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An analysis of the factors impacting Starbucks in the UK

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Introduction

The worldwide coffee firm Starbucks Corporation roasts promotes and distributes beverages such as coffee, tea, and other food and drink products. It is a multinational corporation with headquarters in the United States that runs the world's biggest coffeehouse chain. Jerry Baldwin, Gordon Bowker, and Zev Siegl established it in 1971 (The Guardian, 2015). With over 35,000 locations in 80 countries, Starbucks is a multinational coffee chain with headquarters in Seattle, Washington. On the Fortune 500, the firm comes in at number 120. Total revenues for Starbucks surpassed \$36 billion in 2023, thanks to strong growth in both in-store and online sales (Starbucks.com, 2024). Using PESTEL research, this paper examines the macroenvironmental determinants affecting Starbucks. Here, Starbucks' internal and external opportunities and threats have been examined using the SWOT model.

Application of PESTEL analysis to identify the influential factors on Starbucks in the UK

A PESTLE study is a thorough framework for evaluating the environmental, social, technological, legal, and political variables that affect a company (Wright et al., 2019). By exploring these aspects, interested parties can find out how a company like Starbucks responds to outside influences, develops its business plans, and stays ahead of the competition in the ever-changing coffee market. Here in this report, the PESTEL analysis is given below to identify the influential factors on Starbucks in the context of the UK,



Figure: PESTEL analysis framework (Marketing Dawn, 2024)

Political factors: The political factors are those which originated from the decision of a particular government and can have a significant impact on the activities of the business organisations. In the context of the UK, the political climate remains stable most of the time which is a great advantage for Starbucks. Moreover, the government of this country is supporting business activities with lots of financial and technological support. Starbucks can get those government incentives by investing in sustainable business practices which will provide support to the society and environment of the United Kingdom (Chowdhury, 2014). However, the changes in government regulation regarding the level of food safety standards, taxation policies and labour laws can have a significant level of impact on Starbucks as it has to change its business process. The implementation of Brexit has already had an impact on Starbucks as it has faced supply chain disruption in terms of collecting raw materials from other parts of the EU countries.

Economic factors: Every country in which Starbucks does business has its own set of regulations on things like tax policy, food safety standards, and labour rules. When the economy is doing well, consumers tend to have more disposable income, which means they can afford to spend more on things like high-end coffee and eating out. British consumers have cut down on coffee spending in recent months as a result of rising inflation and living costs, which may affect Starbucks' bottom line (Codagnone et al., 2020). Interest rate fluctuations also affect mortgage rates, the cost of borrowing money, and consumer confidence in general. When interest rates are high, people may cut down on spending on food and shelter, whereas when rates are low, they may put more money into essentials like food and speciality coffee drinks. The current interest rate in the UK is 4.75%, which is lower than rates in many other industrialized countries (Bank of England, 2024). This would be good news for Starbucks' sales and growth in the UK.

Social factors: One of the most crucial factors that could affect a company's sales is the condition of society. Starbucks' diverse customer base makes it susceptible to changes in consumer preferences brought about by changes in demographic trends, such as population growth, urbanization, and average age. The fact that 95 million cups of coffee are consumed every day by Britons is evidence of the beverage's immense popularity (Statista, 2024). There is, therefore, a fantastic chance for Starbucks to thrive in the UK. Starbucks has been successful in the UK in part because of its ability to provide a unique and inviting atmosphere, which attracts consumers seeking more than simply coffee—they want social interaction. Starbucks would do well to join the growing number of companies that are emphasizing sustainability and fair trade if they want to increase consumer demand. Starbucks needs to update its menu to provide healthier options for making coffee and other meals, such as almond milk, oat milk, and sugar-free syrups since health awareness among British people has also grown significantly (Spence and Carvalho, 2020).

Technological factors: Even though technological factors could not directly threaten the growth of the company. They may eventually affect the business. There is hope that the increasingly accessible technological aid could shorten the time it takes for coffee to get from farm to cup. Starbucks is already using a lot of state-of-the-art technology for things like preparing coffee, controlling inventory, and managing customers. The widespread use of smartphones and other digital technologies has changed the way consumers interact with businesses (Akcem, 2023). Starbucks has taken advantage of this trend by offering a full-

featured smartphone app that lets users pay digitally, make orders in advance, earn points, and get personalized promotions.

