after a careful operations review and has faced backlash from workers' unions (Weissner, 2023). There has been mounting pressure on leadership change and other reforms by activist investors such as Elliott Investment Management.

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