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Starbucks Strategy Analysis Final Paper

Starbucks Coffee Company began in 1971 in Seattle, Washington as a coffee bean wholesaler and retailer. The company transformed into a coffeehouse chain in 1987 under Howard Shultz, who wanted to bring Italian-style espresso bars to the United States (Bondarenko et al., 2025). Since then, Starbucks has grown into a global brand, serving 80+ markets, with more than 38,000 stores worldwide. The company generated approximately $36 billion in revenue in 2023, making it one of the largest and most recognizable coffee brands in the world (U.S. Securities and Exchange Commission, 2023). Starbucks places an emphasis on doing good through ethical sourcing, environmental responsibility, and community engagement through initiatives involving its customers, partners (employees), and the communities they are placed in.

We decided to analyze Starbucks as our company because we are both longtime customers. More importantly, Marisa has interned with them and will be returning after graduation. She thoroughly enjoyed her experience and is deeply invested in the company and its potential.

Business Model Canvas Interpretation & Conclusions:

Starbucks' Business Model Canvas displays how the company brings together its value proposition, customer segments, and operations to create and capture value. Starbucks' business model is focused on offering a premium coffee experience through high-quality products, customer satisfaction, and convenience for the consumer. The company serves a large range of customers, including busy professionals and travelers, through channels like its physical stores and mobile app, and Starbucks offers these customers tailored products to fit their wants and needs. It maintains strong customer relationships through loyalty programs and personalized service in order to increase customer engagement and loyalty. Key resources, like its brand equity and coffee experts, ensure that operations run smoothly, and key activities, like marketing and product development, continue to drive innovation. Its partnerships with suppliers, distributors, service providers, and others further strengthen Starbucks' position as a market leader. All of this supports Starbucks' differentiation strategy and gives it a competitive edge in the coffee industry.

Corporate Level Strategy:

Starbucks' corporate-level strategy can be broken down into 3 parts: objective, scope, and advantage. The company's objective is to serve the best coffee while ensuring the best experience for customers in-store and on-the-go. This aim has been reaffirmed by new CEO Laxman Narasimhan, who emphasized elevating both the customer and partner (employee) experience as central to the company's future (Ahuja, 2023).This is accomplished through their scope of 36,000+ stores in 80 markets and the wide variety of customers they open their doors to, from urban professionals to college students (Statista, 2024). Starbucks offers a multi-faceted advantage by acting as a "third place" for its customers, offering the finest quality beverages, and creating value for all involved in its cause. Its competitive advantage lies in its positioning as a

"third place," a comfortable and personalized space between home and work, while also maintaining high-quality offerings and a strong brand identity (Meyersohn, 2024).

While Starbucks is still in a leadership transition, its new CEO has set out to achieve several goals in his first few quarters. This includes an added emphasis on their partners (employees), like partner-centric scheduling, reinvented drink training programs, and career advancement opportunities. Since they are still in this transition period, most of these goals are still only in the planned stage. They have, however, begun the rollout of their Siren Craft System, which essentially retrains partners on handcrafted beverages, elevating the experience for customers and baristas alike (Starbucks, 2024).

Starbucks' strategy can be summarized as delivering a premium, personalized coffee experience at global scale by investing in people, innovating customer touchpoints, and maintaining a community-centric presence.

As Starbucks continues to evolve under new leadership and responds to shifting consumer expectations, it is equally important to assess how external forces, like market trends and competitive pressures, shape the company's strategic positioning. From here we will conduct an in-depth external analysis of the environment in which Starbucks operates.

To fully understand Starbucks' strategic position, it is essential to examine the external environment that influences its operations and growth. External analysis provides insight into the economic, social, technological, political, and competitive forces that impact Starbucks' ability to achieve its objectives. By using essential frameworks like STEEP and Porter's Five Forces, this analysis can uncover key opportunities and threats in the global coffee industry. These factors shape consumer behavior and market trends as well as conclude how Starbucks must adapt to remain a leader in an increasingly competitive landscape.

Part I. STEEP

The STEEP Analysis is a strategic framework developed to analyze the external environment of a firm. Its creation dates to Francis J. Aguilar's 1967 of similar factors and their implications for business (Fisher et al., 36). STEEP stands for sociocultural, technological, economic, ecological, and political. This analysis is key to observing the current macroenvironment as well as anticipating what is to come. Since the factors are external to the firm, a firm is unable to control a factor's existence. However, what they can do is adjust their strategy and/or business to either take advantage of a macroenvironmental factor (if positive) or mitigate (if negative).

