

# How to Maximize Business Opportunities- Take Starbucks, for Example

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**Abstract:** The purpose of this paper is through the analysis of the internal and external business environment of Starbucks to find strength, weakness, threat and opportunity, in order to maximize business opportunity.

**Keywords:** Starbucks; Maximizing business opportunity

## Introduction

Starbucks is a global coffee retailer which from the united states and the main business of Starbucks is to provide customers with coffee, coffee beans, food as well as cups and in recent years, it has also expanded its online sales<sup>[2]</sup>.

### 1. Stakeholders

Stakeholders are people or groups of organizations that have interests with the company, which may come from within or outside the organization. The key players of Starbucks stakeholders are customers, employees and suppliers. Starbucks' most important stakeholders are its customers, which are directly related to the company's profits and the size of market. Starbucks pays more attention to provide customers with good service, comfortable environment and free WIFI, in order to attract customers to the store.

The coffee beans provided by the suppliers are not only the basic raw materials for the production of coffee but also the key to the long-term stable production of Starbucks. Then, Starbucks has diversified its suppliers which are family farms from all over the world who provide high-quality coffee beans to Starbucks and sign an equal and friendly cooperation treaty with them.

Employees are also the cornerstone of enterprise development. Starbucks treats employees as friends, and the company culture is tolerates and respects different types of employee, and provides them with accommodation, medical treatment, tuition reimbursement and other welfare guarantees.

### 2. Porter's five forces-scanning microenvironment

#### 2.1 Potential entrants (Threat of entry) - moderate

Starbucks' threat to potential entrants is moderate. With the development of technology, the home coffee machine has been popularized so that people can even make a cup of coffee at home. Moreover, It doesn't take a lot of money to run a small coffee shop, the main expenses just include rent, staff salaries, equipment and coffee beans. This shows that entering the coffee industry is relatively easy because it has low requirement of technology and low capital requirement. Nevertheless, the positive brand image and high brand loyalty of Starbucks have helped Starbucks occupy the majority of the market share in China<sup>[3]</sup>. To some extent, this mitigates the threat caused by low barriers to entry.

#### 2.2 Substitutes (Threat of substitutes) - High

Substitutes pose a high threat to Starbuck. The substitutes product of Starbucks is tea, because both coffee and tea have a refreshing effect. Furthermore, tea drinking has always been part of China's traditional culture, China is creating attractive national brands to revive the tradition of tea and the number of tea drinkers per person in China is rising steadily. This leads the number of people drinking coffee is decline. In addition, the price of tea ranges from dozens to thousands of yuan. Large price differences also represent a wide range of customers. However, due to the price of Starbucks (30-40RMB), its target market is mostly middle class<sup>[1]</sup>. Therefore, the threat of Starbucks is that the price of tea is more flexibility than Starbucks which make tea have more probability to capture Chinese market.

#### 2.3 Suppliers (Bargaining power) - Low

In Starbucks, supplier have low bargain power. The reason is that, most of Starbucks's suppliers are small and medium-sized family farms in Latin America, the Pacific and Africa, and in many cases Starbucks is their only partner. It is the large number of small suppliers that gives Starbucks a greater occurrence in getting its coffee beans for less money.

#### 2.4 Buyers (Bargaining power) - Low

Starbucks customers have low bargaining power. Starbucks has large but scattered customers, every year individuals in America will consume 66 billion cups of coffee, and each of person buys a small amount at a time. This is the factor that leads to the low

bargaining power of customers. The low bargaining power of buyers means that the company will raise the price of products to seek more benefits.

### **2.5 Degree of Competitive Rivalry - High**

Competition is fierce in both the Chinese and international coffee markets and Starbucks competitors are Nestle instant coffee and other brands that make ready-to-drink coffee which sold through supermarkets, club stores and specialist retailers. On the one hand, this is obviously threat to Starbucks' market position, but on the other hand, it is also an opportunity for Starbucks to innovate and transform their product. To fend off the threat from competitors, Starbucks began selling its own brand of instant coffee in retail stores at lower prices than fresh brewed coffee which sold in stores. As a result, selling instant coffee in retail stores is also a product innovation of Starbucks.

## **3. PESTEL Analysis- scanning macroenvironment**

### **3.1 Political & Legal**

The anti-China legal of the Biden administration threaten Starbucks' reputation in the Chinese market. Even though Biden promised that established friendly trade relations with China before becoming president, he has adopted a series of anti-China legal since becoming president, such as imposing high tariffs on Chinese goods. It is because of the anti-China policy of the Biden administration that the reputation of Starbucks which is an American brand, has plummeted in China. In addition, Luckin Coffee originated in China and have a good reputation in China. Reputation in China can make a difference in sales, and Starbucks should be wary that Luckin Coffee is outselling it.

### **3.2 Economic**

China's control of the epidemic is better than overseas, so China's economic recovery is faster, overseas economic is opposite. China has effectively brought the epidemic under control and has taken a series of measures to revive its economy which has been battered by the epidemic, including cutting taxes on businesses. This means that after the tax cut, Starbucks has more capital to invest in operation or to expand its stores in Chinese market. While Starbucks has faced challenges in abroad market. The resultant sales decline of Starbucks and many offline-stores of Starbucks are closed because coronavirus still spread widely in the foreign countries. Obviously, the economy has a direct impact on Starbucks market share and sales

### **3.3 Social**

The popular coffee drinking culture among the growing global middle class and people's focus on healthy eating provide opportunities for the growth of coffee sales. Furthermore, Coffee is able to refresh individuals and can also lower the risk of people get liver cancer and cardiovascular disease. As a result, due to new social trends in healthy eating and coffee culture, more and more middle class people will buy Starbucks coffee, which also expands Starbucks' market share.

### **3.4 Technology**

The business trend of going digital has given Starbucks an opportunity to develop its application, in order to give a better and convenience experience to customers. Starbucks has corporate with Apple to launch an online App that allows customers to order coffee online and pick them up in stores, as well as offering discount coupons on the application. This means that the application which lunched by Starbucks can not only shorten the waiting time of customers, but also make use of the personal data collected from software to provide customers with personalized services so as to stimulate customers' consumption and achieve income growth.

### **3.5 Environment**

People's increasing awareness of environmental protection has promoted people's consumption of environmentally friendly products. Due to the continuous deterioration of the environment, people realize the importance of environmental protection, environmental friendly products are favored by consumers. Starbucks has made a contribution to environmental protection. More specifically Starbucks uses recyclable materials in its cups and straws, and converts leftover coffee grounds into fertilizer for free to customers. This approach keeps Starbucks sustainable development and also attracts consumers who care about environment.

## **4. Conclusion and Recommendation**

Firstly, this paper identifies the stakeholders of key player in Starbucks and takes them as the factors to be considered when making important decisions. Then, through Pestel analyzes, find the opportunities and threats faced by Starbucks in the external environment. In response to threat of declining reputation in the Chinese market and that of closing a large number of offline stores in foreign markets, Starbucks should conduct charitable in China to improve its reputation and shift from offline sales to online sales in foreign countries. At the same time, Starbucks should take advantage of China's economic recovery and the popularity among the middle class of coffee drinkers who believe it has benefits for health. Open more offline stores near the office area to attract middle-class consumers. Moreover, Starbucks should also seize the opportunity of digital business trend to improve the technology of its online software and website.

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