

## Work Sample (Minimum) for 10-K Integration Assignment – MAN 4720

**Employee Name:** Your name goes here

**Date of Your Report:**

**Company:** Starbucks

**Date of 10-K:**

### PESTEL

**1.Political:** Pg. 5 – *The Company supports the concept of universal rights for all employees, and for suppliers of raw materials and services that the Company relies on.*

- Starbucks is addressing the issue of human rights with this statement. The company is a global entity – is consume raw materials and labor from countries all over the world. This statement indicates that Starbucks is sensitive to the low wage labor issues and general human rights concerns that many global manufacturers have to deal with today.

**2.Economic:** Pg. 18 - *The Company buys coffee using fixed-price and price-to-be-fixed purchase commitments, depending on market conditions, to secure an adequate supply of quality green coffee.*

- Market conditions, especially recently in the economy, are rapidly changing. Therefore, Starbucks exhibits consistent pricing strategies to keep up with current macro-economic trends to make sure they have sufficient supplies. This concept is extremely important to their competitive position in the environment, as their pricing strategy is one of the aspects that makes Starbuck's such a successful company.

**3. Socio-cultural:** Pg. 27 - *To provide a greater degree of access and convenience for non-pedestrian customers, the Company continues to selectively expand development of drive-thru retail stores.*

- Socio-cultural forces relate to how consumer preferences are constantly changing. In this statement Starbucks discusses how they have adjusted to consumer's preference of convenience by adding more drive-thrus to some of their locations in order to keep up with their rivals, who all almost have drive-thrus. Satisfying customer needs as well as keeping up with competitor's actions is necessary for Starbucks to maintain their competitive position.

**4. Technological:** Pg. 44 - *Starbucks cards can be used in all Company-operated and most licensed stores in North America, and in a growing number of international markets.*

- This concept relates to the technological broad force because it discusses how Starbucks is greatly affected by new technology advances in the industry. Loyalty cards for quick service establishments, especially coffee shops, are becoming more and more popular because they make it easier and quicker for consumers to purchase their favorite drinks. They are also extremely important for Starbucks, as they are constantly adding new geographic locations all over the world. Loyalty cards are one way that helps Starbucks keep up with their rivals and remain the leading coffee retailer.

**5. Legal:** Pg. 57 - *Some of the company's trademarks, including Starbucks, the Starbucks logo, Frappuccino, Seattle's Best Coffee and Tazo are of material importance to the Company.*

- Patents and trademarks are considered to be both legal and political forces and have a presence in all companies. The Starbucks name and logo and their specialty drinks such as Frappuccinos and Tazo tea are what makes them stand out from competitors and what consumers identify them by. Therefore, it is

extremely important for the company keep up with new regulations to keep ownership of those trademarks.

**6. Environmental:** Pg. 14 - *The Company's focus is on ethically sourcing high-quality coffee, reducing its environmental impacts and contributing positively to communities.*

- This concept is illustrating how Starbucks has a genuine concern for the impact of their products on the environment as well as the communities which surround their locations around the world. It is of utmost importance to them that they maintain a globally responsible company and instill their values at a corporate level. This explains why they are viewed of as high quality in such a competitive environment.

### **Porter's Five Forces**

**7. Current Competitors/Intensity of Rivalry:** Pg. 63 - *In almost all markets in which the Company does business, there are numerous competitors in the specialty coffee beverage business, and management expects this situation to continue.*

- As interpreted from this statement, there is a high degree of rivalry among existing competitors in the coffee beverage industry. Starbucks competes not only with their coffee drinks, but also the food and other products that they offer. Even though rivalry is expected to intensify more in the future, the way in which Starbucks differentiates itself is what helps Starbucks maintain their competitive position.

**8. Threat of new entrants:** Pg. 52 - *Starbucks also faces competition from both restaurants and other specialty retailers for prime retail locations and qualified personnel to operate*

*both new and existing stores.*

- Although most of their competition comes from other quick-service restaurants, Starbucks competes with other types of specialty retailers as well that are not necessarily similar establishments. This statement is showing that Starbucks is always going to be threatened by new stores opening up in populated areas and will continue to for the rest of the future. However, since Starbucks has such a strong competitive position in the market, they have an advantage over any new stores being developed.

**9.Power of Suppliers: A.** Pg. 61 - *To ensure compliance with its rigorous coffee standards, Starbucks controls its coffee purchasing, roasting and packaging, and the global distribution of coffee used in its operations.*

- As shown in this statement, Starbucks has strong buying power, as they have control over pretty much every aspect of their company from the type of coffee they purchase to where they distribute their products around the world. In this industry, there are few buyers with significant market share, which makes this force extremely powerful. This is vital in understanding Starbucks' competitive position as it explains why they are perceived of such high quality in all the markets they compete in.

