

Profile and Prospects of Starbucks Company

Introduction

When it comes to specialty coffee, Starbucks is very much ahead of the competition. In major cities all over the world, it is easy to see Starbucks coffee shops that the people really enjoy going to. There is no doubt that Starbucks has set the standards of quality and excellence in the coffee brewing industry. Over the last couple of years, Starbucks has been at the top of the industry while majority of its rivals have already experienced a significant decline in the productivity of their operations due to the detrimental impacts of the ongoing economic downturn. Thus, Starbucks has been able to continuously move forward with its expansion activities so that more people can be able to enjoy their new coffee products and transform them as loyal customers. The company believes that the strength of its customer base will be the key towards its sustained progress in the future as the competition in the coffee brewing industry gets tougher.

Products and Services of Starbucks

The main objective of Starbucks is being able to offer its customers with the most attractive and delicious varieties of coffee products. The company makes sure that the coffee products that it releases in the market are always new to the taste of its customers so that they will always have something to look forward to every time they visit any Starbucks coffee shop (Bussing-Burks 2009, 44). Starbucks understands that it cannot afford to launch coffee products that will only duplicate what its competitors have already produced. Since the competition in the coffee brewing industry is intense, Starbucks is always trying its best to be as creative and innovative as possible when it comes to its coffee products.

One innovation that Starbucks has been able to successfully integrate in its coffee products has been fortifying them with additional vitamins and nutrients. Thus, the company has been able to build an image to its coffee products that they can also be healthy alternatives and not simply something that can be enjoyed early in the morning. This is an excellent move because it is able to get the appeal of the youth, which has become an integral part of its customer base all over the world. Its customers do not have any feelings of guilt and hesitation about buying and consuming these coffee products of Starbucks because they know that they are not only delicious but also nutritious as well.

Since Starbucks operates globally, it also makes sure to launch coffee products based on the local coffees so that its customers can still have the opportunity to enjoy the coffee that they are so accustomed to, but this time drinking it with the unique flavors and ingredients that Starbucks is known for (Simon 2009, 61). This significantly helps the company to get the appreciation and confidence of its local customers because it sends a strong message to them that Starbucks is really concerned about producing coffee products that pay respect to their culture and the taste and blends of coffee that they grew up loving.

Aside from its coffee products, the Starbucks coffee shops have also become a trademark for the company because they have become the favorite places for customers to hang out while enjoying their coffees. Because of the free Internet access in these coffee shops, the customers can just bring their laptops and continue their work, school project or simply browse their favorite websites without any hassles.

Company Profile and History

Starbucks is an American company that specializes in producing specialty coffee products. It actually has the biggest operations among coffee brewing and retailing companies, with an estimated 18,000 coffee shops in almost 50 nations all over the world. In America alone, Starbucks already has 12,000 coffee shops, making it easy for their customers to enjoy the coffee products that they love to drink every day.

The history of Starbucks begins during the 1980s, where coffee was still not yet gaining prominence in America. In an effort to improve the operations of the company, the Starbucks management appointed Howard Schultz to become its Director of Retail Operations and Marketing. Schultz is responsible for bringing over the concept of coffee shops in America which originated in Italy (Daft 2007, 15). Upon seeing the success and appreciation of coffee shops in Italy, Schultz did not have any doubts that this same concept can also be well appreciated all over America.

Another thing that Schultz noticed lacking in the coffee brewing industry of America during the 1980s was that its coffee products did not have any variety at all. Thus, Americans were just drinking the same type and taste of coffee all the time. This was not the same in Italy, as the people back then was already enjoying different types of coffee products aside from the usual favorite espresso. Thus, Schultz was encouraged also to introduce the idea of specialty coffees in American soil through Starbucks. Schultz was optimistic that the coffee shops and specialty coffees would be able to make a huge difference for Starbucks and set it apart from the rest of its competitors.

Schultz proved to be correct as the American people really responded well to the concepts of coffee shops and specialty coffees. Because of the huge profitability and productivity that Starbucks experienced, it did not take long before the company was able to launch its efforts to broaden its operations all over America in 1987. Aside from the initial outlets in Seattle, Washington, coffee shops eventually emerged in other major American cities like New York, Chicago, Los Angeles and Miami. In 1988, Starbucks also began to expand its operations internationally, with Canada as the first international location that had multiple Starbucks coffee shops that became operational.

The international expansion activities of Starbucks continued and reached Asia in the latter part of the 1990s. Japan was the first Asian country that had Starbucks coffee shops (Nykiel 2007, 84). In Europe, England was the primary target of Starbucks in its expansion in 1998, and the company had to acquire the Seattle Coffee Company, which was at that time was the most dominant coffee brewing company in the country, just to be able to push through with its objectives to establish a stronger customer base. The same thing happened over in Italy, where Starbucks also had to acquire Torrefazione Italia in 2003 to be able to establish its strong and dominant presence in the country.

