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What should Starbucks do to Survive the Pandemic

-- Starbucks SWOT Analysis

Zhongwen Luo

Macau University of Science and Technology, Macau, China

Abstract: With the spread of the novel coronavirus, the whole world has been seriously affected. Both People's Daily life and the development of society have been severely affected. So how to develop during the epidemic and even recover after the epidemic has become an important issue in today's world. This paper takes the global coffee chain brand Starbucks as the main object, makes a detailed analysis of the brand culture and development through SWOT analysis, and provides industry development suggestions for the Starbucks brand and related industries. By evaluating its own strengths, weaknesses, opportunities, and threats in external competition, it can use this method to conduct a comprehensive, systematic, and accurate study of the situation of the research object, so as to formulate corresponding development strategies, plans, and countermeasures according to the research results. The study found that Starbucks' distribution model and innovation are great advantages for the brand, but the relatively high price has affected people's purchase desire. Therefore, Starbucks needs to strengthen customer loyalty and use digital media promotion to meet customer needs and increase brand value.

Keywords: SWOT; Starbucks; Strategies.

1. Introduction

Starbucks is an American multinational chain coffee shop and the world's largest chain coffee shop, which was founded in 1971, its birthplace and headquarters are located in Seattle, Washington, United States. In addition to coffee, there are also drinks such as tea, sandwiches, pastries and other snacks. At first, it only sold coffee beans, but after transforming into the current business model, it began to expand rapidly and became one of the symbols of American life. Some stores even formed alliances with supermarkets, bookstores and other businesses to operate as complex stores. According to the 2018 Starbucks Annual Report, Starbucks has locations in 75 countries and territories, with 13,275 stores directly operated by the company and 14,064 franchised stores. There are also many branches with local characteristics and designers, such as Paris Opera House, Italy's Post Office Palace, and Japan's Omotesando store in Fukuoka.

The second wave of coffee is believed to be related to Starbucks, which introduced a variety of coffee experiences. Starbucks sells hot and cold beverages, coffee beans, micro-ground ready-to-drink coffee, espressos, lattes, large and loose-leaf teas, juices, coffee smoothies, pastries and snacks, and some meals are seasonal or regional.

The name "Starbucks" comes from the word "Starbo" in the Miners' village of Mount Rainier, which was changed to "Starbucks" when the founders were brainstorming. Jerry Baldwin, a literary lover and co-founder of The English teacher, wanted to be associated with Melville's novel Moby Dick, so he designed a coffee drinker named Starbucks on a boat in the novel.

Starbucks provides a variety of Coffee types. They change different kinds of coffee beans every week so that consumers can drink coffee blended with different kinds of coffee beans in a simple way. For example, in the United States is called coffee of the week but not every place is based on the week. For instance, Starbucks in Taiwan only has a daily selection (coffee of the day). Starbucks also has a range of hot drinks; Including both coffee (like lattes) and non-coffee (like hot chocolate). Winter is the main season for hot drinks at Starbucks. One of Starbucks' most significant beverage profits is its own cold beverage called Frappuccino Fabcino; The official Chinese translation is Xingbingle. Frappuccino is a slushed ice sand smooth taste drink, may be a drink with some whipped cream and syrup products that make a distinctive way of rendering.

Starbucks sells coffee beans that are roasted in four locations: Kent, Washington; York, Pennsylvania; Carson Valley, Nevada; and Amsterdam, the Netherlands. The beans are vacuum-packed immediately after roasting. The packaging is fitted with a patented pressure valve that allows the beans to continue to expel air from the inside while keeping outside air out. Whole beans (unground) and ground coffee beans are sold at Starbucks locations around the world or at contracted retailers.

2. SWOT Analysis

2.1. Strengths

2.1.1. Store Growth and Distribution Advantages

Between 1998 and 2022, the number of its stores increased from 1,886 to 33,833. Currently, Starbucks operates two types of stores, company-owned stores and franchised stores. It has 17,133 company-operated stores and 16,700 franchised stores worldwide. Company-operated stores generate approximately 85% of total revenue. Starbucks has an extensive global network of suppliers. At the same time, Starbucks has three coffee-producing regions in Latin America, Africa, and Asia Pacific, and purchases coffee beans through a stable international supply chain.

