Starbucks SWOT and International Strategy

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Background Information

Starbucks Corporation is considered to be one of the leading roasters, retailers, and marketers of specialty coffee across the globe. The company's operations include 7,300 coffee shops in the UK, South Korea, the United States, and Japan, among other countries. The firm enjoys large market coverage considering the number of countries and number of shops it operates. Business organizations across the globe are concerned about their financial stability, as most companies associate business growth with financial stability. As a coffee company of international status, Starbucks is highly focused on delivering quality products.

Starbucks is a strong brand in the coffee market. A strengths, weaknesses, opportunities, and threats (SWOT) analysis of the firm points to a company that is well-placed to navigate through various market challenges (Bush). According to Bush, the firm's strengths include a good financial model, proper budgeting, a strong brand, and highly professional top management. Starbucks attracts a number of opportunities due to its strong brand. Some of the business's opportunities include market expansion as well as growth of sales. One of the company's leading weaknesses is the limited application of advanced technology in its operations.

SWOT Analysis

Strengths

Starbucks enjoys numerous strengths that have formed the backbone of the firm's continued operation and growth even in testing and highly competitive markets. The company's strengths include:

- Effective marketing
- Extensive global Distribution/Supply Chain
- Diversified business
- Effective Financial Model (profitable, creditworthy and good asset base)
- Sound management

Effective Marketing

Starbucks is a leading roaster and distributor of specialty coffee across the globe. The firm enjoys an enormous portion of the roasted coffee market. Dudovskiy also states that the company benefits from powerful marketing teams and strategies. The main marketing strategies that the firm applies are purely based on its ability to collect customer information and roast quality coffee.

Effective Financial Model

The company also boasts an effective financial model. The financial model includes effective budgeting and cash flow analysis. Budgeting remains a significant tool for any successful organization. Starbucks's operations are guided by periodic budgets that cover all operational elements. Budgeting comprises a number of essential items. One of the critical aspects of a budget is operating expenses (Bush). Operating expenses mark a significant part of any budget.

Sound Management

At Starbucks, quality management takes center stage. Looking at the firm's financial model, the management team deserves credit for its high professionalism. The company embraces experts in most of its financial operations. The difference between Starbucks and other organizations is entirely based on the fact that its operations follow laid-down and well-recognized guidelines.

Weaknesses

Even though the firm is performing relatively well, it has a number of weaknesses that need addressing. The weaknesses include:

- High prices.
- Imitable Products.
- Lack of diversified products.

High Prices

Most Starbucks products are relatively expensive. This makes them less accessible to a large population of potential buyers. Due to the pricing issue, some customers classify Starbucks products as luxurious goods.

Imitable Products

Starbucks is less innovative. The firm rarely initiates new product changes. Besides, the firm is not quick to introduce new products to its market. The lethargy is disadvantageous to the firm as it can lead to missed growth opportunities.

Opportunities

There are a number of opportunities that the firm can take advantage of to achieve even better growth. This way, the firm will be able to meet its goals. The potential opportunities that the firm can leverage include:

- Expansion to Asia, the Middle East, and Africa regions.
- Diversification of its products.
- Partnership with other organizations.

Expansion To Asia, The Middle East, And Africa Regions

Starbucks enjoys a good reputation across the globe. Therefore, the company stands a better chance of expanding to other markets. Currently, the firm is yet to fully exploit its Asia, Middle East, and Africa markets. Its presence in the regions is scarce, leaving further room for expansion. The regions enjoy a booming middle class (Lombardo). Besides, they have high populations, presenting an unrivaled pool of clients. Therefore, the firm would benefit immensely from tapping the opportunities presented by the three regions.

Diversification Of Its Products

The company still has limited products on offer. Therefore, the firm has a great opportunity for diversification. It should consider innovating new items on offer to attract more clientele. For example, the organization could adopt local cuisines in some of its operational regions, such as Africa and Asia.

Partnerships With Other Organizations

The firm mainly operates on its own without partnering with other organizations. However, given the company’s need to expand to new regions, it would also be ideal for it to partner with other organizations. The firm can get into partnerships with competitors, too. This is an ideal way of dealing with competition from a win-win perspective (Lombardo). Often, partnerships with other organizations give companies a better opportunity to access new markets.

Threats

The company faces numerous threats that endanger its long-term existence. If not addressed adequately, the threats could lead to the firm's collapse. Therefore, it is paramount for Starbucks to promptly address those threats. The threats include:

- The rising cost of coffee
- Imitations
- Competition

Rising Cost Of Coffee

Global coffee bean prices have been on a steady rise. This has resulted in ever-increasing production costs for Starbucks. To avoid the increased prices cutting into its margin, the firm resorts to increasing the price of its coffee products. This is not sustainable as clients are not willing to spend more. Therefore, the firm has to strike a balance between increasing its product prices and pleasing and retaining its clients.

Imitations

Starbucks mainly offers high-quality roasted coffee. However, the prices are relatively high. This offers low-priced coffee shops a chance to compete in the same markets. To beat Starbucks, the other coffee suppliers often imitate the firm's products, posing a huge threat to its existence.

Competition

The company faces competition from other organizations such as McDonald's, Dunkin Donuts, and independent coffee shops and fast food chains. The firm needs to identify its market niche and exploit it to the maximum.

Recommendations

Starbucks Coffee's SWOT analysis shows that the company is highly stable. It has numerous strengths and faces a good future from its diverse opportunities. Despite the many strengths, the company must exploit available opportunities for effective global expansion. Moreover, the business needs to address the issue of competition as well as low-priced coffee. Starbucks can counter the competition by emphasizing the quality and uniqueness of its products.

Starbucks's Financial Performance

Since Starbucks has a high debt ratio, it is deemed to have a reasonable asset basis. This implies that the company can handle most of its operations without the need for a lot of credit facilities. Even though organizations are expected to boost some of their operations on credit, Starbucks stands a better chance of operating without a credit facility. With regard to percentage, Starbucks enjoys reduced credit risks. This implies that the firm has more assets than debts and can easily settle or meet its liabilities on time. The nature of its credit risk is important in both the short and long term.

The long-term risk of the company is vital because it dictates the sourcing and application of funds (Dalavagas). Starbucks is a stable organization based on its strategy, financial operations, and decisions. The firm remains stable due to its continued operation as a going concern, a clear indication that the firm is highly concerned about its profitability. The company's analysis is mainly based on a good asset base and prudent management of its operating expenses. The ratio figures obtained on return on assets and the profit margin ratio demonstrate that the firm is headed in the right direction.

Projections Of Stock Performance

Starbucks's share prices have been steadily rising over the past years. According to Nasdaq, the price of the firm's shares rose from $29 in 2013 to $59 today. This represents an increase of 100%. Over the last five months, the price has been fairly constant (Yahoo Finance). This shows that the firm is likely to achieve even better growth. Therefore, based on this observation, it is evident that the company's share price performance is commendable.

Buy/Do Not Buy Recommendation

Based on Nasdaq and Yahoo Finance's historical data, it is evident that Starbucks has enjoyed tremendous growth in share price and the amount of traded volumes. In addition, the firm enjoys the benefits of sound management and effective marketing strategies. Therefore, the share prices are expected to rise further. Based on this evidence, I would advise one to buy Starbucks's shares.

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