Starbucks had mostly been striking partnerships with shopping malls, airports and bookstores in order to establish coffee shops in these establishments. This is because of the belief of the management of the company that because these places are always filled with people, it won't be difficult for them to notice or recognize the Starbucks shops located in these establishments.

Competitive Advantages of Starbucks

1. Affordable and delicious coffee products

The affordable and delicious coffee products of Starbucks are the primary sources of competitive advantage for the company. Because these coffee products can easily be bought by various customers of all ages, it doesn't take long before they are able to get hooked with these coffee products to the point that they really make efforts to set aside money so that they can be able to buy them every day.

Because the coffee products of Starbucks always come at different varieties, its customers have always something new to enjoy. This prevents them from getting bored over buying and drinking the same coffee products every single day. Credit has to be given to the research and development team of Starbucks for being able to consistently come up with new blends and flavors of coffee that will surely be loved by the customers.

With the coffee products of Starbucks also fortified with nutrients, it has become less difficult for the company to advertise its products to the public (Gilbert 2008, 52). This is because the loyal customers of the coffee products of the company can attest to the health benefits that they are getting from regularly consuming these coffee products. They do not have doubts that drinking coffee products from Starbucks have to be a part of their healthy lifestyles. Whether they drink it to start their day or to relax after a grinding work at the office, Starbucks coffee products can be of great help. Thus, they are able to help convince other people to also try and experience for themselves the health benefits of drinking the Starbucks coffees.

2. Strong brand image

Starbucks is the symbol of excellence and quality in the coffeehouse industry. The company has always been able to maintain its strong brand image because of its unwavering commitment towards providing only the best coffee products for its customers. It has also been clear that the reason why Starbucks has been able to establish a dominant global presence is because of this strong brand image. Countries know that if they allow Starbucks to establish its business inside their borders, they will experience a boost in their economic development.

The strong brand image of Starbucks enables the company to establish a stable customer base all over the world. It is not surprising to encounter people that have become loyal customers of Starbucks because their tastes and preferences are always being addressed by the company (Michelli 2007, 26). Thus, they in turn help the company to sustain its profitability by being consistent customers of the coffee products, and even helping to convert their friends and peers to become loyal customers of Starbucks themselves.

This strong brand image also helps Starbucks to dominate the competition in the coffeehouse industry. Over the last couple of years, it was evident that majority of the rivals of Starbucks had already been either closing their operations or allowing themselves to be acquired by Starbucks because they see no point to compete with the company knowing that they will always be beaten. The strong performance of Starbucks in the coffee brewing industry prevents new entrants from possibly penetrating the industry in the long run.

3. Reliable human resources and leaders

The secret of the continued success of Starbucks lies on the hard working and committed employees and leaders that is ready to give their best to get the job done. The combined efforts of the leaders and employees of the company ensure that the goals and objectives of Starbucks are always attained.

The leadership of Starbucks is headed by CEO Howard Schultz, whose innovations and creative thinking helped paved the way for the unparalleled success that the company is experiencing right now (Griffin 2008, 95). Up until the present time, Schultz has been in charge of the overseeing the operations of the company and his passion to make Starbucks as the most dominant coffeehouse company in the world has never wavered. He has been able to set an excellent example for the rest of the employees of Starbucks to follow.

The employees of Starbucks, on the other hand, also are important sources of competitive advantage for the company. Their excellent outputs help stabilize the company's operations and ensure that the company is always moving forward with its objectives. Their concerns and issues are always heard and addressed by the management of Starbucks, which is why they are always inspired to work hard and give their best efforts. They understand what they have to do to help the company to achieve its objectives, and they are duly rewarded for their strong performances through career development and other incentives. Thus, these employees do not think twice about staying loyal and building long careers within the company since they truly feel that they are in an excellent position already.

4. Stable and loyal customer base

Without the presence of its loyal customers all over the world, there is no chance for Starbucks to be able to sustain its dominant position in the coffeehouse industry. In short, the support of its global customers is the reason why Starbucks has been able to achieve overwhelming success up until the present time. As more and more international locations are being reached by Starbucks, the number and strength of its customer base all over the world also improves.

In every Starbucks coffee shop, it is easy to see how strong the loyalty of the customers of Starbucks is. Inside the shop, loyalty customers of the company from all walks of life all gather together as if they are one big, happy family, doing what they like to do while enjoying their favorite Starbucks coffees (Hellriegel 2007, 51). Anybody can feel free to go to any Starbucks coffee shop and enjoy the rest of their day. It is this exciting culture that makes the customers of the company remains loyal.

