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UNIVERSITI  
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## COMPANY LOGO



## BUSINESS MODEL CANVAS

**PRINCIPLES OF ENTREPRENEURSHIP (ENT530): BUSINESS MODEL CANVAS**

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MANAGEMENT**

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**The cost of your Starbucks across the world** VOUCHERBOX

	Cappuccino	Americano	Latte	Syrup
1. Bern, Switzerland	€4.58	€4.27	€4.58	€0.62
2. Copenhagen, Denmark	€4.47	€3.32	€4.47	€0.57
3. Oslo, Norway	€3.76	€3.02	€4.03	€0.46
4. Helsinki, Finland	€3.69	€2.83	€4.03	€0.60
5. Brussels, Belgium	€3.64	€2.87	€3.64	€0.60
6. Stockholm, Sweden	€3.49	€2.78	€3.49	€0.45
7. Paris, France	€3.39	€2.53	€3.39	€0.51
8. Beijing, China	€3.22	€2.76	€3.22	€0.35
9. Vienna, Austria	€3.19	€3.02	€3.19	€0.51
10. Tokyo, Japan	€2.95	€2.71	€2.95	€0.40
11. Amsterdam, Netherlands	€2.77	€2.34	€2.77	€0.60
12. Berlin, Germany	€2.77	€2.34	€2.68	€0.60
13. Dublin, Ireland	€2.74	€2.31	€2.74	€0.51
14. New York, US	€2.69	€2.03	€2.69	€0.46
15. Sydney, Australia	€2.54	€2.20	€2.54	€0.46
16. Budapest, Hungary	€2.47	€2.08	€2.47	€0.44
17. London, UK	€2.45	€2.20	€2.45	€0.50
18. Madrid, Spain	€2.40	€1.97	€2.40	€0.40
19. Bangkok, Thailand	€2.37	€2.17	€2.37	€0.33
20. Ottawa, Canada	€2.37	€1.72	€2.37	€0.33
21. Athens, Greece	€2.36	€2.53	€2.83	€0.43
22. Warsaw, Poland	€2.19	€1.79	€2.19	€0.40

Prices based on all Starbucks menu beverages as ordered by VoucherBox in each location. Last 2019.

Figure 1 The Cost Of Starbuck Across the World



Figure 2 Starbuck Golobal Price Index

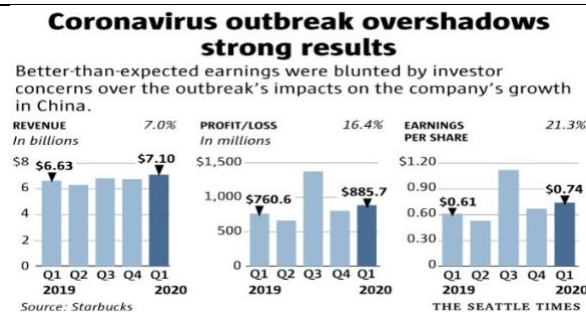
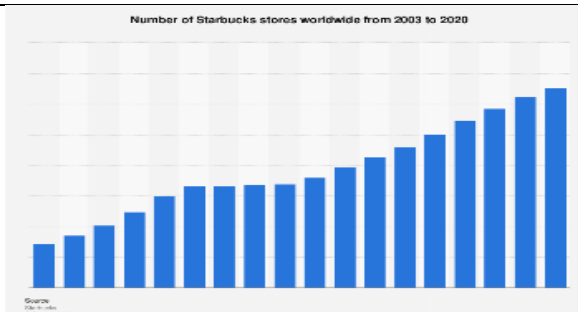


Figure 3 CoronaVirus Outbreak Overshadows Strong Result



Figures 4 Number of Starbuck Stores Worldwide From 2002 to 2020

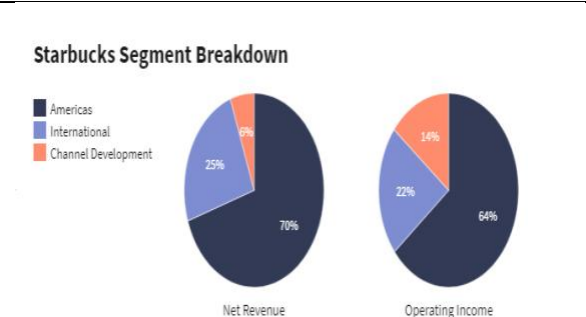


Figure 5 Starbuck Segment Breakdown

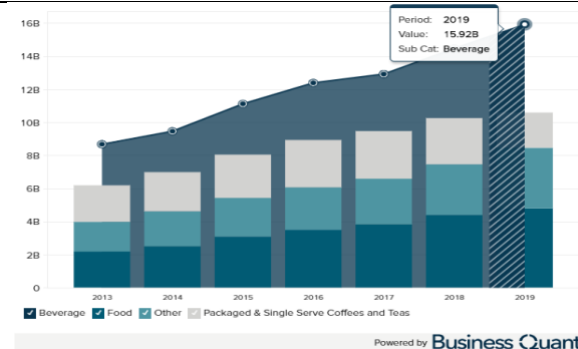


Figure 6 Variety Beverages, Food and other that Starbuck sold

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### Revenues

Fiscal Year Ended	Sep 27, 2020	Sep 29, 2019	% Change
Company-operated stores	\$ 19,164.6	\$ 21,544.4	(11.0) %
Other	2,026.3	2,089.2	(3.0)

Table 1

Starbucks Results of Operations compared from fiscal year 2020 and 2019 (in millions)

Note 5: Inventories (in millions)

	Sep 27, 2020	Sep 29, 2019
Unroasted	\$ 664.7	\$ 656.5
Other merchandise held for sale	293.9	288.0
Total	\$ 1,551.4	\$ 1,529.4

Table 2

Starbucks Inventories compared from fiscal year 2020 and 2019 (in millions)

Note 18: Selected Quarterly Financial Information (unaudited; in millions, except EPS)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
Net revenues	\$ 7,097.1	\$ 5,995.7	\$ 4,222.1	\$ 6,203.1	\$ 23,518.0
Net earnings/(loss) attributable to Starbucks	885.7	328.4	(678.4)	392.6	928.3
Fiscal 2019:					
Operating income	1,015.7	857.7	1,121.3	1,083.3	4,077.9
Earnings per share — diluted	0.61	0.53	1.12	0.67	2.92

Table 3

Starbucks Quarterly Financial Information (in millions, except earnings per share)



