

Dunking' donuts and issue of unemployment

[Sociology](#), [Empowerment](#)



Donuts starting business in Argentina Till Penitence International Business Bachelor's Thesis Supervisor: Joan Aloofer School of Business Bachelor's Degree Program in International Business Nickel Campus Introduction

Dunking' Donuts is an American global coffee chain based in Massachusetts, U. S. It's also known for its doughnuts. Dunking' Donuts has positioned itself as a high quality but still affordable fast-foodoutlet with full-day dining opportunities. Dunking' Donuts was founded by William Rosenberg in 1948, but its name was first Open Kettle.

After one year name was changed to Kettle Donuts and in 1950 many adapted Dunking' Donuts as its name. Nowadays Dunking' Donuts is one of the leading coffee chain brands with over 11, 000 restaurants all over the world. Dunking' Donuts was long time known mainly in America but in recent decades it has been opening cafe©s all around the world, operating now in 33 different countries - it serves daily over 3 million customers. Dunking' Donuts have a great variety of different products, for instance 52 different donuts and over dozen different beverages. Dunking' Donuts.

Dunking' Donuts got new owners in 2006 and those new owners outlined an extremely ambitious growth strategy, for example, they're trying to triple the size of Dunking' Donuts in next ten years. (M and S, 2009; [http:// news.Dunderheads. Com](http://news.Dunderheads.Com), 2014) Argentina is one of the largest South American countries with population over 40 million. Its population is still growing, but fairly slowly because of the steadily declining birth rate. Argentina's border countries are Bolivia, Brazil, Chile, Paraguay and Uruguay. Argentina has been a big country ofimmigrationduring its history - it has been attracting especially people from Italy and Spain. Wry. Counterparts. Org n. D.) During <https://assignbuster.com/dunking-donuts-and-issue-of-unemployment/>

its history Argentina has faced a lot of economical issues - Argentina was once one of the wealthiest countries in the world, but it has been facing several economical downsides. Though the country has since been recovering pretty well, the pace of growth is disappointing - Argentina is now lagging behind most other emerging economies. ([http://economic. Blobs. Anytime. Com/](http://economic.Blobs.Anytime.Com/) 2009; [http:// atmosphere. Com/](http://atmosphere.Com/), n. D.) In this paper I'll be discussing about Dunking' Donuts' motivations for entering Argentina.

I'll be using the PESTLE framework, which includes political, economical, social, technological, legal and environmental aspects f the business context. Political one in 1976. Elections in 1989 meant that first time in 60 years, there was a civil president in the country. Nowadays there isn't a threat of military coups, but the democracy hasn't reach a stabile phase. (The Economist, 2014) (The Global Economy. Com, 2012) Christina Fernando De Kerchief has been a president in Argentina for nearly seven years. She represents the Statistics Party, which is one of the largest political parties in Argentina.

Although there are two major parties in the congress of Argentina, there are all in all over 31 different political blocs. That makes having consensus extremely difficult. ([www. Subcategories. Org/](http://www.Subcategories.Org/), n. D.) Because of the big economical crisis in the beginning of 21st century, there was a period of civil unrest and rioting in Argentina. Reason for the uprising was president Fernando De la Rja who failed to save Argentina from third year of recession - middle class started to upraise against him and his politics. There was a major social unrest growing because of the growing unemployment rates.

The crisis peaked on November 29, 2001, when Argentines outdraw millions of dollars and pesos from their bank accounts. Argentina actually had five presidents in just two weeks in 2001. (Www. En. Wisped. Org, n. D.)

Corruption is a major problem in politics too. All from the president to lower power players have been included in corruption crises, which is the reason why Argentina is ranked at 10th in Corruption Index behind countries like Mexico and Greece. (<http://polycrystalline.Org>, 2012) Political situation in Argentina isn't stable or even near it.

Corruption is a major problem and as Argentina is lacking of political consensus, starting business might be something to think once again.