Legal factors: Compliance with rules, regulations and other legal considerations are important to Starbucks' operations in the UK. Employment rules, food safety requirements, and safeguarding intellectual property are all parts of the intricate legal framework under which the business functions (Gardner, 2012). If Starbucks wants to keep its good name, keep its workers' rights, keep its food safe, and keep its brand identity intact, it must follow these legal considerations. Starbucks has to make sure it pays its employees at least the minimum wage in the UK. Companies that follow these rules can pay their workers a wage that is competitive in the market. Starbucks is also obligated to adhere to regulations that control working hours, extra hours, and compensation to safeguard employee rights and encourage a healthy work-life balance. The business must uphold all employee benefits laws, including those about health insurance, retirement schemes, and paid time off.

Environmental factors: The impact of environmental considerations on Starbucks' corporate responsibility and commercial strategies has grown in recent years. Starbucks, as a multinational corporation, understands the need to take action to protect the environment. Sustainable sourcing techniques are something that Starbucks has adopted in response to the growing demand from consumers for socially and ecologically responsible goods. This includes assisting local populations in areas where coffee is grown, advocating for ecologically friendly agricultural practices, and maintaining tight relationships with coffee producers to guarantee fair trade (Mehrad et al., 2024). The effects of climate change on Starbucks' business and supply chain are significant. By conserving water, investing in the toughness of coffee farms, and encouraging climate change initiatives, Starbucks is determined to lessen the impact of these problems. Additionally, Starbucks provides discounts or other perks to consumers who bring their containers and use reusable cups.

Application of SWOT analysis in the context of Starbucks

The SWOT analysis can help to find out organisational strengths and weaknesses along with that it also finds out the opportunities and threats that are available to that organisation. Here a SWOT analysis of the Starbucks is given below,

Strengths: Starbucks' strong brand awareness is one of its strongest points. When it comes to workmanship and client service, the firm is well-respected. Another perk of Starbucks is its extensive worldwide presence; the company now has 38,000 outlets and intends to open

another 17,000 by 2030 (worldpopulationreview.com, 2024). In addition to its famous coffee and tea drinks, smoothies, snacks, and merchandise, Starbucks has a vast array of other goods. Sustainability is very important to Starbucks, thus the company has implemented several programs to reduce its environmental effects. Due to the constantly excellent quality of its goods and services, Starbucks has significant consumer loyalty and has continually proven strong financial success over the years.

Weaknesses: Starbucks' heavy reliance on one product line is one of its flaws. The fierce rivalry that Starbucks encounters in the coffee sector is another one of its weaknesses. Commodity price variations might have a detrimental effect on this firm. The company's exposure to operational risks and expenses related to maintaining its many company-operated shops might be seen as a vulnerability (Starbucks.com, 2024). Particularly in developing economies or when times are tough, Starbucks' premium pricing approach might drive away budget-conscious consumers.

Opportunities: Starbucks' ongoing growth efforts in the worldwide market provide the company with its primary potential. Starbucks can open up a world of possibilities by forming partnerships and collaborating with other brands and enterprises. In furtherance of increasing revenue and profitability, Starbucks might better satisfy consumer preferences by using pricing differences as an opportunity (Marketing Dawn, 2024). One way Starbucks can stay ahead of the curve and cater to its consumers' ever-evolving tastes is by releasing new goods. It may also build coffee subscription services to make things easier and more tailored for its clients.

Threats: Local coffee shops and quick-service eateries pose the greatest threat to Starbucks. Another potential danger is if consumers' purchasing habits suddenly shift. The demand for Starbucks' goods and services, as well as customer spending, may be affected by economic downturns or unstable markets. Last but not least, Starbucks faces risks from disruptions in its worldwide supply chain.

Conclusion

In summary, the activities of a business organisation can be highly influenced by external environmental factors and internal resources and capabilities. In this report, the external environmental factors of the United Kingdom have been discussed in detail in the context of Starbucks. There are lots of advantages that Starbucks can get from that external environment such as government incentives, technological advancement, social recognition and so on. But at the same time, this company may face various because of economic conditions and future uncertainty. With the strength and opportunities of the organisation, it should react properly in the condition of huge competition in this industry and changing customer behaviour.

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