Creation of Analysis

The STEEP Analysis explores the macroenvironment Starbucks is situated within as well as the biggest relative factors within each dimension. To determine the top 3 factors for each dimension, consumer trend studies, population surveys, and industry news were consulted. Once a factor was determined from the research, it was then placed into one of the five dimensions and assigned a "+," "-," or "+/-." These ratings were based on whether the environmental factor could be used as an advantage to Starbucks (opportunity), will be a strategy reconsideration (threat), or could go either way for the firm. An effective STEEP Analysis allows Starbucks to be

made aware of as well as anticipate changes beyond their control and adequately prepare for the environment of both the firm and their corresponding industry.

Conclusion

Beginning with their sociocultural factors, Starbucks can utilize 2/3 of the factors as opportunities. While the social media boycotts are unfortunate anti-promotion, they are just something Starbucks' PR team must deal with. On the flip side of things, customers' preferences for caffeine consumption and health-conscious options are in Starbucks' favor. They will need to continue to cater their menu items to caffeine consumers' preferences so that these consumers choose Starbucks over the alternative for their caffeine. As for the health-conscious, the slashed milk alternative upcharge bodes well for them as well as it remains. They also continue to make their items' nutrition facts readily available and even highlight high protein as well as vegan-friendly options.

Next, the analysis highlights technological factors that play a role in Starbucks' performance. The younger generations continue to prefer mobile ordering in the food and beverage industry, so the mobile app offering continues to be essential for success. The ability to order ahead of time is not only convenient for in-store pickup but drive-through orders as well. Customers are able to customize their orders just as they would like from the comfort of their cell phones. However, in Starbucks-related news, the company hopes to lessen mobile app orders, and this switch could turn this once positive into a negative trend. Many consumers like the ease of use that accompanies the app and may not favor a step backward. While this factor should be monitored for Starbucks, they can continue to exploit the opportunities for delivery service expansion and preference for human baristas provides them.

Moving to the economic factors, consumer spending is down for the first time in almost 2 years which means consumers have less disposable income to spend at Starbucks. In addition, since Starbucks is a global company, they face the risk of fluctuations in currency exchange rates. On the flip side, unemployment rates are described to be favorable within the 4% range meaning the job market remains healthy for Starbucks and its partners. While the economic factors are not as strong positively for Starbucks, they can always change over time and become opportunities again in the future.

Starbucks does, however, benefit greatly from the identified ecological factors because consumers show preference for green friendly store experience. Their commitment to sustainability is reflected throughout their business operations all the way from "bring your own cup" promotions to ethical sourcing and supplier diversity programs. While newly introduced tariffs and labor union popularity may be negative for Starbucks, their commitment to DEI, despite recent news, remains a positive for them. One of their core values is belonging and is simply part of their company's identity. Amidst all the other changes occurring within the environment, one can infer Starbucks will continue to hold true in these core values as well as serve people well.

STEEP Analysis for Starbucks

Sociocultural Factors	Caffeine consumption remains high (+)	Continued opportunity Starbucks can exploit. Starbucks' menu offers a variety of caffeine supplemented beverages all the way from teas and refreshers to brewed hot coffee and espresso.	Mitchell et al., 2025
	Social media users' promotion of boycotts (-)	Social media organized boycotts continue to be a threat to Starbucks' sales and reputation. Boycotts are quick to spread on social media and leave companies with the PR dilemma whether to address or not.	Carmichael, 2025
	Demand for health-conscious options in (+)	Starbucks offers milk substitutes for no charge as well as sugar free and skinny options. In addition, they make nutrition facts readily accessible.	Halabi et al., 2024
Technological Factors	Popularity of mobile orders (-/+)	The option to have mobile orders has continued to be popular and provides customers	Elliott, 2024
	Expansion of delivery services (+)	Delivery service offerings have continued to expand which Starbucks can continue to take advantage of featuring their product on these platforms and reaching more customers.	New, 2024
	Emergence of barista robots (+/)	Barista robots continue to be tested out by coffee shops which may attract customers. For Starbucks, however, customers continue to visit the cafe for the unique Starbucks partner piece.	Parton, 2025
Economic Factors	Favorable unemployment rates (+)	Unemployment rates are described to be favorable within the 4% range meaning the job market remains healthy for Starbucks and its partners.	Haworth, 2025
	Consumer spending down 1st time in 2 years (-)	Consumer spending is down for the first time in almost 2 years which means consumers have less disposable income to spend at Starbucks.	Mutikani, 2025
	Currency exchange rates risk (-)	Changing economic and political landscapes can increase the value of one currency and decrease another's. This is just something to be mindful of with the recent international tariffs.	Atkins et al., 2025
Ecological Factors	Consumers' ease of use for reusable cups (+)	Starbucks has always sold reusable cups; however, in recent times, they now offer a discount for bringing a reusable cup to encourage consumers.	Noh et al., 2024