## EXECUTIVE SUMMARY

For our case study, we would like to summarize Starbucks Coffee Company which is a coffee cafe company. This cafe company is very familiar especially for the university student, businessman or businesswoman to be a place for discussion. The location of the company is very strategic in the big town and at the place where there is high demand from people around. Starbucks is easy to find at the big malls such as AEON mall, Setia City Mall, One Utama, etc. Starbucks coffee provides high quality coffee, performance enhanced, with the affordable price. They have the highest quality coffee in the world, and the way we engage with our customers and communities to do business responsibly and make sure everything we do honors that connection. In 1971, their story has begun. With a single location in Seattle's Pike Place Market, they were a roaster and retailer of whole bean and ground coffee, tea, and spices back then. Every day, they have the privilege of connecting with millions of clients. ✓

Starting with its employees, Starbucks Coffee "inspires and nurtures the human spirit." To fulfil this part of its goal statement, the company maintains a small-company culture that emphasizes rapport and warmth. Starbucks Coffee's corporate culture is thus directly influenced by its corporate objectives in 76 markets. In addition, the company's mission statement includes a section on customer experience. Customers benefit from the company's pleasant, small-business atmosphere. At Starbucks cafés, for example, personnel and customers are addressed by their first names. In addition, the design of these coffeehouses aspires for comfort and warmth. These methods encourage employees and customers to form meaningful and friendly relationships. Another aspect of Starbucks Coffee's business mission statement to consider is that it suggests a personalized and gradual approach. The "one person, one cup, and one neighborhood at a time" component demonstrates how the organization guarantees that each employee and customer has a significant impact. This component of the company vision also means that Starbucks Coffee intends to build the business slowly and steadily, one location or area at a time. ✓

# 1. INTRODUCTION

## 1.1 Company Background

Jerry Baldwin, Gordon Bowker, and Zev Siegl established Starbucks in 1971 near Seattle's iconic Pike Place Market. The three Starbucks founders shared two characteristics: they all came from academic backgrounds, and they all enjoyed coffee and tea. They borrowed and invested money to create the first business in Seattle, which they dubbed “Starbucks” after the first mate in Hemingway. They borrowed money and invested it to create the first Starbucks in Seattle, which they called after the first mate in Herman Melville's famous novel Moby Dick. Alfred Peet, a coffee roasting entrepreneur, was a big influence on the Starbucks founders.

During the 1950s, Peet, a Dutch immigrant, began importing quality arabica coffees into the United States. He started Peet's Coffee and Tea in Berkeley, California, in 1966, focusing on importing high-quality coffees and teas. Starbucks had launched four outlets in Seattle by the early 1980s, each of which stood out from the competition with its high-quality fresh-roasted coffee. Siegl departed the company in 1980 to pursue other interests, leaving the two remaining partners with Baldwin as president.

Howard Schultz, a sales representative for Hammarplast, a Swedish business that supplied kitchen equipment and housewares from which Starbucks purchased drip coffee machines, saw the company's huge orders in 1981 and decided to pay it a visit. Schultz was so impressed that he decided to work for Starbucks, and in 1982 he was employed as the company's chief of marketing. Because first-time consumers were sometimes nervous in the stores due to their lack of knowledge about excellent coffees, Schultz worked with store personnel to build customer-friendly sales abilities and created booklets that made learning about the company's products simple for customers.

When Baldwin and Bowker decided to sell Starbucks in March 1987, Schultz jumped at the opportunity. He merged all his activities under the Starbucks brand and dedicated himself to the café idea, with extra sales of beans, equipment, and other things in Starbucks outlets. The

company embarked on a rapid expansion phase, which continued after it became public in 1992. Starbucks became the world's largest coffee-house brand after launching shops outside of North America in 1996. Starbucks had a presence in dozens of countries and operated over 30,000 outlets by the early twenty-first century. In 2003, it began offering meals in its cafés. Kevin Johnson succeeded Schultz as CEO in 2016 and Myron Ullman as chairman in 2018. A Starbucks Reserve Roastery, the world's largest Starbucks, opened in Chicago in 2019.

The mission and vision statements of Starbucks Corporation (commonly known as Starbucks Coffee) reflect the company's focus on leadership in the coffee business and the coffeehouse market. The corporate mission statement of a corporation reveals what the organization performs for its target clients. Starbucks' corporate mission *to inspire and nurture the human spirit – one person, one cup and one neighborhood at a time*. This mission statement represents the company's efforts to keep its operations functioning smoothly. The importance of target consumers is obvious in this company mission. The following elements of Starbucks' corporate mission statement have an impact on strategic management in the company's growth to inspire and nurture the human spirit and one person, one cup and one neighborhood at a time.

A company's corporate vision statement, on the other hand, shows the company's strategic orientation in terms of what it aims to achieve in the future. Starbucks' corporate vision in this scenario is centered on industry leadership. Effectiveness with which these corporate statements are implemented determines the company's ability to respond to its competitive environment. Starbucks' general strategy and intense expansion plans are influenced by this implementation. Corresponding strategic objectives allow the company to streamline its activities to achieve the corporate mission statement and vision statement.

## **1.2 Problem Statement**

### **1.2.1 Starbucks Problem Statement**

Major challenge that Starbucks face while focusing on their target market is developing the brand that satisfies every customer. Starbucks implement their services without quality compromise for attaining targeting strategy. Plus, in the coffee industry Starbucks is one of the companies that aggressively growing throughout the years. For

example, Starbucks franchise in China, Starbucks goal is tantamount to share the Starbucks coffee experience with Chinese customers while China is known as tea drinking country and tea continue to be the one of the most common drinks in the market. In food and beverage service sales of hot drinks, coffee has larger segment than retail sales, and tea still plays persistent role in China's drink market.

The price of Starbucks coffee is higher to sell it to the customers even as their target market. This is due to the quality of the coffee beans that they produced. Thus, by doing this, Starbucks will give competitors cost advantages over Starbucks. There are possibilities to reduce affordability for the customers to buy the coffees from Starbucks. Then, there are coffee lovers in some countries but some of the products that Starbucks produce are not aligned with the cultural standard of the markets. For example, based on figures that show different locations between the countries, they set different prices for the same beverages.

### **1.2.2 Solution of the problem**

Starbucks provides coffee and tea in China's market. Starbucks offer Espresso, Cappuccino, Vanilla Flavored Latte, Caffè Mocha, Caramel Macchiato, and others. Meanwhile, Starbucks offers Green Tea, Iced Shaken Blackcurrant Raspberry Juiced Tea, Green Tea Latte, and Black Tea to consumers in China. Starbucks focus on the design and innovation of food and beverages based on Chinese's cultural tastes and align to meet the needs of customers. For example, Starbucks made moon cake with coffee cheese taste, milk hazelnut to the Chinese customer during Mid-Autumn Festivals. Starbucks also implement local elements into store design that bring the uniqueness experience to customers such as 3 lanes and 7 Alleys store in Fuzhou, width alley shore in Chengdu.