**B.** Pg. 63 - *The Company depends upon its relationships with coffee producers, outside trading companies and exporters for its supply of green coffee.*

- In the coffee industry, there is not much bargaining power for suppliers. From this statement, it is assumed that Starbucks has a huge impact on the sales of the individual suppliers they buy all of their coffee from. Therefore, Starbucks has a

long-term relationship with its suppliers and has a lot of input on the prices that they are willing to pay. Starbucks success in their high quality products has a lot to do with the fact that they have such a strong tie with their suppliers.

**10. Power of Buyers:** Pg. 52 - *Starbucks has faced a decline in customer loyalty based on feedback from store managers. The number of 'regulars' is declining, and the frequency of their visits is on the decline. The decline could be caused by economic pressure on the buyers, the increase use of in-home brew systems, or the switching to other retail providers. To encourage regulars to increase their visits, and attract new customers, selective price reductions and frequent visit incentives have been experimented with.*

- Buyers have more choices for the product that Starbucks offers. The product is not a necessity other than the potential addiction that caffeine represents. Buyers have a variety of options for the same product, and for substitute products. The document indicates that Starbucks recognizes the power of buyers, but does not completely understand the cause of the decline. Further, the company indicates only one strategy for dealing with the decline – a cost based strategy.

**11. Threat of substitutes:** Pg. 57 - *Starbucks has been experiencing greater direct competition from large competitors in the US quick-service restaurant sector and continues to face competition from well-established companies in many International markets and in the US ready-to-drink coffee beverage market.*

- Today, the number of quick-service restaurants and ready-to-drink beverages is huge. With the development of new types of coffee substitutes such as various energy drinks and sodas in the ready-to-drink market, there is a pretty big threat for consumers to switch over to those. This statement is of great importance to

understanding their competitive position as it shows how significant it is for Starbucks to differentiate themselves from all the other types of companies out there, both domestically and internationally.

## SWOT

**12. Strengths:** Pg. 21 - *Starbucks is the premier roaster and retailer of specialty coffee in the world.*

- This statement alone explains why Starbucks is such a successful company. The fact that they are the leading specialty coffee retailer not only in this country, but the world, is a really big strength. It is extremely important in understanding their competitive position, as being the leader in the industry puts them ahead of all of the other coffee-beverage companies out there. Their reputation of such high quality and differentiated products is what puts them at such an advantage.

**13. Weaknesses:** Pg. 24 - *The Company also locates retail stores in select rural and off-highway locations to serve a broader array of customers outside major metropolitan markets.*

- Typically, Starbucks places their stores in major populated cities, as those areas match Starbucks's target markets. As this statement suggests, not having as many locations in rural areas could be seen as a weakness. If customers do not have a Starbucks within close vicinity of them they are liable to switch over to one of their competitors, which could hurt Starbucks in the long run.

**14. Opportunities:** Pg. 27 - *Starbucks disciplined strategy for expanding its global retail business is to increase its market share by selectively opening additional stores in existing markets, opening stores in new markets, and increasing sales in existing stores,*

*to support its long term strategic objectives.*

- In order to maintain their competitive position as the leading retailer in the coffee beverage industry, it is necessary for Starbucks to strengthen existing markets as well as explore new ones. This statement exhibits Starbucks plan to expand its global markets to back up its competitive position, which serves to be a great opportunity for them.

**15. Threats:** Pg. 29 - *In addition, green coffee prices have been affected in the past, and may be affected in the future, by the actions of certain organizations and associations that have historically attempted to influence prices of green coffee through agreements establishing export quotas or by restricting coffee supplies.*

- This statement serves as a continuing threat in the SWOT analysis of Starbucks as a company because there are always going to be regulations and restrictions on prices of coffee in the industry. This mostly affects the suppliers that Starbucks purchases all of their coffee from. If the actions of specific organizations have too much of an impact on prices, it could potentially hurt Starbucks in the future as the leading retailer.

**Competitive Strategy:** Pg. 2 - *The Company's retail goal is to become the leading retailer and brand of coffee in each of its target markets by selling the finest quality coffee and related products, and by providing each customer a unique Starbucks Experience.*

- This statement supports Starbucks competitive position as the top retailer of specialty coffee in the world. They have chosen a differentiation strategy. Not only do they sell the best quality products, but they ensure every customer a great

experience, specializing in their every need. This is what differentiates them as a quick service restaurant and helps them to establish their retail goal as a company.

- Starbucks views themselves as the best of the best in the coffee beverage industry. This indicates that they understand they are taking a differentiation position. Most of their 10-K supports this by showing how they differentiate themselves with not only their high-quality coffee roast, but also their variety of beverage choices. They also view themselves as “one of the most recognized and respected brands in the world.” It is extremely important to them that they keep up with all of their locations globally and continue to expand to new markets. They want to be recognized as being environmentally respectful as well and continue to promote that.