ECONOMIC 100 years ago Argentina actually had the fifth- largest economy in the world. But after overall bad policies and governments Argentina is far away from the largest economies nowadays. During the last few decades Argentinean have been facing many economical swings, all the way from financial crisis and hyperinflation to recession and boom periods. Last major downside was in the 2001-2002, when everything from unemployment rates to criminal peaked. (Wry. Domesticate. Mom, Only way to survive even somehow from the crisis in 2001 was to default and devalue. It has been said that it might have been the most responsible thing ever in Argentina's history. It did limit Argentina's growth because defaulting cut it from the Actually Argentina has been recovering pretty well the past 13 years from one of its history hardest economical crises. Its GAP growth has been pretty high - especially before the international financial crises. (Wry. Marketing. Com, 2012) Even though Argentina has been recovering fairly well, its future doesn't seem to be as bright as it could be.

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High unemployment and inflation rates are likely to complicate future growth. And this summer 2014, Argentina defaulted once again. The situation isn't that bad as 2002 as there are still ongoing discussions with banks about shoring up the situation. ([Http://Americanizes. Saturdays. Com](http://Americanizes.Saturdays.Com), 2014) Political and economical situation are walking hand in hand as we speak about Argentina. Both are pretty instable, with their ups and downs. At the moment entering to Argentina's markets might not be the best choice. Situation might be better after a few years as the international financial crisis is, or at least hopefully is getting better.

SOCIAL Argentina is one of the most urbanize South American countries with several metropolitan areas. Greater Buenos Aries metropolitan area is one of the largest urban areas in the world - there are over 13 million people. Argentina's urbanization percent is over 90% and it has been growing by 1% each year, so it's actually the most urbanize country in Southern America. ([HTTPS://www. CIA. Gob](https://www.CIA.Gob), 2014) As the birth rate has been declining, Argentina's growth of population hasn't been so rapid in recent years. Also because of that same reason, amount of inhabitants under 15 years has been shrinking.

But fortunately population in ages 15-24 is nowadays largest in Argentina's history. Thanks to that, the working-age population is at the moment very high and will also stay like that pretty long. The amount of working-age population makes it possible for Argentina to have some kind of economic boost in future. ([HTTPS://www. CIA. Gob](https://www.CIA.Gob), 2014) Total population by age group and sex, 2010 and 2050 ([http://superintendence. Org](http://superintendence.Org), 2014)

Argentina's education system is mandatory from age 5 to 17, which is one reason why the total adult literacy rate is 97, 9%.

Nominally university studies are tuition - free and open for everyone, but hidden costs of education are often high, which causes that students need to have a full- time job while they're studying. ([http:// en. Wisped. Org](http://en. Wisped. Org), n. D.) Argentina actually has one of the highest university drop- out rates. This might cause problems someday, because Argentina will lose motivated and energetic people just because they can't finish their degrees in universities. (<http://en. Wisped. Org>, n. D.) Food culture is very big in Argentina.

Thanks to the immigrants from Europe, European food is popular in Argentina - especially Spanish and Italian cuisine. Argentineans consume the second biggest amounts of beef in the world as it's considered to be the national food in Argentina. Also drink a drink called mate, which is a caffeine-infused drink, is very popular in Argentina. All in all the cafe culture is big in Argentina, people are meeting at cafes for a cup of mate or an espresso. Cafes are the heart and soul of urban culture in Argentina - those are places where people meet each other to discuss, watch soccer and socialize. (<http://www. Vermiculite. Mom>, n. D) Argentina used to have a very large middle class, but because of the recent downturns in the economy, a big part of the former middle- class people is now heading into poverty. Poverty in Argentina varies mostly according to region and provinces. Situations in the northern Argentina have been the worst. Nowadays the poverty rate is about 20% in average. Unemployment rate in Argentina has been extremely high - something near 20% - when the economical situation was in its worst

in the beginning of 21st century. In those times especially low-class people and indigenous people were suffering of unemployment.

Nowadays unemployment rate stands between 7 - 8%. (<http://www.Tragicomedies.Com>, 2014; <http://en.Merciless.Com>, 2014) All in all from a social aspect entering Argentina wouldn't be that bad decision. As the cafe© culture is strong, a coffee chain brand like Dunking' Donuts would probably be successful in Argentina. Cheap prices and cafe© culture would make it possible. Of course it would be important for Dunking' Donuts to think carefully to which regions to enter as economic situation in Northern parts has been challenging. Technological Argentina has a long history and tradition of technology and science.