The solution that Starbucks provides; Starbucks added value-based pricing strategy. Value based pricing is an alternative in setting price by company to calculate and try to earn differentiated worth of their product. The price also calculated perceived the value by customer and for customer segment compared to its competitor. Based on the figures above, Starbucks put many types of differentiation of the products it sells to add value for coffee lovers in experiencing the customer's experience. Starbucks also offers exclusive gold card to every franchise that provides the members to get any free refills on free refills on tea, food,

and drink. The Gold Card is an actual portrayal of Starbucks status. It seems that Starbucks offers the members status symbol and exclusive feeling in become coffee drinkers.

Starbucks provide value proposition to become “third place” for customers after their home property and the workplace. Starbucks also managed to be different from its competitors and it is aligned with Starbucks mission to “inspire and nurture human spirit – one person, one cup and one neighborhood at a time.” When customer purchase even a cup of coffee from Starbucks, it will become an “affordable luxury” and customers will experience it by themselves. Why many people prefer Starbucks as great coffee producer? Because Starbucks target market is not only for people who have high income but also for discretionary income. They may not invest much on Starbucks products like higher income customers do, but they enjoy treating themselves with favorite coffee, sandwich, dessert, or snack from Starbucks. Starbucks target market are also known as ‘busy people’. These people spend a lot of time in work to the gym, when dealing with clients and with the kids.

Starbucks provide quality products and services to strengthen its value proposition. Since the average of the customers regularly make visit six visit for a month (with the heaviest 20% of customers visiting more than 15 times each month), the Starbucks decides to concentrate on delivering services for its loyal customers. By giving consistent delivery experience to them, Starbucks gain new customers. Starbucks has made strong loyalty program for customer who keep purchasing Starbucks product. For example, when a customer always purchasing for Starbucks coffee until reach 150 stars, customer will get a free drink of any coffee. This company also provide reward for Starbucks membership on mobile payment, free birthday drinks, make pre order, and others. Since Covid-19 outbreak, Starbucks more focusing on online and digital platform. This company has strengthened its online sales channels and attract more coffee lovers either to pick up their coffee curbside or pick up locations. Starbucks also using delivery services by other company such as Food panda, Grab food and other to fulfill customers satisfaction to gain better experience as a coffee lover of Starbucks product.

### 1.3 Opportunity Recognition

Starbucks have a lot of marketing plan to boost up their product. They know as a coffee shop that give aroma of coffee to their customer. 57% of their profit scales came from the cafe market and rest of it for their dessert such as bread, cakes, or lunch deals. Customer willing to pay more for the exceptional drinks and food if customer get their requested coffee and beverages in Malaysia. All coffee lovers will know that Starbucks always make promotion. The promotion likes advertisement or promotion in their café. The promotion in the café usually held in peak hours on the weekend with limited times. They open in 10am until 12pm only. Other than that, they use social media to make promotion. They grab the opportunities power of social media that will pop up the advertisement anytime and anywhere. This company also invest a lot of money to make their advertisement remain consistent and known around the world. The investment in advertising last for about 4 to 5 years.

Besides, they use coffee café that known as “Starbucks Coffee” to market their product. Their coffee known as place that can hang out and relax while enjoy the aroma of coffee. The Starbucks café already have 50 000 locations around the world. All their café concept is same for give the customer similar environment even in Malaysia or outside. They removed the automatic machine coffee to gives the customer experiences the aroma while watching barista craft each of cup of coffee. Café is one of the good places to promote their product besides of convenient store where they distribute canned coffee. They aggressively make an expansion and took opportunity to accelerate growth once they found a business model than can work to other geographies outside the US.

Furthermore, not only brew coffee for their customer, but they also have their own merchandise. They get excellent brand its unexpected turn out to be marketing tactics that success to allure their loyal customer. The merchandise represents their brand and get the customer retention also satisfaction. The customer makes their own collection of the merchandise that out each of four division of season or their anniversary. Attractive and trendy design adding value to this brand and boost up the brand. This strategy was made including to promote the campaign save environment and make it more green by replacing the cup by using their tumbler. Even though the merchandise is a bit pricey, but they have their own fans that

willing to bought and use it as their collection or daily tumbler. This is one of strategy that included in the aspect of customer focused on their favorite brands.

In this continuous explanation it about the expected revenue stream to the business itself. Starbuck does well in all country that have their café. 2019 recorded that Starbuck make 11% commission form licensed store plus profits on the sale of coffee wholesales to each store. Roughly it said that Starbuck makes around 30% of its revenue from the 50 000 coffee shops it owns and operates worldwide.

Starbucks keep expand their business and having a rapid growth around the world. They use many plans for roasting and upgrade the coffee, marketing strategy and selling variety of beverages in their café. Beverages is the biggest contributors to the revenue because of coffee, tea, and their juices. They have around 83 products around the world that they sell including food and juices. They continue their R&D to make a new product in the future. But they still face with competitors who keep growth such as Costa Coffee, Luckin Coffee and Coffee Bean.

Due to pandemic Covid-19, they also affected and their net earning down around 29.7% and get \$622.2 million in first quarter year 2021 compared to the last year before Covid-19 pandemic. The net revenue 2021 was 6.7 million also down 4.9% compared to the last year. The revenue is concluded from around the world sales in their café not including royalty, licensed store, and all.

## **1.4 SWOT analysis (Two Competitors)**

### **1.4.1 Strength**

#### **a. Strong customer Loyalty**

Starbucks is the coffee shop most loved by its customers and most sought after by coffee enthusiasts. Among the reasons they make Starbucks the best choice is because Starbucks has a unique delivery where they allow customers to build-to-order-experience so that Starbucks can meet the tastes of different customers. At Costa Coffee they are not allowed to customize their coffee compared to Starbucks which welcomes customers to do so. They also have a marketing strategy that can keep their customers loyal with a great rewards program where they can make coffee lovers always get their coffee at Starbucks. The rewards program is that for

every \$ 1 paid, customers get 3 stars. And when customers manage to collect 150 stars and they can redeem to get 1 free drink. In addition, they also get mobile payment facilities, pre -orders, free birthday drinks and more. Compared to Costa Coffee, they also have a loyalty card as well as a program, however they will give you 1 free drink when you have collected 265 points. and users will get more rewards if they download Costa Coffee on their smartphones. At Starbucks they will be rewarded with a loyalty card, application and through over the counter payments as well.

