

Was the Starbucks 2010 strategic vision effective?

Starbucks is the world's #1 American and global coffeehouse Chain Company

**What was Howard Schultz's original strategic vision for Starbucks? Is his 2010 strategic vision for Starbucks different from the one he had in the 1980s? How many times has his strategic vision changed? Is his present strategic vision likely to undergo further evolution?**

- Mr. Howard Schultz's vision for Starbucks was to become a national company with emphasis on strong values and guiding principles that its employees would be proud of and the employees could feel like their thoughts and decisions mattered.
- The 2010 vision never changed fully but was an expansion of the 1980 vision. It just amended the business needs and changes that took place to include more innovative and cost cutting practices. Starbucks wanted to expand their market segments, complete their acquisitions while entering into more international markets.
- Shultz idea in allowing employees to be a vital part of the company will continue as main importance, while adding changes to meet the company's goals/vision and it will be considerable that the strategic mission will continue to grow as new strategies will be but in place where applicable to withstand the business for times to come. Also Starbucks wanted the customers experience to be distinguished from Starbucks competitors.

**Has Starbucks's strategy evolved as the strategic vision has evolved?**

All business that is not willing to grow with their customers will eventually fail. Yes, Starbucks clearly understands their strategic vision has to evolve with their customer's overtime.

**Which one of the competitive approach that Starbucks is employing?**

Starbucks employed the focused differentiation strategy with emphasis on product differentiation in order to appeal to a variety of customers within an ever expanding company base and competitors market.

**What are the key policies, practices, business principles, and procedures that underlie how Howard Schultz and Starbucks' management have implemented and executed the company's strategy?**

By Starbucks using the foresight of Schultz vision, Starbucks focus was expansion. Starbucks employed knowledgeable leaders who saw the need of building larger production facilities to help Starbucks with handling the fast growth. Starbucks key policies were to have high quality customer services, individualized store location ambiance and their commitment to offering the highest quality products. Starbucks partnered with their employees by offering benefits to include stock options to all their employees (full/part-time) as well as each employee was thoroughly trained through an intensive specialized range of employee training programs like an educational coffee training program.

**What "values" does Starbucks have? How well do they connect to the strategy and to the manner in which the company conducts its business?**

"To build a company with soul" is Starbucks foundation for value since creation. The value is instilled by offering and purchasing the best bean and brewing the coffee to perfection. Starbucks value their partnership with their employees' so they can offer high quality customer service to each customer. Starbucks stores are in a variety of neighborhoods offering individualized store ambience. All of these values are implemented while offering happiness, stability and growth to Starbucks shareholders.

**What is your evaluation of Starbucks social responsibility strategy? Is it sincere or just something the company does and talks about to create a good public image?**

Schulz implemented a sincere social and an environmental responsibility strategy which has also helped to create and maintain their good public image. In 2010 Starbucks was named to the Corporate Responsibility Magazine's "100 Best Corporate Citizens". With this honor and strategy it supports the actions for Starbucks to manage their philanthropic activities which included 4 main elements: Ethically sourcing all of the company's products, community involvement, environmental stewardship, and to offer farmers loans.

**What is your assessment of Starbucks'?  
Starbucks United States**

<b>Starbucks United States</b>					
	2009	2008	2007	2006	2005
Revenue \$ millions	\$6,572.10	\$6,997.70	\$6,560.90	\$5,495.20	\$4,539.50
Growth rate %	-6.10%	6.70%	19.40%	21.10%	
Operating Income \$m	\$531.80	\$454.20	\$1,005.20	\$955.20	\$818.50
Operating Income/Revenue %	8.09%	6.49%	15.32%	17.38%	18.03%
<b>Starbucks International</b>					
	2009	2008	2007	2006	2005
Revenue \$ millions	\$1,608.00	\$1,774.20	\$1,437.40	\$1,087.90	\$852.50
Growth rate %	-9.40%	23.40%	32.10%	27.60%	
Operating Income \$m	\$92.90	\$110.00	\$137.70	\$108.50	\$82.30
Operating Income/Revenue %	5.78%	6.20%	9.58%	9.97%	9.65%

Starbucks performance in the United States (US) vs. internationally, the US market is 4 xs larger and more profitable. US had revenue of \$6,572.10M while the International revenue was only \$1,608.00M.

