
STARBUCKS – An Approach to the Organization Model

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Abstract: Starbucks is a coffee brand that is known internationally by everybody. It is one of the most visited coffee stores and many people love it.

As this company is well known and famous it would be interesting to know about their working facilities and techniques to be this successful and known worldwide. Doing small research on this company can help in knowing its functions, vision, mission, and values through which a lot of information can be gathered.

After the research, there will be a lot of information on how the company values its customers which will be very interesting to learn as they have such a huge number of customers compared to the other brands.

Starbucks follows five main performance or work objective in the company which includes

1. Quality
2. Flexibility
3. Speed
4. Dependability
5. Cost

In the aspect of quality, Starbucks scores high by conforming to several standards

KeyWords: Starbucks; Organization; Strategy; SWOT

I. About the company.

History:

Starbucks' first store was opened in 1971 along the cobblestone streets of Seattle's historic pike place market. They offered fresh-roasted coffee beans, tea, and spices from around the world for our customers to take home.

The name Starbucks was inspired by the classic tale, evoking the seafaring tradition of the early coffee traders.

Ten years later, a young New Yorker named Howard Schultz would walk through the doors of Starbucks and become captivated by Starbucks coffee from his first sip. After joining the company in 1982, a different cobblestone road would lead him to another discovery. It was on a trip to Milan in 1983 that Howard first experienced Italy's coffeehouses, and he returned to Seattle inspired to bring the warmth and artistry of its coffee culture to Starbucks. By 1987, Starbucks swapped the brown aprons for green ones and embarked on our next chapter as a coffeehouse.

Starbucks would soon expand to Chicago and Vancouver, Canada, and then on to California, Washington, D.C., and New York. By 1996, Starbucks would cross the Pacific to open its first store in Japan, followed by Europe in 1998 and China in 1999. Over the next two decades, the company would grow to welcome millions of customers each week and become a part of the fabric of tens of thousands of neighborhoods all around the world. In everything we do, we are always dedicated to the mission which is to inspire and nurture the human spirit – one person, one cup, and one neighborhood at a time.

Current position:

Starbucks is the world's largest American coffeehouse chain that operates 17,133 company-operated and 16,700 licensed stores worldwide. The company's current CEO is Kevin Johnson, the annual revenue of the company (Oct 2021) is around \$29.06 billion, and the profit (net income) (Oct 2021) is about \$4.2 billion.

The company has a lot of products and services like serving coffee, handcrafted beverages, fresh food, packed goods, mugs, accessories, and gifts for the festive seasons. Their main competitors in the market are Costa Coffee, McDonald's McCafé, Dunkin' Donuts, Café Coffee Day, Tim Hortons, and Costa.

The company is committed to the highest standards of quality and service, embracing its heritage while innovating to create new experiences to savor. Starbucks is keen on making its partners proud and investing in their health, well-being, and success, and creating a culture of belonging where everyone is welcome.

Starbucks believes in the pursuit of doing good as it has been from the beginning, the company's purpose goes far beyond profit. The company believes Starbucks can, and should, have a positive impact on the communities we serve.

II. SWOT

Strength:

1. Strong brand image:

Starbucks Corporation is the most popular and strongest brand in the food and beverage industry. Its size, volume, and several loyal customers have kept growing over time. It has a brand value of \$13.01 billion as per the 2021 Interbrand ranking.

2. Strong financial performance:

With an annual revenue of \$29 billion and a profit of \$4.2 billion in the fiscal year 2021, Starbucks has a strong financial position in the market.

3. Growth in stores

It increased its number of stores from 1,886 to 33,833 between 1998 and 2021. Currently, Starbucks operates two types of stores i.e., company-operated, and licensed stores. It has 17,133 company-operated stores and 16,700 licensed stores globally.

Company operators generate almost 85% of the total revenue.

4. Extensive international supply chain

5. Moderated diversification:

Starbucks has also diversified its business operations by introducing innovative merchandise and food items. One such example is the addition of ice cubes made of coffee which results in a stronger coffee flavor.

6. Quality, taste, and standardization:

Due to its premium blends and delicious coffees, Starbucks has extended globally. It offers excellent quality and consistently standardized products in all locations.

7. Efficiency, strategic planning, and reinvestment strategy:

Starbucks reinvests its profits by expanding its business in different locations. Its efficient operations and well-planned strategic decisions have produced many advantages for the company.

8. Employee treatment

9. Strong loyalty program

10. Increase starting wage for baristas

Weakness:

1. High prices

2. Similar products are available in other competitor companies and coffee shops

3. European tax avoidance:

Due to its tax avoidance in the UK, it faced several controversies and criticisms.

Reuters' investigation found out that it didn't pay tax on its £1.3 billion of sales in three years before 2012.

