

Dummy Report for Strategic Management Assignment 1 2017 – Differentiation of Starbucks



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1.0 Executive summary

This report will:

- Company background and introduction.
- Starbucks strategy of choice
- Analyze the strengths and weaknesses of the strategy Starbucks uses

Own suggestion

The report's information comes from various Starbucks websites, magazines, news and books.

The report uses Porter's strategy of differentiation of general strategy, the following Starbucks strategy used:

- Develop new products.
- Starbucks incorporates its own decoration culture into the local architectural style.
- Active brand activities.

Starbucks differentiation strategy advantages, has the following advantages:

- By creating new products, attract more customers, and Distance from competitors.
- The store's architectural style into the local culture, so as to attract more locals, to create competitive advantages.
- By actively doing social welfare activities, we make a good impression in the society and enhance brand awareness.

There are several disadvantages to Starbucks' selection strategy, with the following disadvantages:

- Due to cultural differences, Starbucks products will be unpopular in some countries, resulting in lower sales in some countries.
- Some public service activities are open, which will make the competitors imitate and make their competitors more competitive.

The following suggestions can make Starbucks more competitive:

- Continue to do social welfare activities, thereby raising awareness.
- Developed new products that integrate into local culture.

2.0 Introduction

Founded in 1971, Starbucks was originally a retailer selling coffee beans. In 1987, Howard Schultz acquired Starbucks and became the largest coffee shop under the leadership of Howard Schultz. Starbucks became the first professional coffee company to go on the market in 1992, and Starbucks Coffee Company expanded its reach dramatically after it went public.(Business insider,2016) Today, it has opened more than 22000 coffee shops in North America, Latin America, Europe, the Middle East and Asia. (Starbucks,2017)

2.1 Report remit

The strategy of Starbucks is analyzed.

Starbucks strategy is how to achieve.

Evaluate the strategy used by Starbucks.

Provide advice based on Starbucks strategy.

2.2 Background of the organization

Starbucks is a US coffee chain company founded in 1971, is a global coffee chain whose headquarters is located in Seattle, Washington. Starbucks retail products include over 30 top-grade coffee beans and hand-crafted espresso coffee and a selection of coffee hot and cold drinks and many pastries and a variety of coffee machines and coffee cups and other products. The company has long been committed to providing its customers with the highest quality coffee and service to create a

unique "Starbucks Experience," making Starbucks stores around the world a warm and comfortable "third living space" beyond the workplace and home. (Danielle, 2014)

2.3 Definitions of major concepts

2.3.1 Business level strategy

Business level strategy is a necessary strategy for every enterprise, including many other strategies, such as marketing strategy, development strategy, brand strategy, product technology development strategy and so on. (Michael, 2008) The goal of an business level strategy is to define the long-term results the company pursues in fulfilling its mission and to specify the mission of the enterprise in some of the most important fields. (Chron, 2009) The business level strategy reflects the direction and needs of the business activities within a certain period of time Request. (Reference for business, 2011)

2.3.2 Strategy

In this report, Porter's competitive strategy is used. Porter's competitive strategy is, respectively, the overall cost leadership strategy, differentiation strategy and specific strategy. (Mind tools, 2017)

Overall cost leadership strategy

The total cost of leading strategy, also known as low-cost strategy, is through other

means, so that the total cost reduction, and then establish a competitive advantage. Such a strategy requires that enterprises have a certain amount of economy and experience to control the cost of production and other costs so as to minimize the total cost of production of the enterprise. (Mindtools, 2017) Low-cost strategy will be more competitive position, because lower costs can compete with rivals after the competition can still be profitable, and thus have an advantage in market competition. For example, Chinese companies, taking advantage of cheap labor, occupy an absolutely large share of the market in other countries at a low cost.

Cost leadership is the most basic competitiveness, any strategy is based on cost advantages. In other words, no matter what competitive strategy enterprises adopt, cost advantages are the core issues that must be valued.