	Idea of Green brand loyalty (+)	The concept of "green brand loyalty" has emerged in which consumers favor brands that work towards lessening the carbon footprint like planting coffee trees and offering EV car charging at stores.	Noh et al., 2024
	Push for ethical sourcing (+)	Many consumers care that the entire bean to cup process was done sustainably.	Noh et al., 2024
Political and Legal Factors	Newly introduced tariffs on goods in Columbia (-)	The tariffs of the new presidential administration will have a negative impact on how Starbucks receives its goods due to the location of their coffee farms internationally.	Seattle Times Business Staff, 2025
	Rise of labor union involvement and negotiations (-)	While the employees are exercising their rights to join, these memberships result in heated negotiations between the unions and labor relations business partners.	Ahlquist, 2024
	Regulations regarding DEI funding (+)	In the recent administration, there has also been widespread disbanding of DEI initiatives amongst several corporations. While this has caused worry for many consumers, Starbucks continues to hold true in their values including that of belonging.	Rogers, 2025

Part II. Five Forces

The Five Forces Analysis is a strategic framework developed by Michael Porter in 1979 to assess the competitive pressures in the industry (Fisher et al., 46). This analysis allows firms to analyze an industry, including all the participants that are a part of it through five competitive forces: Negotiating Power of Suppliers, Negotiating Power of Consumers, Level of Rivalry Between Competitors, Threat of New Entrants, and Threat of Substitute Products. This analysis is essential for businesses to understand their industry's structure and assess potential profitability. It helps companies like Starbucks navigate dynamics in the market, protect and sustain their competitive advantage, and anticipate shifts in industry trends and consumer preferences (Fisher et al., 47). By analyzing these forces, firms can better understand how to improve their business and strategic strategy as well as understanding how they stand against other players in the industry.

Creation of Analysis

The Five Forces Analysis table evaluates Starbucks' competitors in the coffee and coffee experience industry based on key factors affecting each of the five forces categories. These factors were concluded based on industry reports, academic literature, and secondary sources to understand how each force influences Starbucks' market position and profit potential. Each factor was assigned High/Moderate/Low based on its impact on the business. Each force reflects an important competitive element for Starbucks. The Five Forces Analysis allows Starbucks to

understand the external forces that shape its strategies and sustainable competitive advantage, while also providing insight into its strengths, weaknesses, and market opportunities.

Conclusions

The Five Forces Analysis reveals that Starbucks is positioned strongly in a competitive market, however, the specialty coffee industry presents moderate to high competitive pressure. The company benefits from low supplier power due to its diverse sourcing network and from significant barriers to entry that protect against new competitors. However, high buyer power, intense rivalry, and the abundance of substitutes create constant pressure on margins and customer loyalty. Despite these challenges, Starbucks' scale, brand equity, and differentiated experience position it to maintain profitability in a demanding but attractive industry environment.

In conclusion, while Starbucks holds a dominant position in the coffee and coffee experience industry, it must stay aware of the five competitive forces that are constantly at play. The company's market potential remains strong because of its brand strength, differentiation strategies, and economies of scale, but challenges like the threat of substitute products and competitive rivalry require continuous innovation and strategy. When considering the overall profit potential, the specialty coffee industry remains attractive but demands strategic excellence to succeed. High initial capital requirements, brand loyalty, and economies of scale create significant barriers to entry, favoring well-established players like Starbucks. Although buyer power and rivalry are elevated, limiting pricing flexibility and necessitating constant innovation, the industry's consistent consumer demand, global coffee culture, and opportunities for premiumization contribute to strong revenue potential. Starbucks, given its scale and strategic capabilities, is well-positioned to continue capitalizing on this industry structure.