#### **b. Well-known brand (strong brand image)**

Starbucks Corporation is the most well -known coffee shop and is the most popular and powerful brand in the food and beverage industry. Call it coffee, of course the name of this Starbucks store is in people's minds. It provides a delicious blend of premium and quality coffee and can make it a standard product even though the store is located across the country. It has been observed that Starbucks Corporation has 250,000 stores in 60 countries. This makes them famous and popular, making them one of the strongest brands. Compared Costa Coffee operates 442 stores throughout the world in 28 countries and there are only a few countries that allow Costa Coffee to operate, making it fewer outlets or shops than Starbucks. They also operate on a small scale and make them less focused and known to the public. In Malaysia, Costa Coffee is usually seen working under the Shell Oil Company. Compared to Starbucks, they have their own outlets and stores throughout Malaysia and abroad.

### **1.4.2 Weaknesses**

#### **a. High Prices**

People already know that the price of drinks at Starbucks stores is quite high. Therefore, only those in the upper class like to buy a cup of coffee at this shop. For those in the middle class and working class, they find that Starbucks offerings are very expensive and more expensive than the coffee shops found around. Expensive prices make them less able and cause Starbucks to gain customer

loyalty by those in the upper class. A cup of coffee at Starbucks costs RM 18 and above and if customers place a customized order, they will be charged extra compared to Costa Coffee which offers prices as low as RM 8 for a cold drink and RM11 depending on the type of coffee option listed. And at Costa Coffee there is no extra charge because they only buy drinks that are on the menu and are not allowed to customize their drinks.



#### **b. Imitability Products**

Due to the relatively high price and Starbucks does not have the most unique product on the market, there are product imitations of Starbucks that occur in other companies. Some competitors that compete closely with Starbucks are trying to offer similar drinks but at cheaper prices. Even exclusive merchandise produced by Starbucks such as tumbler has also been imitated and sold at cheaper prices in online sales. From the way of packaging, preparation as well as the environment as well, there are some small traders trying to apply it into their own shops. Customers will of course turn to Starbucks competitors to get quality drinks and delicious coffee just like they get it at Starbucks but at a cheaper price that their competitors offer at economy prices. They are willing to lose customers rather than lower their prices. Compared to Costa Coffee, they do not have the problem of product imitation. We can see the material for Starbucks packaging is also imitated by other small retailers. At Costa Coffee they still put a low price with beautiful and safe packaging with good quality coffee.



### **1.4.3 Opportunities**

#### **a. Expansion in the market**

Since Starbucks are relatively known in the USA with over 15,000 stores operated in 2007 alone (Garthwaite et al., 2017), they will have the opportunity to operate outside of the USA by establishing branches in other countries. Starbucks can expand their business into the market in some developing countries such as the Middle East, Brunei, India and many more. In those countries and potential markets in other countries, Starbucks may offer licensing towards organizations or individuals who are interested in establishing a branch in their area. The reason why

Starbucks offer licensing rather than franchising is because they would like to control the quality of products as best as they can to ensure that customers get the same experience regardless of the location that they get their coffees from.

According to an article by Taylor (2016) in Business Insider, the CEO of Starbucks, Howard Schultz stated that Starbucks succeeded because of their values and culture of the company, and he would not trust that to happen if they offered a franchise program as the staff's work ethics do not align with the company's value. However, in the case of a competitor which is the Coffee Bean & Tea Leaf company, they are open to franchising and offers the program with ease towards interested organizations and individuals (Join Our Franchise Network | The Coffee Bean & Tea Leaf, 2021). The same business strategy applies to Costa Coffee as they are actively searching for eligible candidates and scouting spots to franchise their stores and open new stores across the world. Especially in Malaysia, with their biggest franchisee Gapurna Permai Sdn. Bhd. which is looking to expand into opening more than 100 stores in the next five years (Kaur, 2019).

#### **b. Provide Specialty Products**

Social media have become the most used platforms on the internet all over the world. Therefore, it is no surprise that the public will be easily influenced in trying new trends such as testing out viral drinks or challenges in any activities. Not long ago, according to an article by Wiener-Bronner in CNN (2021) the viral 'Pink Drink' that was popularized by customers in 2016 was one of the specialty drinks that are offered in Starbucks. Those customers created and popularized the 'Pink Drink' from Starbucks' Strawberry Acai beverage by subbing the water to coconut milk. In 2017, Starbucks decided to add the drink to their menu and recently they offered the drink with a remixed version which is designed to provide more satisfaction towards their customers by topping the drink with their vanilla sweet cream cold foam. Earlier this year, a viral drink that is popularized by users in TikTok made Starbucks to also introduce the drink to their menu.

The Iced Matcha Latte with Chai is a drink popularized by a TikTok user named Robin Swann. The trend picks up and even a celebrity is inclined to try the drink and influences others to try the drink on the same platform. Last month,

Starbucks ran a 'Social Sips' program and advertised those two drinks to customers in social media platforms where customers can choose between those two drinks and order them on the spot (Meisenzahl, 2021). Starbucks could provide more specialty products to cope with the demands of the market. Compared to Costa Coffee and Coffee Bean & Tea Leaf, both companies do not provide specialty drinks according to the market except seasonal products, therefore this will be a huge advantage for Starbucks if they keep delivering their customers' demand by launching products that are highly sought after by customers.

#### **1.4.4 Threat**

##### **a. Current pandemic**

The covid-19 pandemic had truly affected every business alike in the world. Many foods and beverages companies are highly affected due to customers not being able to dine-in at the restaurant or outlets. Some businesses are forced to close as they are not able to afford their establishment's expenses such as rent, and utility anymore. Since one of Starbucks' business strategies is to offer a cozy and relaxing atmosphere to hang out and have meetings or other social and informal settings in, it affected the company significantly as customers are not able to enjoy the usual experience that they get when they enter a Starbucks outlet. Furthermore, Starbucks main source of income is through walk-in customers and regular customers that purchase food and beverages in their outlet. Starbucks do not offer other services such as delivery service therefore the pandemic is a huge threat to them. According to Team in a Forbes article (2021), Starbucks revenue falls by 11% in the year 2020. As compared to Costa Coffee and Coffee Bean & Tea Leaf, all of the companies suffer the same fate. Especially Costa Coffee since their outlets in Malaysia are mostly inside a gas station such as Shell.

##### **b. Local coffeehouses**

In recent years, more consumers are inclined to enjoy artisanal coffees or premium coffees therefore the emergence of cafes are blooming around the world. There are many types of coffeehouses that offer a variety of beverages that can specifically cater towards a big audience. For example, in South Korea where café

businesses are still going strong despite the pandemic happening recently. Their coffee shop market alone stands at a whopping 5.4 trillion won (\$4.7 billion), which is the third largest market in the world after the USA and China (So-Ah, 2021). There are undoubtedly many popular cafés in Malaysia too and some with the price point that is lower than Starbucks, therefore it is a cause of threat towards them. When compared between Starbucks, Costa Coffee and Coffee Bean & Tea Leaf, this issue does significantly affect all of them as their commercial beverages do not offer the same experience as local coffeehouse.