Aside from the consistent flow of profits that the customers of Starbucks are able to provide, they also provide valuable suggestions and ideas so that the company can keep improving its operations. This is precisely the reason why Starbucks established its website so that they can constantly interact with their customers at any point in time. In here, the customers are free to state their opinions, pleasant or unpleasant experiences which will surely be addressed by the management of Starbucks as soon as possible to make a positive impression to their customers all over the world.

Risks for Starbucks

The current economic crisis presents a huge risk for Starbucks especially if it is not resolved in the long run. Majority of the competitors of Starbucks have already shut down their operations due to bankruptcy as a direct result of the current economic crisis. While Starbucks has yet to be seriously affected by the economic crisis, there had already been moves done by the company to adjust to its detrimental impacts.

In Israel, for example, its coffee shops have already been all shut down due to financial problems and the lack of support from the Israeli population. In 2008, all of its coffee shops that were not doing well financially were also closed (Plunkett 2008, 33). The management felt that there was no sense for these coffee shops to continue operating because they were not providing any profitable returns for the company anyway. Instead, the Starbucks management aimed to focus on the rest of the coffee shops that were consistently profitable and make sure that they continue to produce more income.

What is unfortunate, though, is that Starbucks also had to let go of some of its hard working and tenured employees as it chose to shut down some of its coffee shops. These employees were part of the things that the company had to sacrifice in able to continue to keep moving forward with its long term goals. Thus, the company also lost its competence and capabilities to perform well at least in the locations where they previously had operations, allowing its rivals to take advantage of the situation.

Labor disputes are also potential risks for Starbucks in the long run. The company had also been involved in various controversies, particularly some of its coffee shops where the employees had complained about not getting fair compensation and benefits. Formal cases were filed by these employees and the Court decided in favor of them, and this forced Starbucks to make the necessary adjustments and make sure that the needs of the employees are all addressed and provided.

There had also been several strikes that were organized by some of the employees of Starbucks because of these unfair treatments that they were getting (Capon 2008, 82). It was clear that these employees felt that they had no other choice but to bring their fight to the public in an effort to get their support. Ordinary conflict resolution methods already failed to provide any positive results, which was why the employees decided to just organize strikes to make the management answer their demands.

Obviously, these labor disputes are sources of negative publicities for Starbucks and are reflections of the inability of the management to take care of the needs and welfare of its employees. These labor disputes may not happen in majority of the company's coffee shops, but still they are potential sources of risks that could get blown out of proportions if they are not addressed effectively. These controversies could continue to haunt Starbucks and the public can develop a negative impression about the company especially those people that have aspirations of building a career in the company. These issues can negatively affect the productivity of Starbucks in the long run.

Opportunities for Starbucks

For the short term, Starbucks can actually take advantage of the current economic downturn that is affecting the coffeehouse industry. While majority of its competitors have already folded due to lack of profitability, there are still many other formidable competitors that have remained strong and posing huge threats into the dominance of Starbucks. However, the main difference is that they are not as stable and financially flexible as Starbucks, and this is what the company has to take advantage of (Boone 2008, 112). While its remaining competitors are still limited in terms of what they can do improve their operations, Starbucks can use this period to pull away from the competition. By using this strategy, once their competitors do somehow find ways to regain their financial flexibility, the lead or advantage of Starbucks is already very significant and difficult to chase.

For the medium term, Starbucks can focus its efforts towards opportunities to improve its corporate social responsibility image to the public. Specifically, the company can concentrate in trying to help the environment to conserve its resources and prevent its continued degradation. This is because at present, the impacts of global warming have already become serious corporate matters, and many multinational companies have been blamed for their contributions in polluting the environment through the huge amounts of wastes that they produce every day. Thus, Starbucks can make strong initiatives to build an image of being an environment friendly company and being a role model in environmental awareness that other multinational companies can follow in the long run.

For the long term, Starbucks can still keep on checking for possible opportunities to expand its operations both locally and internationally. While it is quite clear that the local and global presence of the company is already extensive, there are still plenty of areas in America and in various continents all over the world where the presence of Starbucks has yet to be experienced by the people. People have to go to major cities just to avail of the Starbucks coffees that they love. Africa is a location where there are only a limited number of Starbucks coffee shops. If Starbucks can have the time and plan effectively to be able to allocate their resources in these areas, then these locations can potentially become consistent sources of income for the company in the long run.

Conclusion

There is no doubt that Starbucks is one of the most dominant and well recognized companies in the world at present. Led by Howard Schultz, the company has never looked back ever since its humble beginnings in Seattle. The company continues to find ways to be able to impress its global customers by producing specialty coffee products that are affordable, delicious and nutritious. The competitive advantages of Starbucks need to be fully maximized by the company to be able to maintain its long term success. At the same time, the company has to also be aware of the risks that could become serious problems and limit its success in the future. Most importantly, Starbucks has to be always ready to take advantage of the short term, medium term and long term opportunities that can help strengthen its hold of the top position in the coffeehouse industry.

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