2.1.2. New Product Research and Development, Innovation, and Differentiation

For basic foods like coffee, Starbucks has created a series of seven proprietary beverage options that are closely associated with the entire brand, including Coffee Fusion ice cream, Starbucks Cold Brew, hand-made espresso,

Frappuccino, Gas Cold Brew, classic chocolate drink, and Teavana. During the holiday season, Starbucks will sell seasonally limited drinks and products, using the company's signature colors of red and green to create a color clash that allows customers to enjoy all of the best Starbucks holiday drinks in the cups, which will be available in stores across the country on the same day. Find new limited edition holiday merchandise, colorful accompanying mugs, mugs, and a variety of newly designed gift cards online and offline.

In addition, Starbucks has a hidden menu that allows customers to make DIY drinks, such as changing the flavor of syrup, choosing a variety of plant milk and animal milk, and adding dessert ingredients. At the same time, Starbucks has consistently promoted the concept of eco-friendly and pet-friendly beverage stores, providing free pet edible cream to customers who own pets, further increasing their loyalty to the company.

2.1.3. Unique Experiential Marketing Model

Starbucks not only focuses on food and beverage quality and research and development but also provides customers with unique and diverse experiences in-store design, customer service, and other aspects. It's experiential marketing mainly includes the following two points:

Sensory contact strategy: The sensory factors that appeal to consumers are based on the environment and atmosphere. Starbucks stores have the following characteristics: little thought on the doorknob, spacious and clean space, high-quality coffee, good service, pleasing decoration and design, pleasant music, comfortable environment, and comfortable seating. These characteristics make up the attraction and satisfaction of Starbucks customers.

Taking music as an example, Starbucks will analyze the preference of consumers close to the stores for fashion trends or classic features as the basis. During the daily operation period, the store will use background music that meets the experience requirements of the store to create an environment that meets the needs of target consumers, such as jazz, American country music, and piano music for white-collar and business work. On the one hand, consumers can relax physically and mentally under the influence of music, and better experience the coffee and in-store service. On the other hand, it also makes it easier for the target consumers to have emotional fluctuations and to let go of stress and achieve a relaxed experience (Nigam, 2012).

Associated drive strategy: With the seasonal (Christmas, Halloween, etc.) launch of coffee cups, coasters, and other related limited products, which stimulate customers' consumption desire and hunger effect, and thus create a multi-dimensional and multi-scene experience based on the Starbucks brand. Consumers can feel the "temperature" of the Starbucks brand even at home or in the office. Effectively enhance consumer loyalty to the brand and consumption enthusiasm.

2.2. Weakness

2.2.1. High Price

The restaurant is very fashionable today, with the philosophy of offering quality coffee products, and Starbucks has priced its products in the high-end to mid-market. As a result, Starbucks' menu prices are higher than what you would expect to pay for coffee at other fast-food restaurants.

Starbucks' spending on employee benefits in response to labor market conditions added to the company's "significant cost pressures." So, in 2022 Starbucks raised prices, citing rising inflation and "rapidly increasing" supply chain and labor costs. That puts its products outside the budgets of many working consumers, who prefer to frequent McDonald's and other coffee shops rather than Starbucks. And for those who see coffee as a necessity rather than a luxury, it's much cheaper to brew it at home or in the office.

2.2.2. Over Dependency on Coffee and Coffee-related Products

In addition to selling coffee, Starbucks also offers many coffee-related products, including tea, pastries, snacks and sandwiches, to meet customers' demands for breakfast and afternoon tea. However, for this type of product, there are few categories, and the number is usually about 10 per type per day. Moreover, Starbucks does not offer any discounts for set meals, so it lacks the competitiveness and market scope of other products except coffee (Osorio, 2002).

If a company has to compete in the breakfast space with full-fledged competitors like McDonald's and Burger King, it must diversify its product range, improve marketing and promotion, and offer benefits as appropriate, while maintaining its own quality.