### **1.5 Purpose of Business Model Canvas Preparation**

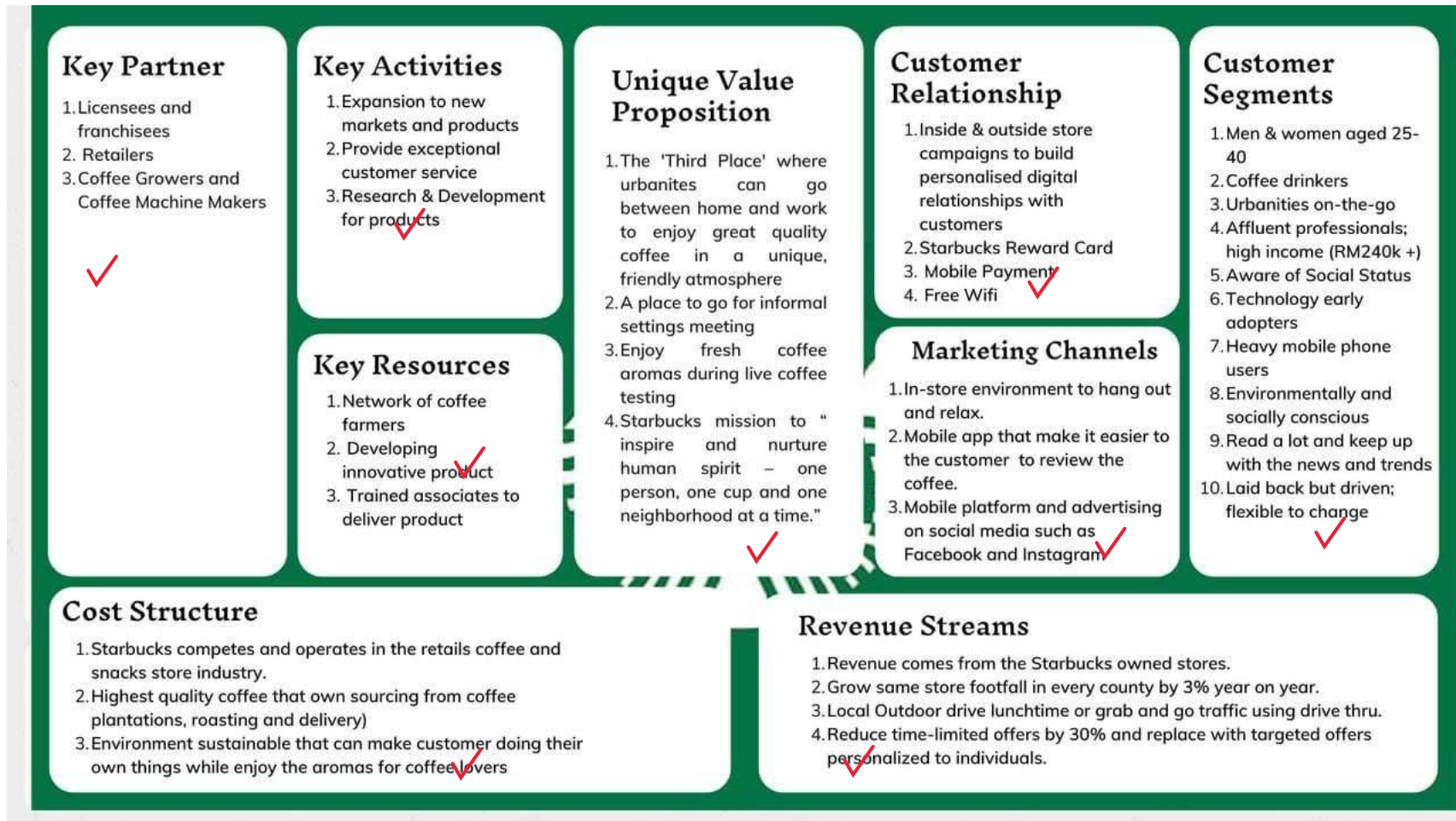
A strategic management and entrepreneurial tool, the Business Model Canvas is a visual representation of a business model. It gives you the ability to explain, design, test, invent, and pivot your business model. The elements found in the business model canvas are Value Propositions, Customer Relationships, Revenue Streams, Channels, Cost Structure, Customer Segments, Key Partners, Key Activities, and Key Resources.

With this business model canvas will divide your company plan into easily digestible segments. By looking at and analyzing the elements in the business model canvas, they are easy to identify, analyze and make improvements to the elements and areas that they need to improve to get more progress and results. It also lays out a clear path for developing your company's innovation strategy.

If you can gain an understanding of the analysis of the business model canvas, then any changes will be better on the progress of the company and will not affect anything and be able to help any company to achieve goals and objectives and desired results. identify which target group for them to focus on in marketing their product and increase the number of customers to know their whereabouts while helping to attract customers with what the business is doing. Some of those who use the canvas business model in business show progress and continue to succeed into the future.

## 2. BUSINESS PROPOSAL

### 2.1 Business Model Canvas (BMC)



## 2.2 Explanation of BMC

### a. Key Partner

Starbucks has partners that incorporate its company which are operated stores, authorized licensees' stores, and Starbucks franchisees. Besides, Starbucks partners such as suppliers that provide raw coffee products. They also provide this company products that produce coffee such as coffee growers and coffee makers. Starbucks also utilize specialty stores, convenience stores, grocery stores, retailers, and warehouses to sell its products. These partners are important to Starbucks company in keeping the high momentum to the brand of the product that Starbucks produce in its operation.

These are activities of Starbucks give some portions of its operated stores to licensee based on geographic regions. The total of 112 company-operated retail stores located in Brazil were passed to authorized licensee stores because of the offer of the Starbucks' Brazil retail activities have been recorded in 2018. Starbucks moved of 1,009 Japan stores from licensee stores to operated store because of the acquisition of Starbucks Japan in the first quarter of 2015.

Starbucks transfer the 133 Singapore stores from company operated to licensee stores in the final quarter of 2017. The transfer of 1,477 licensee stores to operated retail store's locations in East China because of the acquisition of East China joint endeavor in the main quarter of 2018. In Germany, 114 of company-operated stores have been transferred to licensee stores due to sales result AmRest Holdings SE in the second from last quarter of 2016.