Also the public support for research and development (R&D) has been intensifying in the last decades. Argentina got loan for \$24 in 2013 to fund scholarships for master's degrees and doctoral studies, and another loan for \$200 to increase investments in innovation, research and development to improve competitiveness. There is actually science and technology complex in Buenos Aires. ([Http://www.Dab.Org](http://www.Dab.Org), 2011) development and expand its knowledge in science and technological development. Argentina is considered to have a great knowledge in biotechnology and that's actually one of the fields that Argentina is having cooperation with U.

S. ([http:// Argentina.Assembles.Gob](http://Argentina.Assembles.Gob), n. D) In the recent years there has been growth in the IT sector in Argentina, mainly thanks to U. S based companies that has been exploring the talent available in other countries such as Argentina, India and Israel. U. S companies have been extremely

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interested in Argentina's large number of well-trained engineers and advantages in outsourcing to Argentina. Technological and science situation in Argentina is highly positive. It is also expected to have a boost in near future because of the increasing amount of investments.

Dunking' Donuts shouldn't have a problem with technological aspect in Argentina - highly educated people, investments and state support are positive things. (Wry. Marketing. Com, 2011) LEGAL Argentinean public confidence in Judiciary is fairly low because of the high level of corruption. The population in Argentina is pretty skeptical about the power of the judicial system to control crime, and they're seeing the police to be a part of the crime problems in Argentina. ([http://www. Vermiculite. Com](http://www.Vermiculite.Com), n. D.) Foreign investors have equal rights as the domestic investors to own business in Argentina.

But because of the high rate of corruption among the high players, foreign companies prefer to include funds for private rather than deal with Argentina's courts. According to the World Bank and International Finance Corporation Enterprise Survey (2010), senior managers in Argentina have faced some problems and difficulties with the requirements of government regulations. Recently these kinds of regulations have been related to import and foreign exchange restrictions. Wry. Liberated. Com, 2011) As Dunking' Donuts rely mostly on franchising, Argentina's legal framework related to franchising is good for Dunking' Donuts.

The parties can together reach agreements without any governmental intervention. The law doesn't specifically regulate these agreements - they're called UN-nominated agreements". Franchising is an exception in Argentina among notary publics; usually there are always specific formalities or registration requirements. ([HTTPS://www. Waynesboro. Com](https://www.Waynesboro.Com), n. D.) The main problem in Argentina's legal situation is related to corruption and problems that it's causing. Courts aren't so trusted and police is considered to be one of the reasons for high crime rates.

As the corruption has been increasing lately, Dunking' Environmental Environmental issues in Argentina are typical for developing countries: poor water and air quality, deforestation, and soil degradation. However there are many authorities that are trying to make things better. Also the government is trying to influence environmental issues; Argentina made a pledge with Paraguay to save one of the most threatened forests. Two governments agreed to work towards zero net deforestation in the Atlantic Forest. For instance Argentina will implement new land- use plans that are hoped to protect 1. 1 million hectares ofthe forest.

There is also an environmental education program included in Argentina'sprimary and secondaryeducation. The main reason for the environmental education program is to teach people some environmental awareness from the early ages. ([http://WFM. Panda. Org/](http://WFM.Panda.Org/)) (Wry. Marketing. Com, 2011 ; Poor water is probably one of the biggest problems in Argentina; there are several areas in Argentina that are lacking of non-polluted drinking water. There's still 11% of the population lacking without piped water.

Buenos Aires has spent all of its aquifers and is now relying on the river Rio De La Plata to supply water needs.

Unfortunately that river is threatened by significant pollution. Recently people in Argentina have been putting pressure on the government because of the poor condition of the country's water supply. ([http://www. Disheartening. Com](http://www.Disheartening.Com), 2011; ([http:// www. Observational. Org/](http://www.Observational.Org/)) Dunking' Donuts states in its corporate social responsibility: "We are dedicated to serving the basic needs of our local communities - from providing food for the hungry and support for children's health and wellness, to ensuring our spinsterhood are safe and secure" and " We recognize that everything we do has an impact on the environment."