Five Forces Analysis for Starbucks

Negotiating power of suppliers	Low supplier concentration	Numerous suppliers globally, reducing dependency on any single supplier	Greenspan, 2024
	Low differentiation of inputs	Coffee beans and other ingredients are exploited, with many alternative available	Greenspan, 2024
	Low switching costs to different suppliers	Starbucks can switch suppliers easily without significant costs	Greenspan, 2024 Geereddy, pg. 3

	Surplus of substitute inputs	Abundant supply of coffee beans and other ingredients available worldwide	Greenspan, 2024
	Low threat of forward integration by suppliers - Opportunity	Suppliers are unlikely to open coffee shops and compete directly with Starbucks	Geereddy, pg. 4
Negotiating power of buyers	High buyer volume	Starbucks serves millions of customers, but individual buyers have low bargaining power	Bariso, 2025
	Low buyer switching costs	Customers can easily switch to other coffee brands or coffee shops without significant costs	Bariso, 2025 Geereddy, pg. 3
	Increased information available to buyers	Buyers have access to extensive information about prices, quality, and alternatives	Thompson, 2024
	Low seller dependence on buyers (i.e., seller dependence on a few customers)	Starbucks has a large, diverse customer base, reducing dependence on any specific customers	Geereddy, pg. 3
	Low threat of backward integration by buyers	Few customers would choose to enter coffee production or open their own coffee shops	Thompson, 2024
	High levels of product differentiation	Starbucks has a strong brand and unique product offerings that help it stand out in the market	Thompson, 2024
	Substitute products available to buyers	Many alternatives are available to customers	Geereddy, pg. 3 Bariso, 2025
Level of rivalry between competitors	Low exit barriers in the industry	The coffee industry has low exit barriers, making it easy for competitors to leave the market	Geereddy, pg. 4
	Moderate levels of industry concentration	Starbucks dominates, but many competitors (local coffee shops, other chains, etc.)	Geereddy, pg. 4 Ita, 2024

	High fixed costs to operate	Starbucks has significant costs from operating thousands of stores globally	Ita, 2024
	Low industry growth	The coffee industry in mature markets is growing slowly, leading to high competition	Ita, 2024
	Undercapacity in the industry	Starbucks and other coffee chains face demand exceeding supply, especially in new markets	Geereddy, pg. 4
	High product differences	Starbucks differentiates through premium coffee and a unique brand experience	Thompson, 2024
	Low switching costs for buyers	Switching between coffee brands and shops is easy for customers	Ita, 2024
Threat of new entrants	High economies of scale within the industry	Strong brand identity and differentiation through product offerings and store experience	Ita, 2024 Geereddy, pg. 3
	High product differentiation and brand equity	Strong brand identity and differentiation through product offerings and store experience	Thompson, 2024 Geereddy, pg. 3
	High capital requirements	New entrants would need significant capital to compete with Starbucks' scale and brand power	Montgomery, 2024
	Low switching costs for buyers	Consumers can easily switch between competitors	Geereddy, pg. 3
	Difficult access to distribution channels	Starbucks has secured prime locations and distribution channels	Montgomery, 2024

	No Government policy restricting industry	No significant government restrictions affecting entry into the coffee shop industry	Williams, 2024
	Difficult access to necessary inputs	Starbucks has secured prime locations and distribution channels	Montgomery, 2024
	Limited learning curve benefits for incumbents	While incumbents like Starbucks have operational efficiencies, new entrants can still succeed	Williams, 2024
	Limited expected retaliation from incumbents	Starbucks may not heavily retaliate against new entrants unless they become significant	Williams, 2024 Ita, 2024
	Limited patent and trademark protection	Starbucks' strong brand identity and trademarks protect against direct replication, but there are limited patents	Justia Patents
Threat of substitute products	Low switching costs	Buyers can easily switch to other brands	Geereddy, pg. 3 Pereira, 2024
	High buyer inclination to substitute	Consumers have many options to substitute Starbucks' coffee	Ita, 2024 Pereira, 2024
	Low price-performance tradeoff	While Starbucks offers premium products, competitors offer alternatives at lower prices	Ita, 2024 Geereddy, pg. 3
	Easy ability to substitute - Threat	Substitutes are easily available, making it easy for customers to switch to alternative	Pereira, 2024

Part III. Strategic Group Analysis

A Strategic Group Analysis examines how firms in the same industry can be grouped together based on similar characteristics in their strategy, such as product differentiation, target market, and geographic scope (MasterClass, 2022). The purpose of the analysis is to identify and assess groups of firms in an industry that have similar competitive strategies. This type of analysis helps identify direct competitors, threats in the competitive environment, and strategic opportunities (MasterClass, 2022).