In partnering with Human Resources, Starbucks works perform with HR, Learning and development, Recruitment, Education, Payroll, and Total Reward (Comp and Benefits). Starbucks go about as essential accomplices in business together, we fabricate and convey projects and assets that are significant, and that shape careers to help Starbucks partners become the absolute best they can be. ✓

## **b. Key Activities**

Starbucks serves a wide scope of items like hot and cold beverages, entire bean coffee, full-leaf tea, free leaf tea, latte, new squeezes, Frappuccino drinks and others. Starbucks also offers a category of snacks such as baked goods, yogurt, mixed greens, cakes, etc. Starbucks has separated itself from other coffee companies by advocating the dark simmered coffee. Not like other coffee company, Starbucks utilizes coffee machines to make coffee. It does as such to guarantee the safety of its baristas. Starbucks believes that suppliers are the important party in channelizing its business in global markets. Starbucks also manages business with merchants, coffee producer and exporters to guarantee an excellent inventory coffee product. For non-coffee items, it performs with local, regional, national sources. Starbucks utilize Business Model by using network company operated stores and licensed or authorized stores for selling its products.

Aside from these, Starbucks also expand its new markets and products by utilizing supermarkets, groceries stores, and warehouse to sell Starbucks products. Starbucks' products are also accessible on the website. This company also provide exceptional customer service such as Starbucks membership card. Customer must gain 300 stars in one year to acquire them with gold status membership. Customers can claim free drinks snacks at Starbucks that have potential to save their money.

Talking about research and development, Starbucks R&D on its products such as planted trees in neat geometric lines beside the Starbucks coffee farm in Costa Rica. This was led by Carlos Mario Rodriguez, director of global agronomy of Starbucks. He has spent many working hours in verdant fields, researching the trees that have potential in innovation Starbucks products for the future. Rodriguez explores different avenues regarding making and sustaining uniquely reproduced varieties and crossovers, pushing the limits of agronomy examination to raise trees that are impervious to espresso leaf rust, or roya, which is attacking espresso crops in Latin America. He additionally examines soil and adjusts pruning strategies to expand coffee trees' efficiency. That is what he has done so far. He has devoted the improvement of hybrid coffee tree seedlings at farm nursery in country that has climate change. Starbucks trying to emerge and approach to fortifying



coffee industry with growing techniques and new varieties that kept in company's vault, but Starbucks open to shared freely to its researchers and farmers around the world.

### **c. Key Resources**

The Starbucks using manpower to brew fresh the coffee. So, the human resources are important in their coffee shop. To maintain the high premium quality coffee, they have a network with a farmer plantation to supply quality coffee. This is main sources for them to give the best premium coffee that they must deal with professional guidance to ensure the coffee. Also, the Starbucks recruits their staff to develop innovative product. This is to help them create and improve the taste of the coffee and make various new flavor. By improving the various flavor of the tea and coffee it can give satisfaction to customer which need refreshing flavor and something new. Besides, they trained associated to deliver product to the customer. ✓

### **d. Unique Value Propositions**

Starbucks known as the third place where urbanites can go between home and work to enjoy great quality coffee in a unique and friendly atmosphere. The layout and design of café make the customer get the vibe and chill with the family and friends. Also, it is a place to go for informal settings meetings. Customers tend to make discussion outside their workplace and want a place that friendly environment. They can enjoy the meeting and use the provides facilities. Not only that the special of Starbucks is customer can enjoy the fresh coffee aromas during live coffee testing. That is biggest why they do not use automatic machine. The aroma of coffee can increase the mood score of alertness and enhance cognitive parameters for the coffee lovers. Finally, Starbucks stick with their mission to “inspire and nurture human spirit – one person, one cup and one neighborhood at a time. ✓

### **e. Customer Relationship**

To build a relationship with the customer, they create a reward card for being loyalty to them. It used to collect points and use as top up card to buy the coffee. Not only that, but Starbucks also launch their mobile app payment to make it cashless. It already launches the apps before pandemic covid-19 happen by following the technology which all things in fingertips. Other than that, in coffee shops they provide free Wi-Fi which is

needed for the customer to hang out and relax. This vibe of really attract customer to came to the café. Finally inside and outside store campaign to build personalized digital relationships with customer. This is important nowadays to build engagement among the business with their customer. ✓

#### **f. Marketing Channel**

Starbuck also use various marketing channel to expand their business. They build the café to make in environment to hang out and relax. The lot shop was not suitable to hang out because it better for grab and go. They target the workers who pass the train or LRT. Besides, they create the mobile app to make it easier to the customer to review the coffee. It is convenience for customer for not wasting their time decide what coffee or tea to grab. Also, customer can check their points and money in the mobile app before purchase the beverages. Other than that, they also make investment to advertise the business on social media such as Facebook and Instagram. People tend to spend free time in social media nowadays especially during this pandemic happen. They will see the advertisement and updates news. ✓

#### **g. Customer Segments**

The customer that uses to be a loyalty customer towards Starbuck is men and women that aged around 20 years old to 40 years old. They still working and enjoy the coffee during the break to boost up their stamina. The also known as coffee drinker and love to hang out at the café. The vibe of teenagers and young people that makes they love to chill and relax at Starbuck café. Also, Starbuck is one of the urbanities that on the go to make it easier for them to get the coffee. The café opened on 8am and they have drive thru system. So, the workers can grab the coffee while on the way to go to the office or workplace. Usually, the coffee lovers of Starbuck is the one who affluent professionals that high income which is RM240 thousand per year. Besides, customer enjoy with Starbuck due to updating of technologies and suitable for heavy mobile phone users. ✓

#### **h. Cost Structure**

Starbucks provide delicious coffee products in whole world. This highest quality coffee that owns sourcing from coffee plantations, roasting and delivery. If we look closely

on the ingredients of coffee that Starbucks produces are expensive. For example, coffee beans such as Arabica and Robusta. These are sources that continuously get demanded from the customers because the deliciousness of the taste. Starbucks focuses on Arabica beans because this bean may create 30 blends used across all products platforms. Compared to the Starbucks domestic rival which is Costa Coffee this company does not incur full costs of beans as much as Starbucks does.

About the Starbucks historical costs, the operating costs have been declined (operating expenses in 2013 been normalize exclude \$2.8 billion litigation charge). Starbucks depreciation and amortization expenses, costs of goods sold, store working operation expenses have been declined last six years, only broad and regulatory costs rising (Matthew, Jr Beverages Associate, 2014). This converts into further developing edges over the long run because of business development and effective expense the board. Starbucks also competes and operates in the retails coffee and snacks store industry. Not only coffee that Starbucks provides, but there are also other products such as cookies, Starbucks coffee powder etc that been sell to customers. This Starbucks environment sustainable can make customer doing their own things while enjoy the aromas for coffee lovers.

Starbucks also apply cost increments to explicit beverages and sizes instead of the entire parcel. By raising the cost of the tall size blended coffee only, Starbucks can catch buyer surplus from the customers who discover more worth in moving up to Grande in the wake of seeing the cost of a little trickle with charge move more than the \$2 as mark. By forming the product thusly, Starbucks can enjoy higher margin from customers who were convinced by the value climb to buy bigger sizes. Starbucks likewise expertly imparts their cost increments to control the customers insight. The cost climb may be founded on an analysis of the customers eagerness to pay, yet customers agreed with what gives off an impression of being a reasonable explanation.