2.3. Opportunities

2.3.1. Expansion in Developing Markets and Products

The USA is the major market for Starbucks, and the coffeehouse brand is gaining a foothold in the Chinese market. Chinese market would teach the company various valuable lessons that the brand would use for further market expansion (Ayal,1979). What we can learn from the company’s expansion history is that the brand has maintained its performance to a great extent. Now, Starbucks should expand its business into other growing economies like Africa, India, Latin America, and others.

New Coffee Trends

It’s no doubt that Starbucks has managed to meet customer trends, but the expectation and market trends keep on changing. It’s challenging for the company to maintain its market position. To maintain its market position, the company should gather customer data, conduct thorough market research relevant to customers’ tastes and interests, and create something entirely new.

Starbucks offers a wide range of products and services to its customers, but the company should diversify its product niche into new areas. A diversification strategy is when a business or a company proceeds with growth and development and expands its business in different markets and product areas. In other words, it means letting your business enter new markets and creating a new product (Lecraw, 1984). For instance, the company should work on developing the beverage category and experience new ideas with new flavors. By doing some surveys, design new favorite products to enrich menus and attract more potential customers.

2.3.2. Partnerships or Alliances with Other Firms

Co-branding always benefits. The Co-Branding Strategy has been a choice since the 1980s. Co-Branding is a strategy chosen by at least two companies or two products to increase sales by combining two brands or more previously known by consumers (Zuhdi,2020).

Starbucks has the opportunity to develop partnerships and alliances with major firms. This would strengthen its presence and market share. Starbucks should develop partnerships and collaborations with other complementary brands for cross-brand promotion. If businesses properly create such blocks, it will amplify the sale and leave a better public impression. For

instance, when nestle and Starbucks started collaborating, various coffee creamer products came under the roof of commercial shops.

2.3.3. Digital Marketing and Sales

The digital revolution has changed companies' approach to a consumer drastically. Thanks to the Internet, any consumer can analyze a price and sometimes even of dictating it. The digital revolution enables the implementation of new models of relationships with consumers, which is a challenge for enterprises longing to increase their market share. Smartphones and social media exerted a certain impact on the dynamic development of digital marketing. Therefore, manners of reaching potential clients through mobile phones and social networks are current communication channels that can build a relationship with a customer, thus increasing sales. It presented the essence of digital marketing and its assets, which can be of no meaning for an enterprise planning to cut customer service costs, improve profits and optimize the sales processes (Sawicki,2016).

By digitally transforming brands, using a wide range of online marketing and online shopping features, and combining online and offline shopping experiences, customers can bring a more convenient brand experience. The convenience brought by the online market increases the purchase desire and irrational affordability of loved customers and increases the sales of brands and relevant potential customers.

2.4. Threats

2.4.1. Competition with Low-cost Coffee Sellers

There are competitors where the market is located, and the continuous entry of competitors in the coffee market is also a significant threat to Starbucks. Some emerging brands, such as Luckin, have been successful in the Chinese coffee market. For consumers, the core competitiveness of a brand is the product. The taste of the product, whether it meets the taste of the public, can be recognized by the masses; In addition, the product's price is also a crucial competitive factor, and different groups of people have different perceptions of the brand price.

A significant and positive relationship exists between customers' price perceptions and their purchase intentions, and the formation of price perceptions is significantly influenced by satisfaction with pricing and services. Price transparency was found to be negatively associated with customers' price perceptions. Gender, age, and service use experience were found to explain the differences in customers' perceptions (Munnukka,2008).

Luckin's coffee flavor innovations, such as the new raw coconut latte, which skillfully blends the taste of coconut with coffee, give a youthful feeling, and its price is about half that of the Starbucks brand. Multi-point comparison: People prefer the Luckin brand over the Starbucks brand. Therefore, whether it is product or price, Luckin Coffee has certain advantages, has occupied a large part of the coffee market in China, and there is a particular threat to the development of Starbucks.

2.4.2. Coronavirus

The pandemic is undoubtedly continuing to impact Starbucks' financial performance significantly due to reduced customer traffic and store hours. For example, Starbucks temporarily closed an estimated 2000 stores in China due to the coronavirus outbreak. Considering Starbucks has 4123 stores in China, almost half the stores were closed during the pandemic's peak. Due to the quarantine policies, people's daily life affects a lot. Many people with coffee habits cannot get coffee as usual, which also negatively affects the coffee industry like Starbucks. Sales decrease, food delivery, cancels, and so on. All these factors affect Starbuck's future development. The coronavirus has affected not only the operation of stores but also other aspects of normal operations.

