Starbucks Case Study

Student's Name

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Starbucks is a US-based multinational company, which acts as a premier marketer, roaster, and retailer of specialty coffee across different parts of the world. The company has 29,000 stores across different countries (Starbucks Corporation, 2019). It specializes in selling handcrafted and roasted high-quality premium coffee, tea, several food items, among many other beverages. Based on its recent financial statements, Starbucks had revenue of $26.5 billion in the 2019 fiscal year, which was a 7% increase from 2018 (Starbucks Corporation, 2019). An increase was also noted on the operating income since, in 2019, the operating income was $4.1 billion, while in 2018, the operating income was $3.9 billion (Starbucks Corporation, 2019). These financial insights on the firm simply show that Starbucks is on the right business track, and the results also show the streamlining business efforts to focus on accelerating growth in the business. As such, this paper will focus on Starbucks' business strategy, how the firm has incorporated technology as well as the upcoming strategies that Starbucks can integrate into the business.

Starbucks Business Strategy

The business strategy of Starbucks is based on four main pillars, which include selling coffee of the highest quality, focusing on international expansion with the focus on emerging economies, offering a third-place experience, and integrating the use of technology on its business processes (Dudovskiy, 2017). More into detail, Starbucks stores are well-positioned as a third-place where people can relax and spend time with friends away from work or home. More so, most of the Starbucks stores within the US and other parts of the world have free internet to

enhance the experience of the customers. These stores are also designed in a way that makes customers stay longer, return for another visit, and order for more products. Therefore, all Starbucks stores focus on boosting the experience of its customers.

Starbucks faces competition from the likes of Dunkin' Donuts and McDonald's (Hawley, 2019). At the same time, the firm has experienced phenomenal growth and success based on its sales and expansion over the years. This success has mainly been attributed to the firm's business strategy of product differentiation (Hawley, 2019). Ideally, the coffee giant focuses on the quality of its products such that customers enjoy high-quality coffee at premium prices. Besides, the firm offers excellent customer services, which offers Starbucks a competitive advantage. Therefore, Starbucks brands itself as the most exquisite coffee company.

Additionally, Starbucks focuses on market expansion based on economies to generate more sales. In other words, the international market expansion is one of the significant long-term essential perspectives of Starbucks' business strategy. The company has expanded its markets to CAP global segment, which stands for China, Asia, and the Pacific. In fact, from the previous few years, Starbucks has opened close to 2,719 stores in entirely new markets of China, Asia, and the Pacific (Dudovskiy, 2017). The primary motivation of Starbucks ' expansion is to bring the entire experience of the company across the globe. Since the launching of Starbucks in China, the firm has tried by all means to adapt itself to the local environment and innovate more to expand the experience of the brand.

The final business strategy of Starbucks involves integrating the use of technology in its various business processes. Starbucks has already implemented the use of technology to improve

its operations within the business. However, the firm recently bucked the trend of retail shopping towards e-commerce to focus on its customer's experience and implement other technologies to use (Cowley, 2017). The firm is adamant that implementing the use of technology will improve its website and ensure easy processing of payments for quicker service delivery. More so, the use of technology within the firm will help achieve technology-related value addition by integrating its use in a wide range of business procedures and processes, such as completing sales, product development, monitoring level of customer satisfaction as well as communication of marketing messages (Soper, 2017). The most notable achievements of technology within the firm include the launching of the mobile payment application that allows customers to pay for services without lining up to purchase products (Soper, 2017). Besides, Starbucks has a voice ordering app for its customers.

How Technology has Made Starbuck's Compete

Starbucks is known for many reasons, globally. It is mainly recognized for its quality coffee, as well as its innovative use of technology. The company has turned to technological usage to brew up more effective relationships with its customers, as well as improve its services. It uses technology in various ways, with the most common one being social media usage. The company uses common social media platforms to allow fans or customers to air their views within the online space. Starbucks has been named several times as a top social media brand, which means the company's success has been facilitated through the use of social media platforms (Adkins, n.d).

The firm also has a Mobile Order & Pay application and a digital loyalty program. The mobile application helps Starbucks customers in paying and submitting orders (Baertlein, 2018). This app has made Starbucks complete because according to its 2016 end of year filing, close to 25% of sales were completed from the Mobile Order & Pay application (Starbucks Corporation, 2019). Even though this application had not been implemented in all Starbucks stores, it accounted for 6% of sales in the fourth quarter sales of FY 2016 (Starbucks: A Technology Pioneer, 2016). Jargon (2018) also asserts that the mobile coffee app will be available for all its clients, and it is not only to the loyalty program members. As such, this application has made Starbucks complete through three main things, which include decreasing the wait time for customers, reducing the bottleneck of processing payments and taking orders, and meeting the smooth demand and increasing employee utilization.

The Mobile Order & Pay app is the revolution of a previous technology program initially developed to move the customers from its card loyalty program to the digital version of mobile payment. The previous card program enabled Starbucks to engage directly with its customers by offering promotion pricing and offering birthday rewards. Customers have rewarded loyalty stars when they use technology-driven companies, such as Spotify and Lyft, in which they have partnered with Starbucks. The use of technology has enabled Starbucks to offer the best service to its customers.

Starbucks also uses technology brewing. The company has a single cup coffee maker known as clover. Clover uses a specified algorithm and a precise technology to brew coffee within a specific temperature and produce an ideal flavor of the coffee. This clover technology is

connected through Ethernet to Starbucks' leading network to manage details and diagnostics of each clover unit (Adkins, n.d). Besides, the firm has free internet within its stores, and a digital network partnership with the likes of Wall Street Journal, USA Today, among many other sites to deliver premium content (Adkins, n.d). Delivering content makes Starbucks complete by attracting more traffic within their stores.

Upcoming Technologies that Starbucks should Integrate into their Business

When it comes to technology today, artificial intelligence (AI) is the real deal. Every company is implementing the use of AI, and so Starbucks should follow the same suit. The use of artificial intelligence will help explore possibilities and drive innovation across all fronts within the firm. Besides, with the aspect of data science, which is built from AI, Starbucks will successfully manage short- and long-term project outcomes through big data processing. More so, data science will significantly contribute to the success of Starbucks by building analytical solutions to solve complex business problems.

Also, considering the success of Mobile Order & Pay, Starbucks should consider the delivery of its products through the use of technology. Recently, the firm rolled out its Green Apron service for making deliveries as requested. Due to the success of this project, Starbucks partnered with Google X to test delivery with drones. Starbucks has benefited from such projects; hence, it should continue to implement such projects in all its stores. Therefore, Starbucks should invest more in its order and delivery capabilities.

Conclusion

Starbucks' business strategy is based on selling coffee of the highest quality, focusing on international expansion, and integrating the use of technology in its business processes. All these strategies have been adequate for the firm, but adapting to technology use has been more effective. The use of technology has decreased the wait time for customers and reduced the bottleneck of processing payments and taking orders through the Mobile Order &Pay, as noted in this paper.

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