#### **i. Revenue Streams**

Starbucks one of the largest coffees brand has opened 27,339 stores operational worldwide in 2018. This company headquarters stated in Seattle, and this business has operated its global business by large and international licensed company. Starbucks has accomplished prevalent development and market driving situation through reliable

concentration upon quality and customer experience. With large number of stores, the revenues that Starbucks gain also grown faster.

Starbucks has three sources of income that incorporate its organization worked stores, profit from the authorized and licensed stores, and other revenues from its channel advancement fragment. The company worked stores are the main wellspring of income for the brand. Starbucks known as the company that made biggest revenue among other companies that produce same product.

In 2018, the company worked stores around 80% of the company's revenue. Furthermore, revenue from the authorized and licensed stores represented around 11% of the total revenue of the company. The revenue from every country also grows by 3% year on year. Starbucks sells coffee, tea, breakfast, coffee brewers, coffee machines to its licensees. These revenues are basically will include the royalties and other revenues from licensees and franchises for resale Starbucks products to customers. In simple words Starbucks will gain revenues from sales in producing coffee, and other beverages to customers from company-operated and licensed and franchised stores that provide Starbucks coffee. In getting revenues from customers, Starbucks has eased its customers who are driving during lunch hour to get any meal or coffee. Drivers can grab their coffee during lunchtime at drive-thru station in Starbucks without wasting customers' time.



## CONCLUSION

To sum up, all elements of the business are important to be analyzed to create a clearer vision of the entirety of the business. This helps all levels of employees to have a better understanding of what their business offers to the public. It is especially important for the directors and board members to critically evaluate the feasibility of the business model canvas to excel in the market. The main problems for Starbucks are developing its brand to satisfy every customer in the market and their price point. The solution to their problem is to innovate their existing products into something that is acceptable to the local's palate, use a value-based pricing strategy and implement exclusive loyalty cards such as the 'gold card' that provides loyal customers complimentary products upon frequent visits. A tool that can be used to further analyze the business feasibility in the market is the SWOT analysis. Upon completing this case study, we identified that the Strength elements for Starbucks are their strong customer loyalty and strong brand image. Their Weaknesses elements are their high price point and imitable products. Furthermore, their Opportunity elements are the ability of expansion in the market and providing specialty products. While their elements of Threats are the current pandemic and emergence of local coffeehouses. ✓

According to Osterwalder (2004), after the designing of the business model canvas, managers will have to prospect the possible futures of the company. Managers are required to innovate such as improving changes and increasing reaction capacities in the firm. Subsequently, they should stimulate and test the business model canvas to ensure that they will be better prepared for the future of the business (Osterwalder, 2004). Upon completion of this business model canvas, it is suggested that executives of Starbucks will need to test out the elements in the business model canvas to anticipate what is coming for them. ✓

Moreover, Starbucks should use the business model canvas to aid them in securing potential investors. According to the research by Sort and Nielsen (2018), the use of business model canvas had helped a few entrepreneurs score their investors as the graphical and detailed contents of it is better communicated to their investors without the help of a facilitator, therefore the framework of the business is understood clearly by the investors and increases the chance of

them investing on the business. The construction of this business model canvas will significantly assist Starbucks in getting investment deals and ensuring that they will be able to grow further in the market with those allocation.

Based on the research by Ladd (2018), although it is helpful for entrepreneurs to evaluate and use all nine elements of the business model canvas as a guideline for their business's success, it is found that focusing on a few elements of the business model canvas is enough towards the success of the company. Ladd (2018) stated that the elements that are a significant predictor of success are customer segments, value proposition, channel, key activities, and key partners. Therefore, Starbucks should focus more on these elements to ensure feasibility and success of the company.

Lastly, it is utterly practical for Starbucks to use the business model canvas as a measure on how to anticipate future risk and be able to provide the solution to it. We can conclude that for Starbucks to continuously enjoy great revenues, they will need to actively innovates to cater towards their customers and that accurately focusing on elements such as their customer segments, value proposition, channel, key activities and key partners in the business model will absolutely bring them towards the success they desire. ✓