4. No warnings with allergies (e.g.: nuts in the drink)

Opportunity:

1. Expansion in developing markets:

Starbucks has coffeehouses mainly in us. Global expansion in emerging economies such as India, China, and a few regions of Africa can give a great opportunity to the company.

2. Introducing new products

3. Co-branding:

Co-branding always benefits. Starbucks can develop partnerships and alliances with major firms. This would strengthen its presence and market share.

4. Adopt price differentiation:

Some coffee houses are growing their customer base rapidly by offering regular and premium coffee to cater to different classes. Starbucks can offer regular coffee that is priced lower to capture the middle class while serving its expensive variety as premium.

5. Strengthen online channels:

The pandemic has discouraged in-store consumption with more coffee drinkers opting for takeaway. Starbucks can strengthen its online sales channels to attract more customers to pick up their coffee in certain locations.

6. Coffee delivery service:

Currently, customers rely on uber eats and many other apps for their Starbucks coffee delivery. Starbucks can start its coffee delivery service for a better customer experience.

Threat:

1. Competition with low-cost coffee sellers: Many coffeehouses offer products at an affordable rate. This can threaten the future stability of Starbucks which offers higher prices.
2. Competition with big outlets: Aggressive competition with multinational companies like Dunkin donuts and McDonald's can also pose a threat to its market position.
3. Imitation: Products can be imitated by both new and old rivals.
4. Coronavirus: The pandemic was a threat to almost all companies and Starbucks was one of them. They lost a lot of revenue during this period.
5. Rising prices of raw coffee beans

III. Starbucks's current strategy:

Starbucks's current business strategy could be divided into 4 essential elements.

1. Offering a "third-place" experience: Starbucks coffee shops are seen by customers as a place separated from home and work. Characterized as cozy and welcoming places, people see Starbucks shops as both a place to relax and work.
2. Product differentiation: this brand is well known for its high-quality products, and customers pay premium prices for their products. This coffee shop chain recognizes their employees have big importance too. They give them health coverage plans, and a competitive salary and have a program called the bean stock equity reward program. The employees are seen as partners.
3. International market expansion with a focus on emerging economies is one of the key elements of Starbucks' business when it comes to long-term perspective. Since 1987 they opened two new stores every day, on average, and now have 17133 company-operated stores and 16700 licensed stores as of October 3, 2021.
4. Technology integration: Starbucks sees technology as an ally and not only for basic things. More and more they insert new technologies in procedures such as product development, communication, marketing, sales completion, and monitoring customer satisfaction.

IV. Leadership

Howard Schultz is the man behind Starbucks. He is a transformational leader who started a revolution when it comes to coffee. He works with a purpose to motivate and inspire his workers, making them learn how to work in teams. He insists on having respect, trust, and honesty in his company.

He has 7 principles he uses to run his company

1. **Lead from the heart** – emotions, and vulnerabilities are essential to leadership
2. **Roads are bumpy** – leading is not easy and might not always work out as it should, but it's all right, you should take responsibility for what you do and never accept the status quo.
3. **Sight is light** - his objective was always creating a place where people are treated with respect and dignity and feel like it is his third place after home and office.

4. **Purpose beyond profit** – in his vision, profit follows a motivated workforce and is not the key to the business.
5. **Make your opportunities** – don't follow tendencies create your opportunities and pursue what you believe in.
6. **Stick to your core values** – stick to what you believe from the beginning and try to innovate around it.
7. **Don't pioneer. Disrupt.** – innovation is important but pioneering is risky, don't try to change human behavior.

V. Conclusion

Starbucks is not just coffee shops. A cardboard cup of coffee with a green siren and a name written in marker has become a symbol of a fulfilling lifestyle not only in America, but throughout the world. Starbucks is truly a one-of-a-kind company that sets global trends in product quality and customer service. They beckon with their personalization (the name of the buyer written on the cup, the personal treatment of the barista - all this creates the feeling that you are always welcome, your tastes will be given special attention and you are very important for this establishment), the quality of the product (all drinks from the menu are prepared using proprietary technologies from real high-quality raw materials and have their own flavors), location (after all, Starbucks really occupies a large part of the market, their coffee shops can be found on streets with high tourist or domestic traffic), interior and communication.

Today, one in five cups of coffee is consumed at Starbucks in the US, but Howard Schultz, the owner and inspirer of the company, has worked hard to instill in Americans a love for this exquisite drink.

One of Howard's greatest contributions to Starbucks' success is that he brought standardization to the company. In any coffee shop there is the same assortment of basic goods. Whatever country you are in, you can always drink your favorite coffee. Of course, Starbucks also presents special products created in accordance with national traditions.

Summing up, I would like to say that Starbucks is an amazing and undoubtedly extraordinary phenomenon in the catering business industry. Having emerged as a single small shop selling coffee in beans, in some ten or fifteen years this company managed not only to expand into a large chain of coffee houses, but also, having entered the international market, to take the position of the undisputed leader in its industry there.

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