

# Entry modes of starbucks

[Business](#), [Company](#)



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### **ABSTRACT**

Multinational companies embark on expanding into the international market after succeeding into local and regional markets. However, the process of entering into foreign markets is complicated by respective companies' poor grasp of market information and operational requirements. These two complications demand that multinational corporations embark on developing strategies of winning in the new markets. In late 1990s, Starbucks, an American coffee retailer and restaurant, reached a pinnacle of success in its domestic market and embarked on expanding into the international market. Just like it happens with many other multinational companies' international expansion plans, Starbucks so the implacability of owner-operator model it had used successfully in the United States. This resulted to the development of other models of venturing into international markets. The company embarked on joint ventures in Spain, licenses in New Zealand; it, however, stuck to the model of owning and operating its outlets in the United Kingdom. The three models are herein being discussed in detail.

## **CHAPTER 1: INTRODUCTION AND OBJECTIVES**

### **1. 1 Background and Introduction**

Starbucks' is a Washington (state) based coffee retailer and restaurant that has succeeded in becoming an iconic global brand. It was started as a small scale store in the City of Seattle and later started expanding all over the United States. The then small chain owed its success in the ability to develop unique flavors to the extent that consumers had little choice other than coming back for more (Encina, 2008). In the understanding that return business was becoming an important segment of its business, the company embarked on developing a coffee drinking environment that left consumers with the urge to keep patronizing Starbucks' outlets. Eventually, the United States market was conquered and the company decided to venture into the international market.

The United Kingdom, Spain and New Zealand were among the international markets that the company embarked on starting operations. On studying the three markets and considering best options of incorporating therein, Starbucks choose to own and operate all its stores in the United Kingdom, enter into joint ownership in Spain, and give out licenses in New Zealand. The mode applied in each of the three markets was dependent on various factors discussed in concurrent sections of this paper. Starbucks' three entry modes into the international market shall be discussed independently in concurrent sections of this paper. Read about Starbucks HR strategy

## 1. 2 Aims and Objectives

### Aims

Look into how a leading international brand succeeded in establishing outlets in international markets.

Evaluate similarities and differences of international entry with those of other multinational companies

Establish reasons for choosing different modes in different countries, and establish best practices in international entry

### Objectives

Use theories to understand whether Starbucks' success is consistent with theoretical explanations

Discuss the long term implications of the chosen mode of entry

Determine whether Starbucks might embark on replacing the used modes in the future

Identify merits and demerits of each of the three entry modes

## 1. 3 Limitations

In my particular case, I found two important limitations. First limitation was time; I had liked to analyze six cases in my thesis to get reliable findings. However, as I had a short period of time I only selected three case studies to answer my research questions.

Second limitation was found in my methodology part. I had difficulties to get primary data I only got an interview in one of three cases. As consequence, I had to use secondary data and contrast it to avoid using unreliable information.

## **CHAPTER 2: RESEARCH METHODOLOGY**

### **2. 1 Research Method**

In my thesis, I have collected data through a qualitative method. I regarded that a qualitative method was the most suitable to understand entry mode decisions. I sought the flexibility of qualitative instruments to obtain findings more than the rigidity of quantitative methods. The qualitative method has allowed me not only to find the data I look for, but also to locate complementary information that was relevant for my study. Furthermore, the study shall use secondary data to collect information that would later be analyzed in the paper. This method is being used because of its ability to deliver sieved data pertaining to the research question. Verifying the information on secondary sources would also be easy considering the wide availability of the data. The research will ensure counterchecking the data in various sources before using in the project. Only highly reputable and authoritative data sources would be used in the project—this will help in increasing its authority, too.

### **2. 2 Research Instrument**

E-mail Interview: I have sent my e-mail interviews to some managers of Starbucks in United Kingdom, New Zealand, and Spain. Unfortunately the United Kingdom office refused my request. They informed me that they received a huge demand of enquires and were unable to respond to individual requests. Furthermore, I also got in touch with the managers of Starbucks in New Zealand. They told me they could not provide the information I needed. Because Starbucks used the licensing mode of entry in New Zealand, managers who operate under Starbucks' licensing agreement lack information about the internationalization process of Starbucks in New

Zealand. However, I obtained some useful information from the Marketing Director of Starbucks in Spain, Luis Pena (See Appendix-I).

Documentary research: This data collection method offers a variety of means to obtain information such as journals, document files, reports, books and so on, which can complement the scarce information available with my own interviews. Moreover, there are many documentary sources concerning Starbucks as it is a successful company.

