

Starbucks essay

[Business](#), [Marketing](#)



Thirty years ago Starbucks was a single store in Seattle's Pike Place Market selling premium roasted coffee. Today it is a global roaster and retailer of coffee with over 8400 stores, more than 2000 of which are to be found in 31 foreign countries. Starbucks corporation set out on its current course in the 1980s when the company's director of marketing, Howard Schultz, came back from a trip to Italy enchanted with the Italian coffeehouse experience. Schultz, who later became CEO, persuaded the company's owners to experiment with the coffeehouse format-and the Starbucks experience was born. The basic strategy was to sell the company's own premium roasted coffee, along with freshly brewed espresso-style coffee beverages, a variety of pastries, coffee accessories, teas, and other products, in a tastefully designed coffeehouse setting. The company also stressed providing superior customer services.

Reasoning that motivated employees provide the best customer service, Starbucks' executives devoted a lot of attention to employee hiring and training programs and progressive compensation policies that gave even part-time employees stock option grants and medical benefits. The formula met with spectacular success in the United States, where Starbucks went from obscurity to one of the best known brands in the country in the decade. In 1995, with almost 700 stores across the United States, Starbucks began exploring foreign opportunities. Its first target market was Japan. Although Starbucks has resisted a franchising strategy in North America, where its stores are company owned, Starbucks initially decided to license its format in Japan. However, the company also realized that a pure licensing agreement would not give Starbucks the control needed to ensure that the Japanese

licensees closely followed Starbucks' successful formula. So the company established a joint venture with a local retailer, Sazaby Inc. Each company held a 50 percent stake in the venture, Starbucks Coffee of Japan.

Starbucks initially invested \$10 million in this venture, its first foreign direct investment. The Starbucks format was then licensed to the venture, which was charged with taking over responsibility for growing Starbucks' presence in Japan. To make sure the Japanese operations replicated the " Starbucks experience" in North America, Starbucks transferred some employees to the Japanese operations. The licensing agreement required all Japanese store managers and employees to attend training classes similar to those given to U. S. employees. The agreement also required that store adhere to the design parameters established in the United States.

In 2001, the company introduced a stock option plan for all Japanese employees, making it the first company in Japan to do so. Skeptics doubted that Starbucks would be able to replicate its North American success overseas, but by early 2005, Starbucks has almost 550 stores in Japan and plans to continue opening them at a brisk pace. After getting its feet wet in Japan, the company embarked on an aggressive foreign investment program. In 1998, it purchased Seattle Coffee, a British coffee chain with 60 retail stores, for \$84 million.

An American couple, originally from Seattle, had started Seattle Coffee with the intention of establishing a Starbucks-like chain in Britain. In the late 1990s, Starbucks opened stores in Taiwan, China, Singapore, Thailand, New Zealand, South Korea, and Malaysia.