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## APPENDICES

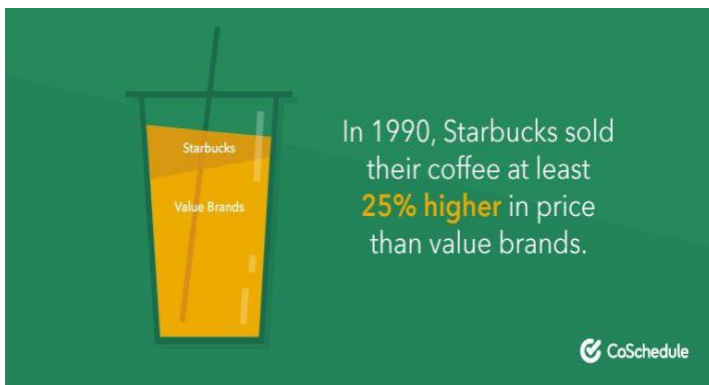


Figure 7 Starbucks Product Price



Figure 8 Levels and Types of Starbucks Chain



Figure 9 Starbucks Mission and Vision

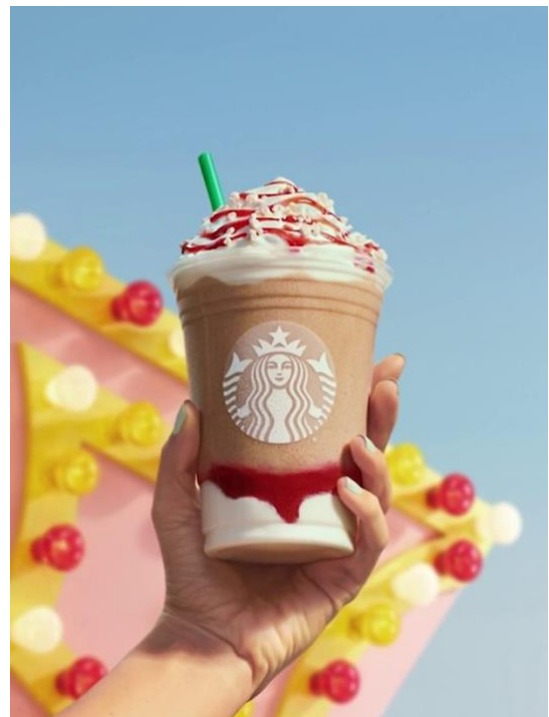


Figure 10 Seasonal USA  
Region Summer Drink



Figure 11 Starbucks Non-Dairy Iced Shaken Beverages

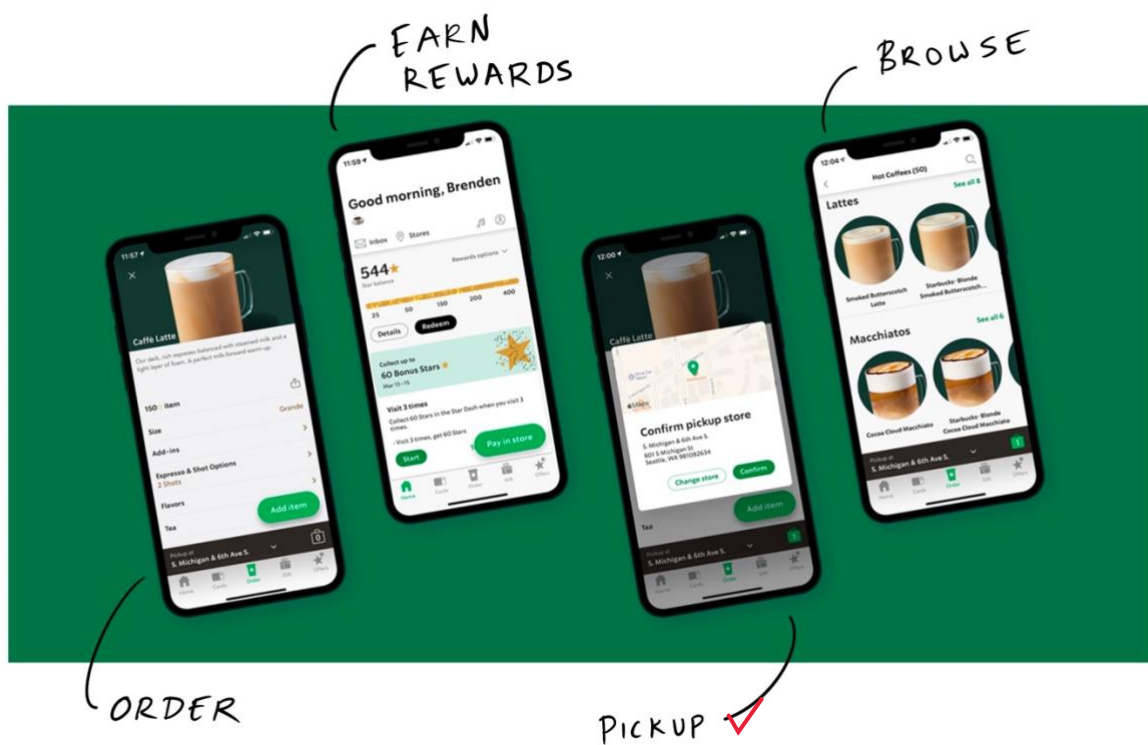


Figure 12 Starbucks Mobile Application





Figure 13 Social Media Advertisement on Their Specialty Products



Figure 14 Free Wi-fi offered in every outlet



Figure 15 Starbucks Gift Card/Loyalty Card

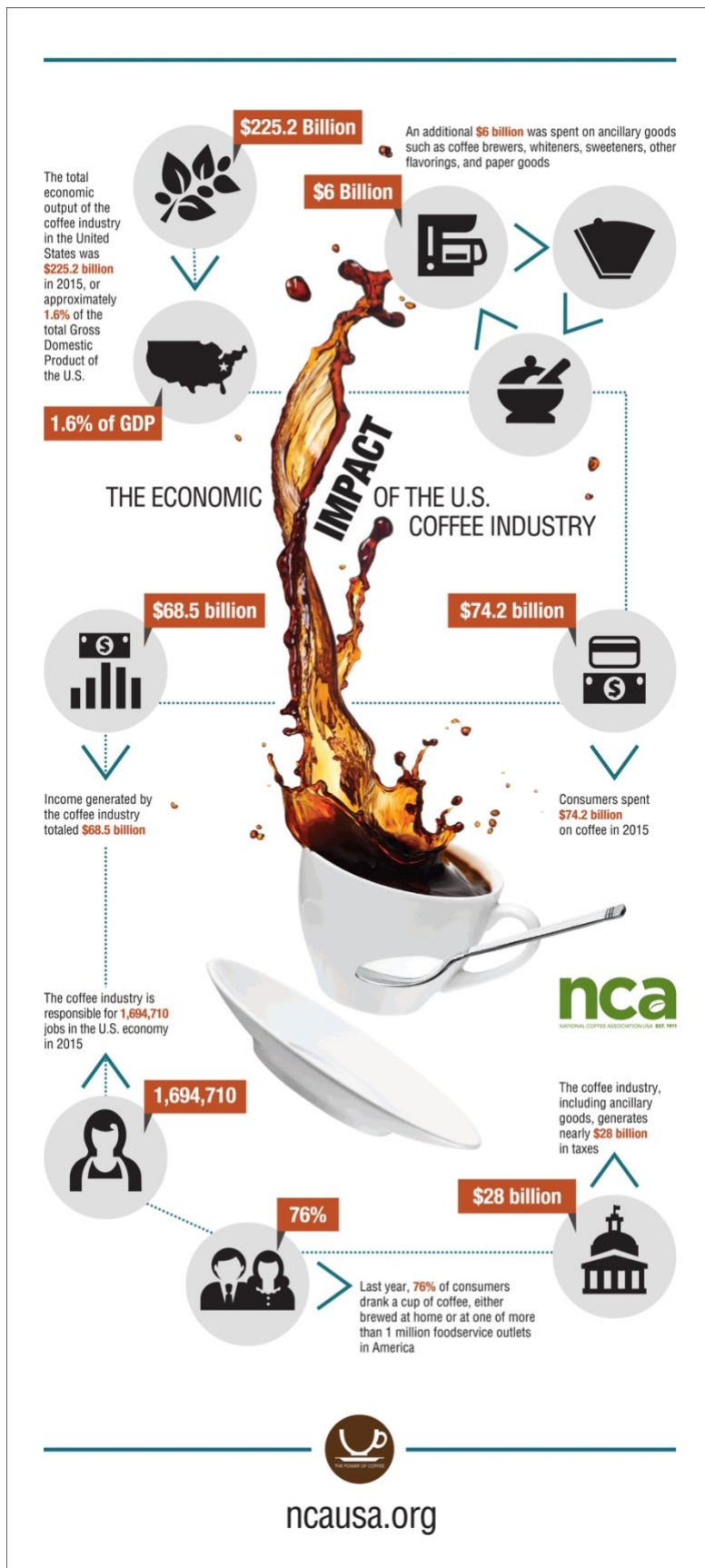


Figure 16 Infographic on the coffee market in the USA



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