

Part i starbucks globalization analysis assignment

[Sociology](#)



Cataraacts states that their mission is to “ inspire ND nature the human spirit, one person, one cup and one neighborhood at a time” CO], which means that it is not only about a cup of coffee, they try to provide customers an experience and make stores “ a welcome third place between home and work” Cataraacts values are aligned to their mission and focuses on coffee, partners, customers, stores, neighborhood and shareholders[2]. The mission and values distinguish the company profits competitors and contribute significantly to international expansion. Vision reflects what the firm thinks about itself at a specific time.

It can be seen from Appendix that the vision of Cataraacts has become more ambitious since they began expanding rapidly throughout the world.

Nowadays, Cataraacts aim to maintain themselves “ standing as one of the most recognized and respected brands in the world” [3]. 3. Motivation of Globalization Around 1995, analysts observed that the US coffee-house market was reaching saturation. Cataraacts’ store base was also in a mature stage, leading to a moderate growth in profits compared with its rapid growth in initial stages. As a result, Cataraacts turned their attention to foreign According to

Dunning “ Eclectic Paradigm”[5], a company should possess ownership-specific advantages, location-specific advantages and initialization advantages when deciding to globalize. In our perspective, 0-1-1 theory is applicable to explain Cataraacts internationalization. Ownership-specific advantages are attained from their mission and values. First, Cataraacts insist to serve high-quality whole bean coffees by establishing direct relationship

with bean growers to ensure the finest raw materials, roasting them with great care and significantly if the beans are perfect after roasting.

Second, customer loyalty is achieved through the Cataracts experience” which was built venturesome service as well as clean and well-maintained company-operated retail stores. Third, an empowered employee culture was promoted through employee training, benefits programs and stock ownership As to location-specific advantages, because Cataracts specialize in providing not only coffee but also experience, they have to exploit their ownership-specific advantage in relevant markets rather than just exporting coffee.

Initialization has been the option elected by Cataracts to control the quality of products and services provided, distinguishing their ore competitive advantage over that of their rivals, and is the key to maintain customer loyalty when Cataracts started expansion, they insisted to own and control nearly every store[4]. Up to unwoven though Cataracts has expanded rapidly through strategic partnerships, they still own more than half of their retail stores[3]. 4.

Globalization Process Analysis Cataracts went public in 1992 and Cataracts store numbers increased from only 17 to about perform 1987 to 1996[1]. Although it was a SUccess for them and granted them a solid base, Cataracts had only limited funds globalize. As hey decided not to franchise, the success of their first move was vital to them. As a result, Asia Pacific became their first target because was a big market, authenticated income was

continuously increasing, and strong competitors similar to Cataracts style did not exist.

Cataracts opened first store out of North America in Japan as an experiment considering Japan was the third largest coffee- consuming country in the world after US and Germany at that time. [4]From 1996 to 2000, Cataracts opened plenty of stores in more than 10 Asian countries such as China and South Korea and had 3, 501 stores by year 2000[1]. In the next five years, Cataracts mainly focused on the market share of their home country, on the other hand, they continued their expansion in Asia with main focus on Japan and China, and started entering into European market with main focus on the JACK.

By 2005, Cataracts owned 10, 241 stores, among which 2, 691 were overseas, including 572 stores in Japan, 552 stores in Canada, 469 stores in UK and 209 stores in Cataracts kept expanding dramatically in their home country, in existing foreign countries, and in new overseas markets.

However, things have changed after the global financial crisis in 2008. At the end of year 2010, total stores reached 16, 858 with 5, 727 foreign stores mainly due to the expansion before 5. Methods of Globalization 5. Methods for Stores Cataracts owns nearly everywhere by equity-based method.

Cataracts stores are divided into company-operated stores and licensed stores[3]. More than half of Cataracts stores (8, 833) are company-operated and wholly owned stores set up by acquisitions and direct providing Cataracts with control flexibility. However, the high cost and risk involved in opening a new store abroad, as well as slow expansion and culture

differences worthier challenges they faced. [15] Licensed stores became another choice of expansion.