Creation of Analysis

For this analysis, we focused on customer experience and product differentiation. These are factors that are significant for Starbucks, which focuses on offering premium coffee along with a premium customer experience and being a "third place" for customers outside of home and work. Customer experience is classified by the atmosphere, service quality, and customer engagement that the company provides. Product Differentiation is classified as the number of unique offerings and innovation that the firm utilizes (signature drinks, exclusive food items, seasonal menus). We grouped companies together based on where they landed in these elements. The information was categorized this way:

Group 1: (High Customer Experience, High Product Differentiation)

- **Starbucks** leads in customer experience with a premium, personalized in-store experience of being a "third place" environment (F, 2025). **Nestle's Blue Bottle** offers high-quality customer experiences, with a focus on premium ambiance, barista expertise, and community engagement (Ng, 2021).
- **Starbucks** and **Blue Bottle** score high in product differentiation due to their unique and diverse product offerings. Starbucks constantly innovates seasonal drinks, limited menu items, and exclusive food offerings (F, 2025). Blue Bottle focuses on specialty coffee with an emphasis on unique brewing methods and high-end beans (Ita, 2024).

Group 2: (Low Customer Experience, High Product Differentiation)

- **Dunkin'** and **Dutch Bros** provide a more fast-service and casual customer experience, focusing on convenience (Liu, 2024; Pereira, 2024).
- **Dunkin'** has very similar offerings to Starbucks, with seasonal drinks and collabs. **Dutch Bros** offers customizable drinks and a unique twist on traditional coffee offerings (Liu, 2024).

Group 3: (High Customer Experience, Low Product Differentiation)

- Both **Peet's Coffee** and **Caribou Coffee** aim to create a welcoming, cozy environment with good service and community engagement (Pereira, 2024).
- **Peet's Coffee** and **Caribou Coffee** have seasonal offerings and some customization options, but not at the same level as Starbucks or Dunkin'.

Group 4: (High Customer Experience, Medium Product Differentiation)

- **Costa Coffee** and **Caffé Bene** place a strong emphasis on creating a positive customer experience through their store ambiance, friendly service, and customer engagement (Pereira, 2024; Ahn et al.).
- **Costa coffee** and **Caffé Bene** have medium product differentiation because they offer standard coffee varieties with some seasonal offerings, but not as much as others.

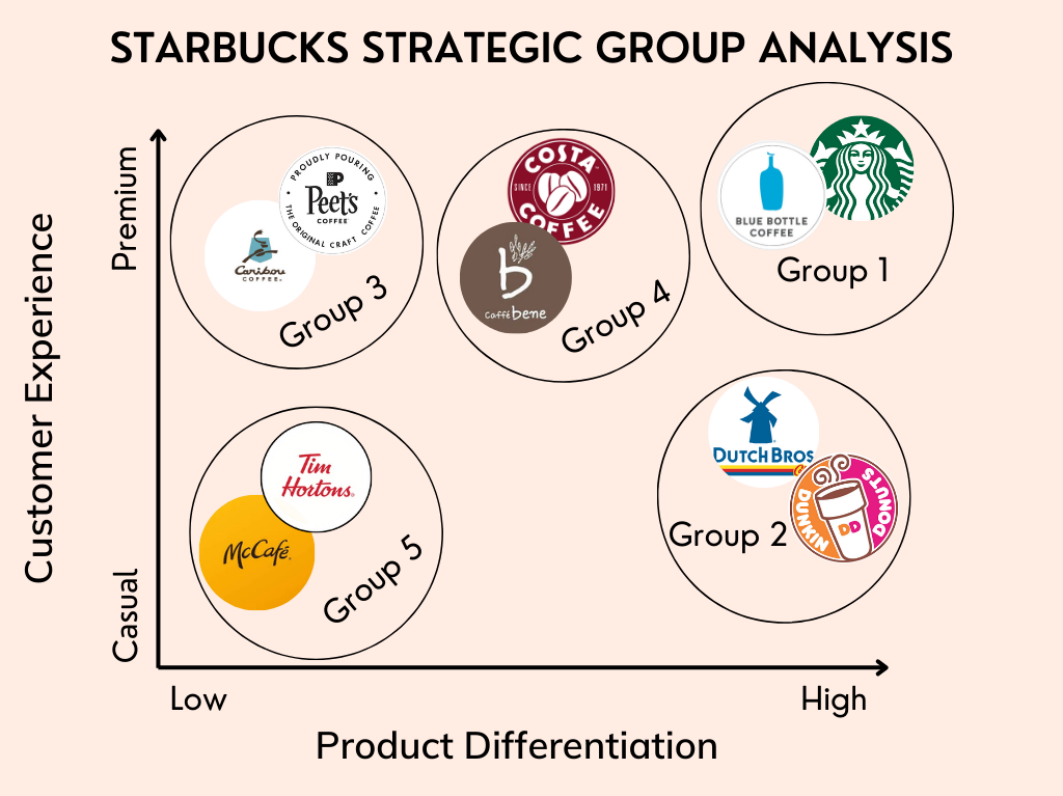
Group 5: (Low Customer Experience, Low Product Differentiation)

- Tim Hortons' and McCafé's customer experience are more centered around convenience and efficiency, with limited personalization (Periera, 2024).
- **Tim Hortons** and **McCafé** mainly offer traditional coffee and simple snacks that are less distinct to customers (Periera, 2024).