The revenue growth rate percentages both represented a negative growth rate in 2009. Starbucks International growth rate was about 3% lower than the US. However, due to the economic recession, which struck in 2008-2009, it is not surprising that there was a significant decrease in growth within both markets. Prior to the downturn the growth rate in the US had begun to slow since 2006, but the figures were still positive once again until 2009. Internationally the growth rates began to fluctuate since 2006 but they remained high reaching 32.1% growth in 2007, due to Starbucks trying to expand more into the international markets in recent years.

The operating income for the US and International markets once again there was a significant difference. Starbucks US operating income were much higher. This is due to the larger size of the market and revenues in the US compared to the International market. In 2009, the operating income to revenue ratio is much closer. The US is 8.09% vs. the International market is 5.78%. This is once again due to the recession, which leveled most economies to a similar level.

Based on the data above Starbucks is on average a healthy and profitable company who strategies allow the company to make shifts where applicable.

**What is your evaluation of Howard Schultz's transformation agenda for Starbucks during 2008-2010 (see pages C-362 and C-363)? Has Schultz done a good job since his return as Starbucks' CEO? Why or why not?**

I feel that Schultz has done a great job. Schultz has the needed passion to drive the success of the Starbucks Company. Schultz is always focus on the ever-evolving nature of consumers, making sure that Starbucks can adapt to new trends. He empowers and informs his employees. Through his goals and agendas Starbucks has shown profitable and sustainable growth. Since his return, Starbucks continuously has risen as one of the most powerful companies in the world.

Howard Schultz's transformation agenda during 2008-2010 had several key elements to strengthen the core, elevate the experience, invest and grow the business by:

- Slowing down new store openings to 73 internationally.
- Increase sales/traffic - 900 underperformed company-owned stores were closed in the United States.
- Raise the projected return on capital requirements for proposed new store locations in order to increase profits and to decrease the lost of traffic to existing stores.
- Revamp the company's locations in Australia with a focus on Brisbane, Melbourne, and Sydney as the hub cities while closing 61 under-performing locations in order to achieve the goal.
- Continue to emphasis on developing and implementing a variety of methods to create new store designs in order to promote a refreshed customer experience.
- To create a program to share best practices in stores globally.
- To provide resources and tools for store employees such as laptops and internet-based software for scheduling.
- Cost-containment initiatives were put in place in order to improve the bottom line that included a reduction of 1,000 people in staffing.
- To renew the attention placed on employee training in order to reignite the enthusiasm to please customers that is vital to the mission of Starbucks.

**What issues confront the company as of mid-2010? What should Starbucks's management be worried about?**

Two things Starbucks was confronted with: Declining sales caused by the recession was the biggest issue confronting Starbucks. This was the first time Starbucks had seen a decline in sales therefore it was a reason for management to worry. Starbucks might have to confront the issue of their higher prices compared to their competitors. With the recession people are less willing to spend money on things like coffee every morning.

Expanding internationally – since Starbucks is an American Company, entry barrier is not easy, lack of brand awareness could reduce the chances of the company's success tremendously, along with the time, money and research necessary for each custom and atmosphere of the various countries is extremely tough to pull off and can cause worry.

**What recommendations would you make to Howard Schultz to sustain the company's growth and support continued strong five generic competitive strategies discussed in Chapter 5 most closely approximates the financial performance during fiscal years 2005-2009? financial performance in the years ahead? In conclusion here are the recommendations:**

- ✓ Lower or incentive prices- In order to reach more consumers who may shy away from Starbucks due to their high coffee prices Starbucks may want to think about slightly lowering prices or offering incentives.
- ✓ Home coffee cup makers - Especially during recessions when consumers are more likely to make coffee at home than buy it on their way to work etc. This opens up an opportunity for Starbucks to break further into the at home coffee market.
- ✓ International Growth- Although Starbucks is currently located in over 50 countries. The idea Schultz had to expand into Japan and China is a good one. Japan outside of the United States has been the largest consumer of Starbucks products. This opens up the door for Starbucks to open up a multitude of stores in Japan.
- ✓ Partnerships: Continue their partnerships with companies like PepsiCo, which will allow them to extend their product offerings into new consumer markets.

Reference:

Crafting & Executing Strategy book 18e – Thompson/Peteraf/Gamble and Strickland  
<http://investor.starbucks.com/phoenix.zhtml?c=99518&p=irol-reportsannual>