Cataraacts has 8,025 licensed stores [3], which are established under joint ventures coordinating with local partners selected under strict criteria. This is mostly adopted in North America for rapid expansion, and in Asia Pacific mainly for relationship establishment, new market channel and [5]. In Japan for example, Cataraacts formed a joint venture with Scabby, which is a well known Tokyo based firm specialized in bringing good products to Japan.

[4] Cataraacts provides training and guidance to local partners because if their reference is poor Cataraacts reputation will be damaged they will lose customers loyalty [5].

Cataraacts hardly franchiser's stores because store operations their core business, and this non-equity method is of high risk and lack of control to maintain customer. 5. 2 Methods for Other Products For non-core business such as packaged products, other branded production and food service, Cataraacts subsets equity-based Andean-equity-backsliding as the maintained. This Methodism mainly adopted by licensing manufacturing, marketing and distribution to their partners. It has helped them take advantage of their pretreatments channels and infrastructures, and it has also been ineffectively to enter and expand another markets without spending too much effort. For example, they built up successful partnerships with PepsiCo to sell bottled coffee drinks in other places, and with Milliner to produce ice cream with coffee. 6. Extent of Globalization Cataraacts has geographically expanded rapidly and establishing brand recognition.

However, the index shown in the table below illustrates that the extent of <https://assignbuster.com/part-i-starbucks-globalization-analysis-assignment/>

Shattuck globalization is low Transnational Index (TIN) Internationality Index
Assets(\$OOH)

Sales(\$OOH) Headcount Store Numbers Foreign 30, 000 5, 727 Domestic
(US) 107, 000 11, 131 Total 10, 707, 000 137, 000 16, 858 Foreign
percentage 20% 29% 22% 23. 7% Data source: [3] The relatively low index
shown above is mainly attributed by the following reasons. Cataracts has
taken their home market as their first priority because it is the largest
market in the world for coffee consubstantiation high income On the other
hand, Cataracts has only around 15-year history of globalization. During this
globalization period, Cataracts spent plenty of effort on home market
development as well. 7.

Success Apart from ownership-specific advantages, the main success for
Cataracts is that they have changed the American coffee culture[4] and also
produced profound impact in some parts of Asia such as Japan and China.
The unique strategy's by Cataracts to obtain market share is to open storing
traffic-convenient location open many stores in that aerate be impressive to
consumers[3]. Profits and experiences acquired from their previous success
will contribute to their next succession lead to a virtuous circle, accelerating
their global expansionist's the global economic crisis in 2008. . Failure The
aggressive expansion, reduction in consumer expenditure and taking
success for granted made Cataracts suffer surroundings global economic
crisis and close 5% of stores in One of the worst hits on them was that they
had to withdraw completely from some major parts of Australian closed 61 of
85 stores. The cause was that Australia already had mature coffee and cafe
culture created by their market leaders, such as Gloria Jean's. Australian
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customers thought they already had better coffee and cafe before the entrance of Cataracts.

Cataracts was doomed to fail in such a market. [MM 1 1) However, he failure indicated that Cataracts probably did not investigate their rivals before they enter into a new market, Additionally, according to Jim Donald, the CEO for Cataracts from 2005 to 2007, Cataracts was trying to change as little as possible in each new market unless they had to, because he believability the main reason they were successful in the US was also applicable to international markets. [12] In 2008, Howard Schultz, the founder of Cataracts, returned to Cataracts CEO.

He realized Cataracts mission and evaluative lost during the arrogant expansion and also realized that they failed to consider that the world ND the customers had changed. As a result, Cataracts significantly slowed down the expansion after 2008, trying to recover what they had missed and looking forward to a brand new start. CO] 9. Conclusion Prospects Even though Cataracts has low transnational index and failures as the one in Australia, Cataracts has been successful in many countries around the world.

It should be acknowledge that despite their failures, the company has stopped to reconsider their vision and strategies used to meet their objectives. It is extremely important for a company to be aware of not only the inside of the organization, but also the outside. In order to better grasp the large opportunities in new and existing markets and compete against strong competitors continuously emerging, Cataracts needs to look for

different ways to address different cultures and tastes and be aware that the world and the customers are changing.