Conclusions

The analysis showcases that Starbucks leads the market with premium customer experience and product differentiation. The company offers a cozy, community focused atmosphere as a "third place" for customers along with a range of unique products. Its innovation, such as seasonal drinks and new food items, drives customer loyalty and engagement. Blue Bottle excels in quality and experience but targets a niche market, limiting its reach (Ita, 2024). Dutch Bros and Dunkin' offer unique offerings but fall short in creating the same immersive experience as Starbucks, with only moderate customer engagement (Liu, 2024). Peet's Coffee, Caribou Coffee, Café Bean, and Costa Coffee offer welcoming atmospheres with good service but don't innovate as much as Starbucks. Tim Hortons and McCafé rank lower in both categories, focusing on convenience and traditional coffee options without much product innovation or personalized customer experience, placing them furthest away from Starbucks' strategy group.

Overall, Starbucks maintains its leadership by offering an engaging and innovative experience. However, Starbucks should stay aware of brands like Blue Bottle that score similarly in these categories and can become stronger competitors with more innovation.



While the external analysis highlights the structural challenges and competitive pressures of the specialty coffee industry, understanding Starbucks' ability to succeed within this environment requires a closer look inward. The following internal analysis will evaluate the company's core competencies, resources, and organizational capabilities that enable it to navigate these industry dynamics and maintain a strong market position. By examining Starbucks' internal strengths and areas for improvement, we can assess how well-equipped the company is to sustain its competitive advantage in a demanding industry landscape.

An internal analysis provides insight into Starbucks' unique resources, capabilities, and strategic positioning that contribute to its sustained success. This section will assess key elements such as brand equity, human capital, operational efficiency, supply chain integration, and technological infrastructure. Utilizing frameworks like VRIO, the analysis will distinguish which of Starbucks' assets offer a true competitive advantage in the marketplace. By identifying what the company does well internally, we can better understand how it maintains profitability, adapts to change, and delivers consistent value to customers and stakeholders alike.

Part I. VRIO

The VRIO Framework is a strategic tool that is used to evaluate a company's resources and capabilities to determine if they have a competitive advantage (Fisher et al., 67). Each resource is assessed based on four factors: Valuable, Rare, Inimitable, Organized. If a resource is Valuable, it helps the firm capitalize on opportunities or neutralize threats. If it is Rare, it's something few or no competitors have. If it is difficult or costly to imitate, it's Inimitable. If the

firm is structured to exploit the resource, it's Organized. All of these criteria have to be met in order for a resource to have a sustainable competitive advantage (Fisher et al., 68).

VRIO Analysis for Starbucks

Resource	Valuable ?	Rare?	Inimitable ?	Organized ?	Outcome
Strong Brand Reputation	✔	✔	✔	✔	Sustainable Competitive Advantage
Global Supply Chain	✔			✔	Competitive Parity
Premium Coffee Quality	✔			✔	Competitive Parity
Starbucks Rewards Program	✔	✔		✔	Temporary Competitive Advantage
Customer Experience	✔	✔	✔	✔	Sustainable Competitive Advantage
Ethical Sourcing & Sustainability Programs	✔			✔	Competitive Parity
Digital Innovation	✔	✔	✔		Unrealized Competitive Advantage
Skilled Baristas/Training Program	✔	✔		✔	Temporary Competitive Advantage
Locations	✔	✔	✔	✔	Sustainable Competitive Advantage
Strategic Partnerships	✔	✔		✔	Temporary Competitive Advantage

Creation of Analysis

The VRIO analysis table evaluates ten key resources and capabilities that are specific to Starbucks as a company. Each resource was assessed based on whether it is Valuable, Rare, Inimitable, and if Starbucks is Organized to capture value from it. These factors were chosen using company reports, academic sources, and industry data. Each resource was then classified using the VRIO ladder to show if it offers a Sustainable Competitive Advantage (VRIO), Temporary Advantage (VRO), Competitive Parity (VO), Unrealized Advantage (VRI), or Competitive Disadvantage (RIO). This analysis helps identify which strengths Starbucks has and which areas have room for improvement within its internal strategy.