Differentiation Strategy

Differentiated strategies are thought to differentiate the products or services a company offers, forming something unique across the industry. (Pankaj, 2002)

Differentiated Strategies require businesses to differentiate themselves in a number of aspects that are valued by their customers, or to produce products that are more capable, better performing, and better served than their competitors if the cost gap is hard to further expand. There are many ways to implement a differentiation strategy: design or brand image, technical features, look and feel, customer service, distribution network and more. Ideally, the company differentiates itself in several ways. It should be emphasized that differentiation strategy does not mean that companies can ignore

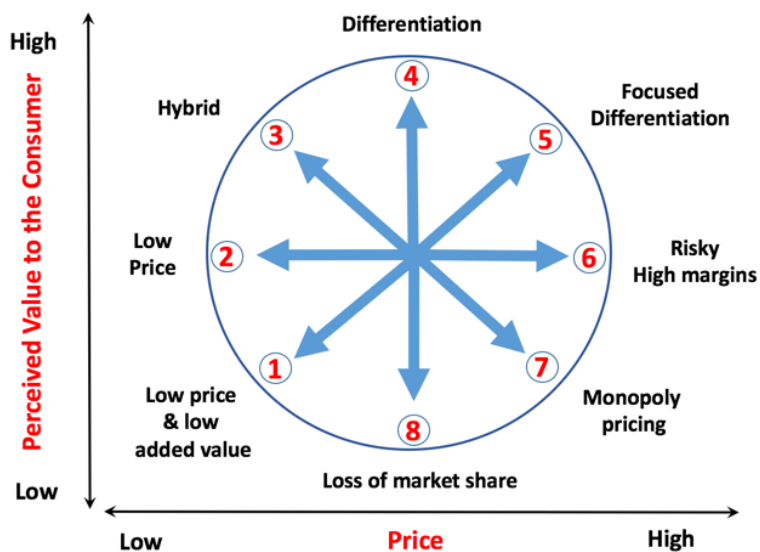
the cost, but cost is not the primary strategic goal of the company at this time.

(Strategic management, 2014)

Focus Strategy

Focus strategy is to focus on a particular product, customer or a region of the market.

(Dave. 2010) However, the focus strategy can take many forms, such as cost centralization and business centralization. The focus strategy is built around serving well for a particular purpose. But a focus strategy often means limiting the overall market share you can get. Focus strategy must include the relationship between profit margins and sales at the expense of each other. (Rapidbi, 2011)



2.3.3 Competitive advantage

“Competitive advantage is divided into cost advantage, difference advantage and focus advantage. ”(IFM, 2017) Competitive advantage is a trait that every business

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wants, because it has the advantage of being competitive or strong, so it's unique, otherwise it can not be bigger Or more competitive. Therefore, it can also be said that competitiveness is a comprehensive capability and that competitive advantage is only a unique manifestation of certain aspects.

3.0 The strategy used by the company

3.1 Differentiation strategy

In this report, a differentiation strategy that combines with Starbucks is used. The so-called differentiation strategy means that the company's products and competitors have obvious product differentiation, with distinct characteristics and strategies.(Czinkota, M.R. et al, 2000) At the core of this strategy is the realization of unique values for customers, which differentiate the products or services the company offers.

Successful implementation of the differentiation strategy will be a positive strategy to win high returns from the industry, establish customer loyalty to the business, create strong barriers to entry into the industry and increase the bargaining power of companies and suppliers. This is mainly due to the differentiation strategy that increases the marginal revenue of the enterprise and weakens the buyer's bargaining power. (Slide Share, 2014) Enterprises through the differentiation strategy, so that buyers lack the choice of products to reduce the buyer's price sensitivity. (gpmfirst,2005) On the other hand, differentiated strategies build customer loyalty by making products more differentiated, higher conversion costs for buyers, making them dependent on the organization, making alternatives less competitive in performance.

3.1.1 The company uses five forms of differentiation strategy

Starbucks in the differentiation strategy has been implanted in five cultural ways,

namely, environmental, product, staff, management, experience.

Environment, is the visual, auditory and tactile presentation of a combination of traditional and stylish coffee culture; it is the first level of contact with which customers perceive and impress the Starbucks brand. Starbucks store antique murals, physical display, all-wood tables and chairs, a unique small sofa and comfortable music, and also the coffee maker when the barista hiss and foam squeak, the environment will be virtually infiltrated To the consumer's concept.

