

PESTLE Analysis of Starbucks

Feb 19, 2015 | PESTLEanalysis Contributor | 0 Comments

PESTLE is a strategic analysis tool. It is often seen as the most effective analytical tools to analyze the impacts of external issues. It is an extended version of **PEST analysis**. Other forms of this tool are PESTEL, STEEP, and STEEPLE. The acronym PESTLE stands for **6 factors which affect the business**. The factors are:

- Political
- Economic
- Social
- Technological
- Legal
- Environmental

In this article, I am discussing the *PESTLE analysis of Starbucks*.

The constant global economic recession has dented the macroeconomic environment which Starbucks operates in. The recession has hurt the consumer's purchasing power.

Recent market research reflects that **consumers have not cut down on their coffee consumption**. Instead, they are shifting to options with lower prices. This means that the firm can still influence the buying power by offering cheaper products.

Starbucks has taken steps to be a part of the mobile computing revolution. It has worked with Apple and introduced discounted coupons via iPhone apps. They also attempt co-branding and cross selling. Starbucks is well poised to enjoy the benefits of the Smartphone revolution.

Consumers in the US are also becoming more and more conscious of ethics. This means the brands they buy from should abide by social and environmental norms during production. **Consumer awareness is challenging Starbucks.**

These are the most obvious factors affecting the firm's business. But there are many other factors seeking attention.

I have divided and organized these issues according to the PESTLE factors. You will find the details for how the factors impact business for Starbucks below.

Impacts of Political Factors on Starbucks

The main political factor is about sourcing the raw materials. This has gathered a lot of the attention from politicians in the West and from the source countries. For this reason, the company wants to adhere to social and environmental norms. It is willing to follow the sourcing strategies. It gives importance to fair trade practices.

Another impact is the need to **follow the laws and regulations** in the countries from where Starbucks buys the raw materials. Activism and increased political awareness in developing countries have made his essential.

The regulatory pressures within the home market in the US are also a factor. Multinationals based in the US are now subject to greater scrutiny of the business processes. The company must monitor political stability within the country as well.

Some other factors to consider are:

- Tax policy
- Employment laws

Impacts of Economic Factors on Starbucks

The ongoing global economic recession is the prime external economic driver for Starbucks. As I already mentioned, this factor dented the profitability of Starbucks. This has convinced buyers to shift to cheaper alternatives. As they did not quit buying coffee, Starbucks should seek an opportunity here.

The company has to deal with rising labor and operational costs. The inflationary environment and falling profitability is causing a lot of stress.

Some other economic factors which can affect Starbucks are:

- Local currency exchange rates
- Local economic environment in different markets
- Taxation level

Impacts of Socio-Cultural Factors on Starbucks

As already stated, Starbucks can offer cheaper products but it might have to sacrifice the quality. This is the main socio-cultural challenge that the start-up faces. It will expand consumer base to include the buyers from the lower and the middle-income tiers.

The “green” and “ethical chic” consumers are also concerning. They fret about social and environmental costs of the brands. Starbucks has to be aware of this trend.

The baby boomer generation is retiring. This means **spending by older consumers will decrease**. Now, Starbucks will have to tap the Gen X and the Millennials as customers.

Other socio-cultural factors to focus on are:

- Changing family patterns in USA and Europe
- Consumer preferences
- Changing work patterns
- Changes in lifestyles of population
- The level of education of the population in local markets
- Changing values among population

Impacts of Technological Factors on Starbucks

Starbucks is in a good position to enjoy benefits of the emerging mobile wave. **Its partnership with Apple** to bring app based discount coupons is helping it ride the mobile wave easily.

The company introduced Wi-Fi capabilities in its outlets already. Internet is important to the consumers. They can now surf the web and do work while sipping Starbucks coffee. This is an added value to the brand. It enhances the overall consumer experience.

Starbucks is also enabling mobile payments. They are testing this in pilot locations in the US.

Some other technological factors to keep in mind are:

- Emergence of innovative technology
- Biotechnological developments
- Developments in agriculture

Impacts of Environmental Factors on Starbucks

Many Starbucks business practices concern activists and international advocacy groups. Even the consumers have expressed issues. So, the company should take these into account to continue holding consumers' trust.

Some of the other environmental factors Starbucks should worry about are:

- Environmental rules and regulations
- Environmental disasters in countries which produce coffee beans

- Global warming and other environmental issues in a global level

Impacts of Legal Factors on Starbucks

Starbucks must ensure that it does not violate any laws and regulations in the home market and countries from where they buy raw materials.

It should also stay alert about introduction of caffeine production and consumption related policies and regulations by health authorities.

Others factors that might affect the company are:

- Introduction of stricter customs and trade regulations
- Licensing regulations related to the industry.

The **PESTLE analysis** above proves that **Starbucks has a quite stable external environment**. The key reason behind this might be because it operates in the Food and Beverages industry. This means consumers might reduce consumption partially but will not stop buying completely.

So, as recession is the most important factor, Starbucks has to lower costs and increase the value. This way it can retain its consumer base and also gain consumer loyalty.

Image “Starbucks” by [Open Grid Scheduler / Grid Engine](#) is licensed under [CC0 1.0](#)