Conclusion

The VRIO analysis shows that Starbucks holds several sustainable competitive advantages, particularly through its strong brand reputation, store experience, and locations. These resources are not only valuable and rare, but also difficult for competitors to imitate, and Starbucks is also well-organized to leverage these strengths across global markets (Gupta, 2025; The Strategy Institute, 2024). These advantages are central to Starbucks' long-term success

because they directly support its ability to command premium pricing, maintain customer loyalty, and expand internationally.

Several capabilities, like Starbucks Rewards program, skilled baristas, and brand partnerships (Spotify, Nestlé, etc.), were classified as temporary competitive advantages. Although they are valuable and fairly rare, they are not inimitable. Other brands like Dunkin' and McDonalds have also implemented loyalty programs, apps, and partnerships, shortening Starbucks' lead in these areas (Cheddar Flow, 2023). To maintain their impact, Starbucks needs to continue to innovate these programs.

The company's digital innovation (integrated payment systems, AI-based personalization, etc.) qualifies as an unrealized competitive advantage because, while these tools are valuable, rare, and difficult to imitate, Starbucks has not yet fully integrated them across all markets (Tan, 2023). With better organizational alignment, this could become a sustainable advantage.

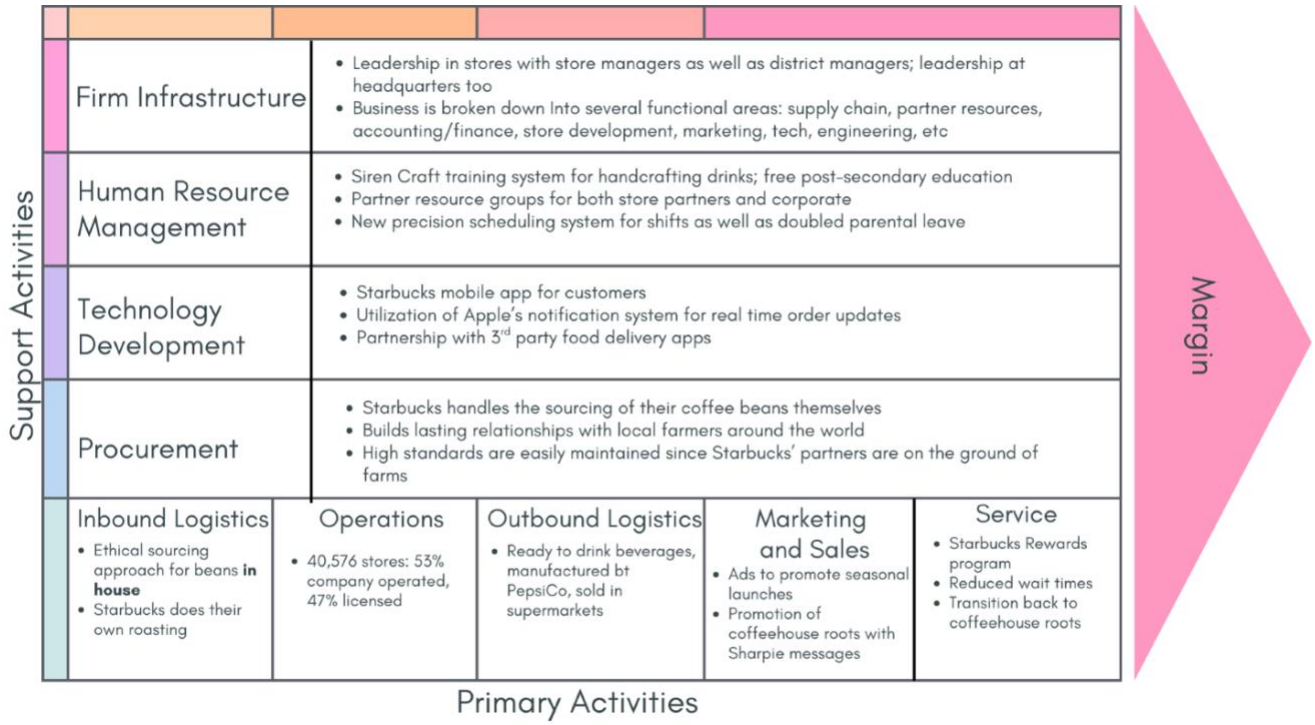
Other resources, like premium coffee quality, ethical sourcing, and supply chain, only meet the valuable and organized criteria, making them competitive parities (Magyar, 2024). While they are essential to remaining competitive in the industry, these resources are common among major coffee brand competitors and no longer serve as differentiators (Cheddar Flow, 2023).