Product, Starbucks, the world's leading coffee chain, buys major premium coffee beans and bakes them in Seattle, whether it's raw materials and transportation, baking, ingredients increases, water filtration, or finally coffee in front of customers , This series of procedures must meet the most stringent standards. Employees are trained as coffee buffs to become baristas, the only way they can give customers a detailed explanation of the characteristics of each coffee product, with coffee culture and context and one-to-one word-of-mouth marketing to attract customers.

Staff, is a service provider (employee) attitude and level of quality and value of the service provider (employee) other than the hardware environment product that determines the quality of the operation of Starbucks as a chain service industry. In this regard, Starbucks staff education, training great success. In recruiting employees, Starbucks employs people who are passionate and passionate about coffee and are

recruited. Employees are trained in customer service, basic retail skills, and coffee. Each store in Starbucks has its own distinct characteristics, but one thing in common is the exchange between familiar customers and sharp visionaries. In essence, Starbucks is based on one-on-one communication between employees and customers.

Management, is a standardized, process-based management system, combined with a strict implementation of the store management system is the key to Starbucks coffee culture. Employees enter Starbucks, whether it is coffee knowledge or specific service hours, various operations time, display of goods, labeling and other stickers have a clear process and exact standards. Except for coffee products, Starbucks respect the customers very much and have strict process and management standards in terms of benefits and services.

For experiential marketing, customers are more concerned with the details of the experience, a good business only customers in the details of the real comfort experience, in order to carry out a real experiential marketing. Starbucks has a deep understanding of this, from elegant music to wallpaper, lighting, tables and chairs are placed on the professional design, as well as integration into the local culture to respect consumers. Starbucks has always regarded its customers' needs as their own task because it allows them to think empirically so that they can truly understand the subtleties of the consumer and thus maximize the value of experiential marketing. Now ground coffee, so that consumers enjoy the tempting fragrance of roasted coffee

on the site, increasing the consumer's real experience of Starbucks coffee.

3.2 Implementation of the strategy

3.2.1 Shop decoration design

Each Starbucks storefront is designed by a dedicated designer, designed in addition to the uniform appearance of the entire United States, each store's design has a Starbucks style symbol. (theguardian, 2015) Starbucks use the style of store design reflects the beauty, every consumer can appreciate the unique style of Starbucks, to give customers a sense of belonging. Starbucks store decoration, is a combination of local culture, and Starbucks decoration concept difference, to create a classic decoration, but also to attract customers essential way. In addition, each Starbucks stores in different regions will be integrated into the local architectural style, such as China's Starbucks architecture is an ancient Chinese-style architecture, and the color of the outer wall is red, because the red can more easily integrate the local culture of Starbucks . (Liang Sicheng, 2012)

"Starbucks fully respects China's long history of traditional culture and perfectly integrates local customs into the Starbucks experience in store design, local food and beverage supply." (At Starbucks official website, 2017)

3.2.2 Product research and development

As the coffee industry is fiercely competitive, Starbucks started researching and

developing products. From the overall concept of the product, the core product of Starbucks is coffee. The most important core of coffee for customers is to quench their thirst and refresh themselves. With the development of society and people's quality of life, customers have set new expectations for coffee products, not just for quenching and refreshing. For customers, Starbucks is "a luxury that most people can afford." Now most of the coffee Starbucks consumers are white-collar workers, these customers also have a higher level of service requirements. Starbucks coffee is divided into different types, different forms, taste and taste are different, if the menu does not have customers required coffee, example, in 2010, Starbucks started selling tea in the Chinese market, which is Chinese consumers favorite tea drinks in the field absorbed more Customers to Starbucks consumption, which makes Starbucks in innovation has achieved great success. (forbes, 2016)

Customers can make Starbucks employees brew the coffee that meets the customer's mind, this is not have in other coffee shops. Starbucks not only sells coffee, but also a variety of coffee and cakes and food match, Starbucks in order to allow customers to taste good coffee in their own home, start selling coffee machines and coffee beans in the store, as well as many tools for making coffee. The research and development of these products have attracted more coffee lovers to Starbucks to enjoy their coffee.

