
Starbucks' Competitive Advantage: Internal Features And Barriers

1. What main internal features/ strengths (sets of activities or resources/capabilities) is Starbucks' competitive advantage built on?

Ans. Starbucks is the premier roaster and retailer of specialty coffee in the world. And with every cup, they strive to bring both, heritage and an exceptional experience to life. Today, Starbucks has over 24,000 stores in 70 countries. The reasons for its competitive advantages are:-

- • Authentic Arabic coffee beans- Earlier in 1970's, Americans who used to drink coffee were not satisfied with its quality. The Robusta beans used were of very cheap quality & cannot be stored for a long time. In the same period, people were becoming health conscious, therefore, the Starbucks founder, Mr. Howard, was himself very passionate for coffee. So, he tried to provide quality coffee to its customers. So, they started selling high quality Arabica coffee beans, quality checks were held before delivery and they also prevented the oxidation of coffee beans which helped them in "Positioning" its coffee in the mind of customers as the authentic, quality & healthy and gaining competitive advantage among its competitors.
- • Personal relationships & new experiences- During 1980's, Mr. Howard went to Italy. There he saw a new way of selling coffees, Barista creating personal relationships with its customers. Then, he prepared Baristas about the specialty of having upbeat discussions with the consumers so they could create and enhance bond with them while serving coffee in Italian style (Smell of brewing coffee in the stores enticing customers). This is regarded as one of the foundational step in building a sustainable competitive advantage.
- • Rewards card- This card provides a range of benefits to its customers on a regular basis. These types of offers lure customers to buy more from its shops. This also helps in maintaining long-term customer relationship building loyalty. Ex- It provides free coffee (one time) to the one on his birthday month.
- • The "3rd Place"- Ambience of the bistros is incredible with its premium appeal Starbucks cafes gives ideal vibe for conferences, friendly talks. It's comfortable and gives a ton of solace for making the most of your espresso. It has complimentary wireless internet.
- • No Franchising- All its stores around the world are its own. They do not franchise their shops and treat all its employees as its partners. They believe that creating franchises are like middlemen between them and their customers. This proves their mentality towards their customers.
- • Human Capital Management- Starbucks tries its best to retain its Baristas and Managers for a smooth-conduct of business. For this, they also provide benefits to its employees such as- health insurance, retirement, stock options, free coffee and college education support. This helps in creating a strong relationship with its employee, customers and also creates a good image of the company in the global market.

2. What barriers to imitation (or replication) exist that will ensure that Starbucks' competitive advantage will be sustained in the long run?

Ans. Starbucks has been in charge of making the idea of a third place among home and work where individuals can unwind, appreciate some coffee and experience the enticing vibe. It is frequently said that Starbucks shown America how to drink coffee and is presently ceaselessly showing the world. But in a dynamic environment, there are many competitors where we need to maintain our competitive advantage for long-run of business. Therefore-

- Patents- In this very competitive and dynamic world, it takes no time to replicate your innovative or unique work. To help with this, companies apply for patents. Similarly to sustain its competitive advantage in long-run, Starbucks has applied for many patents such as- Beverages with enhanced flavors and aromas and method of making same, Dynamic graphical display for a beverage dispensing system, Apparatus and methods for brewing a beverage etc.

This will help them in maintaining their unique taste among their customers and keep it different among its competitors.

- Starbucks Reserve Roastery- Improving it as a 3rd Place, Starbucks has created a innovative reserve roaster store which is completely different from its traditional coffee shop. It includes lounges, full liquor bars etc. It has been found that an average person spends four times more time in this store. It can serve as method for gaining long-term competitive advantage as well as a new competitive advantage in different markets.
- Innovation- As the tastes and preferences of customers change over a short-period of time, companies need to bring new products or services to meet the needs. Starbucks is known for its continuous innovation in its product which helps in retaining its customer base. Ex- Pumpkin spice latte, one of the seasonal favorites at Starbucks, was recently relaunched. The launch followed more than 150,000 incremental visits on the first two days.
- Pricing Strategy- The coffee house costs its items in the premium to the center levels of the market section which places its items outside the financial limits of many working buyers who like to visit McDonald's and different outlets for their espresso rather than Starbucks. It should launch more items in less price which can help in covering more groups of people who are directly impacted by the price of the commodity.
- Social Responsibility- As an organization with monstrous worldwide reach, Starbucks has the ability to have an effect on individuals. The organization's Vision for 2020 and Beyond incorporates extends in the regions of coffee supportability, greener retail, and network commitment. The brand's key business driver coffee is one that it concentrates the vast majority of its consideration on. In its Coffee and Farmer Equity (C.A.F.E.) Program, Starbucks is making a pledge to buy 100 percent ethically-sourced coffee. Today, it is just 1 percent far from gathering that objective. Fulfilling social objectives does not have an immediate impact but in the long run it has a big and direct impact in the business.
- Brand Recognition in Developing Markets- Company should now focus on creating its brand name in developing markets like India, China, Brazil etc. because of saturation of developed markets. Company must understand the local environment and launch its product with new strategies to gain a first-mover advantage where the competition in coffee industry is still very low. Indians like to purchase more if they get something free along with the product, therefore, Starbucks can launch its loyalty card with more benefits in Indian market which will help them in gaining the competitive edge among others. Ex- Colgate and Pepsodent have maintained its market share by providing

something free like toothbrush etc. always with its product.

Overall, we can conclude by saying that today Starbucks enjoys a huge share in the global coffee industry with its innovative strengths and capability to tackle threats but the company must now adapt expansion strategy for different markets in order to survive in the global market for a long-run.