Overall, the VRIO analysis highlights that Starbucks has a strong internal position with its resource advantages. To remain a market leader, the company must invest in expanding its digital innovations, adapting its temporary advantages, and reinforcing the brand experience and customer loyalty that competitors are struggling to match.

Part II. VCA

The value chain analysis is a strategic tool used to breakdown a firm's potential sources of competitive advantage and its most important activities. Its creation is based upon Michael Porter's work *Competitive Advantage.* The understanding of VCA is that resources gain value as they pass through a production stream. Several activities must be engaged with when converting inputs to outputs. These primary activities are inbound logistics, operations, outbound logistics, marketing and sales, and service. Support activities like infrastructure, human resource management, technology, and procurement aid in value creation (Stobierski, HBS). By identifying these activities, a company can then determine which strategy would be most appropriate, whether that be cost leadership or differentiation, to create value (Fisher et al., 118).

VCA Analysis for Starbucks



Creation of Analysis

The VCA analysis consists of both primary and support activities and how Starbucks uses each one to create value with their outputs. To begin the analysis, the process of getting from start to finish for a handcrafted beverage was broken down. This includes the sourcing of inputs (beans), transportation to roasting plants, roasting, transportation to stores, and handcrafting of beverages. These activities all fit within the primary activities of VCA. Once the stages were placed into primary support activities, remaining activities were analyzed for sources of value creation. Then, the support activities were focused on. Through these support activities, the primary ones are made possible, especially through innovation in support.

Conclusion

Based on the VCA analysis, Starbucks especially creates value within their inbound logistics, marketing and sales, human resource management, and service. One can infer that the activities they handle solely themselves allow for further value to be created when passing through that part of the value chain. Since Starbucks sends buyers to source the beans themselves, organize the beans' transportation, and conduct the roasting, this elevates their competitive advantage (Zimmerman, 2024). By choosing not to outsource their procurement / inbound logistics, they are continuing to remain aligned with their strategy while also creating value in their product offerings and those they source from.

Starbucks' marketing decisions have been strategically placed where they deem necessary to be used. For example, new seasonal product launches, customer promotions, and even redefining their brand have all been areas where their marketing has stepped up to the table. Based on their past performance, Starbucks sees the need to reallocate some resources towards

their marketing so that they can about double their marketing budget (Kelly, 2025). With this increased marketing budget, they are hoping to connect emotionally with their customers since connection has always been a big piece for them.

Part of well taken care of customers is ensuring the employees (partners) themselves are taken care of. Starbucks continues to place emphasis on their partners through partner resource networks, strong benefit programs, and countless learning opportunities. This culture allows for partners to show up each day with a sense of care and joy for their work.

Because of their human resources, Starbucks has an advantage when it comes to their customer service. Several patrons choose Starbucks for the in-store experience that they are promised like the connection piece, ambience of the store, and consistent handcrafted beverages (Noh, 2024). This store experience allows for further brand loyalty and yet another competitive advantage within Starbucks' value chain.

Overall, Starbucks should continue to leverage their activities that are high in value creation so that they can continue to propel the company forward and retain their position in the coffee industry.

With a clear understanding of both the external forces shaping the coffee industry and the internal capabilities that drive Starbucks' performance, we can now use these insights to evaluate the company's overall strategic position. This will reflect how Starbucks aligns its internal strengths with external realities to sustain its competitive advantage and long-term profitability.

In conclusion, Starbucks operates in a moderately attractive industry characterized by high buyer power, intense rivalry, and a growing number of substitutes, as shown in the Five Forces analysis. However, external trends identified through the STEEP framework, such as increasing demand for sustainability, rapid digital transformation, and evolving consumer lifestyles, offer opportunities for growth and differentiation. Internally, Starbucks possesses strong and valuable resources, including its powerful and recognizable brand, efficient supply chain, and leading digital infrastructure, as confirmed by the VRIO and Value Chain analyses. These core capabilities enable the company to consistently deliver high-quality experiences and maintain customer loyalty. Based on this analysis, it is recommended that Starbucks continue to leverage its brand and operational scale while furthering investments in technology, employee development, and sustainable practices. This strategy will allow Starbucks to strengthen its market position, adapt to external pressures, and drive long-term sustainable profitability in a competitive global environment.

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