3.2.3 Brand perception

"Managing brands is a lifelong business. Brands are really fragile. You have to admit that the success of Starbucks or any one brand is not a one-time grant of title and title,

he must work hard every day Maintain and maintain. "(Howard Schultz, 2002)

Now that Starbucks is a well-known brand that everyone knows, but Starbucks rarely advertises until it becomes a well-known brand, but Starbucks uses time and again to impress its customers with unique ideas and unique ways of communicating with consumers Word of mouth, since its inception has become synonymous with global fashion.

There are many unique ideas that Starbucks makes. For example, a few years ago Starbucks got the following data: Every year in Korea, each person consumes about 338 coffee cups each, which is equivalent to 300 million Korean-made Rubbish. (Danielle, 2014) So Starbucks and local college students started a "super-love Starbucks Cup DIY portable garden" action, the equivalent of a pollution-free technology activities. Starbucks gives you a pack of plant seeds as long as consumers buy the takeaway coffee at Starbucks. Do not know how to planting it does not matter, just scan the two-dimensional code on the bag, there will be a detailed introduction, Starbucks also provided a mixture of coffee grounds soil. This project has aroused the global consumers' attention and goodwill to the brand. (1993, Culver)

3.3 Advantages and disadvantages of the strategy

3.3.1 Advantage

Product development

Competitive Advantage

Since Starbucks is the largest coffee chain in the world, its raw materials used are

top-notch. Starbucks mainly sells coffee and its own coffee beans. (Starbucks, 2014)

In addition, Starbucks sells its products in a sense that is also the so-called atmosphere. Starbucks differs from regular coffee shops in providing a sense of style and modernity, and Starbucks is also investing heavily in professional baristas to serve its customers, and Starbucks continues to gain the trust of its customers with these top-of-the-line services and products, (bbc, 2012) Thereby winning the advantage of competition to expand market share.

Improve brand perception

Starbucks, the largest coffee chain in the world, is the place of choice for people considering coffee. But Starbucks, the biggest coffee chain, never makes big money ads. Starbucks has used its unique ideas to create a good social impression on many occasions. For example, recycling disposable cups, save costs and protect the environment. (epa, 2017) The local government and people's support, so as to obtain the local competitive advantage.

3.3.2 Disadvantage

Service levels and product health decline

Since Starbucks is a large coffee chain, the rapid expansion of scale has not brought about equal improvements in Starbucks's performance and service levels. (ft, 2008)

However, some Starbucks stores experience and service levels have dropped significantly. As Starbucks expands more stores, it also reduces costs in succession in

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order to capture economies of scale and matching financial goals, reducing the level of experience and service at Starbucks, as well as significant changes in the hygiene of food products. In 2012, for example, two Starbucks desserts in the United States were exposed to cochineal colorants, which experts say can cause asthma allergies. Decreased service levels and product hygiene have caused significant damage to consumers' trust in Starbucks.

4.0 Conclusion

Using Differentiation Strategy Starbucks succeeded in gaining a competitive edge and Starbucks became the place of choice for many people drinking coffee.

Starbucks used in differentiation strategy:

- Starbucks has embraced the local culture in the store's decorative style, which is better for Starbucks to attract local people spending on Starbucks.
- Starbucks has used a number of unique and rewarding activities to attract more customers in terms of brand recognition.
- Starbucks has a lot of innovation in product innovation and research and development, so that more people try a lot of different taste and taste of coffee.

Advantages gained through differentiated strategy Starbucks:

- Gain customer loyalty thanks to unique and rewarding activities.
- Through a variety of product development and innovation gained a great competitive advantage.
- As the shop decoration and style into the local Cultural Revolution, attracting more customers.

Disadvantages received by Starbucks through differentiation strategy:

- If the strategy is effective, it may make competitors imitate.

5.0 Recommendations

Improve product defects.

Continue to use unique and useful activities to increase customer loyalty.

Developed low-cost products to attract more customers.

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