Change in customer behavior

Experts predict the pandemic will continue changing customer behavior and tightening discretionary spending. In addition, the decline in the restaurant industry and other macroeconomic factors can adversely affect Starbucks' development plans and operations.

High Prices of Beans

The pandemic and the worldwide lockdown have dramatically increased the price of unroasted Arabic coffee beans. It has happened due to various factors like a disrupted supply chain, hoarding, and limited availability. It would badly impact the company's financial performance. The price of raw coffee beans – Arabica, the world's most-produced coffee (representing over 60% of the world's production), has increased drastically during the pandemic due to concerns over its availability, hoarding, and supply chain disruption. Any additional dollar channeled to purchase raw coffee beans at an increased price reduces Starbucks' profitability.

3. Strategies

3.1. WO Strategies

As coffee having been considered as a western product and a symbol of modernization, especially prevalent amongst the middle class, Starbucks China is supposed to develop its techniques to bring more traditional flavors like Latte or Expresso to the Chinese market and appeal to its target customers. 2. Frappuccino, one refreshing type of beverage owned by Starbucks, can be the selling point to work on as more and more Chinese adolescents having a preference for those novel beverages instead of traditional coffee types. 3. Due to the bad publicity of Starbucks poorly treated coffee farms, Starbucks is supposed to pay more effort to advertise and produce advertisements that explain the sustainable ambitions and prospects of the corporate.

3.2. WT Strategies

The average price of coffee sold in China is far more expensive than in the U.S, which is due to the importation of its coffee beans to make sure the quality of beverages, Starbucks should consider expanding its domestic coffee bean suppliers to get more product differentiation. 2. Starbucks of China has chosen white-collar workers and the middle class as their target customers, which results in the problem that the popularity among all the domestic customers is quite low while people may choose other coffee shops like Ruixin as its alternative, given this situation, Starbucks is supposed to create its own brand image.

3.3. SO Strategies

The quality of coffee beans is the core value of the competitiveness of Starbucks, and in order to sustain that Starbucks has diverse suppliers and importation resources. However, as there has been economic fluctuation resulting in the constant change in its cost. Therefore, Starbucks is supposed to alleviate its price volatility by implementing

hedging strategies like making contracts with suppliers to lock its quantity input and the costs of Starbucks will be maneuvered. 2. Starbucks has great growth opportunities in Tea and Fresh Juice products mix. Building up these products along the same line can be their core coffee products.

3.4. ST Strategies

In China, competition of local coffee shops and specialization of other coffee chains. The competition in China is motivating Starbucks to further build and reinforce its customer loyalty, implementing product differentiation and investing more in the corporate advertising and marketing initiatives. 2. Starbucks has proclaimed to be one environmentally-friendly and sustainable beverage shop, nevertheless, it has still been stuck in bad reputation of plastic waste production amongst the customers, in terms of this Starbucks China is recommended to implement more feasible strategies and making partnership with container producers to provide degradable containers for its customers. 3. Due to the saturated market of coffee and beverage shops in China, Starbucks can implement the strategy it once applied to in the market of United States, as focusing on getting penetration into untapped tier 3-4 cities and even rural area of China.

4. Conclusion

This study examines the strengths, weaknesses, opportunities and threats of Starbucks in China. Accordingly, Starbucks has a great consumers attraction in China. The strong points are the strong brand equity with high quality coffee and excellent customer service “The Starbucks Experience” lends a competitive edge, existence of valuable developed excellent skills in franchise management, and Favorable access to distribution networks. However, Starbucks is seen as an “American Product”, possible perception that the brand of United States is bullying and trampling on national cultures. Therefore, Starbucks is supposed products and services. These results may help Starbucks managers to analyze the problem of market in China and determine the potential improvement actions. Consequently, this paper provides an important alternative for further research projects on implementation of sustainable Starbucks strategy in China.

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