Internet Sources: At the present there are a multitude of resources available on the Internet for many types of investigations. Among the numerous available sources for research are catalogues of important libraries, databases, e-journals and company homepages. In addition, I can consult and read completed versions of textual materials in virtual libraries and e-journals.

## **2. 3 Research Design**

The following picture depicts the research approach that I am going to follow in my report.

### **1st PHASE: DESIGN**

## **CHAPTER 3: LITERATURE REVIEW**

### **3. 1 Entry Mode Factors**

The literature on international market entry strategies is relatively young considering it began appearing after the Second World War. According to Encina (2001) this period provided multinationals with opportunities to market their products to the international market, especially considering greater exposure and the newly found global peace. Howard (2003) states that companies choose the mode of international in accordance to

knowledge on the new market; more knowledge leads to direct entry (where multinationals own all infrastructures and run operations). On the other hand, lack of enough knowledge lead to companies seeking entry help from local firms who understand local business processes and consumer behavior. Howard's assertions are refuted by Gillham (1999) who states that companies choose their foreign entry mode depending on their goods and services to be sold. In this case, sensitive goods lead to multinationals operating on their own, whereas less sensitive products could be sold through intermediaries. Gillham has included respective foreign country's political and investment climate as key determinants of entry modes. This environment also helps in developing modes to deal with changing business environment in respective countries.

### **3. 2 Entry Mode Literature**

When a firm is going to explore a foreign market, the choice of the best mode of entry will arise in the firm's expansion strategy. There are six essentially different entry modes, generally named as exporting, turnkey projects, licensing, franchising, joint venture with a host country firm, and setting up a wholly-owned subsidiary in the host country (Hill 2007). All of them have their advantages for the firm to explore as well as disadvantages which must be considered by the firm's top management. In other words, the managers should make the choice carefully because it directly affects whether the firm will succeed or not in its foreign expansion. Regarding the choice of entry for a service company, licensing, franchising, joint-venture with a host country firm or setting up a wholly-owned subsidiary are more suitable for these types of firms.

ENTRY

MODE

ADVANTAGES

DISADVANTAGES

Licensing

Lower cost and risk

No tight control

Risk for losing know-how

Franchising

Lower cost and risk

Fast

Quality control

Hard monitoring

Joint Venture

Benefit from local partner

Share cost and risk

Political considerations

Loss control of technology

No tight control of partner

Conflicts and battles

Wholly-owned subsidiaries

Technology control

Tight overall control

100% share of profits



Location and experience

Curve economy

Full cost and risk

Cultureproblems

Figure 2: Entry modes

Source: Hill Charles, 2007

## **CHAPTER 4: CASE ANALYSES**

### **4.1 Case 1: United Kingdom**

Starbucks Corporation of the United States acquired sixty five Seattle Coffee Company stores in United Kingdom. This subsidiary is registered as Starbucks Coffee Co Ltd (United Kingdom). The company stores required to be managed for them to be successful the company decided to bring managerial staff from United States but sourced other employees in United Kingdom. The management staffs are the one who understands and owns the vision of the company. It was important for the company to promote the staffs who are already employed in United States and offer them opportunities as management staffs. This was to motivate them and steer head the company's vision and objectives which they know well. They would also need not to be trained. The company decision to employ locals in United Kingdom made the citizens to have a feeling that the company is owned by them which enabled them to brand it as an international company much easily.

**Starbucks popularity in United Kingdom**

After the company gained popularity in United Kingdom by building up strong coffee brands they repatriated some of its employees who had been transferred to United Kingdom earlier. The employees were replaced with the locals this even boosted its confidence to the locals even more. By 2006 the company was listed as one of the top 50 best employers and it was ranked as number 34 which improved steadily. By 2007 the company was recognized as among the best 10 employers in United Kingdom and most people aspired to be employed by the company.

The President of Starbucks International Mr. Howard Behar was convinced that the company had managed to bridge the Gap of the two countries United States and United Kingdom by assimilation of most of the United Kingdom employees in all the stores it had. This enabled the company to be viewed as an international company rather than a United States company which has a branch in United Kingdom. The company also went in to concession with 30 supermarkets in United Kingdom which acted as their sales outlets to have a reach to a large population (Caterersearch 2006).

The company was able to stabilize in United Kingdom very fast because both countries shared similar business culture and operational environment. This enable the company to spend less time to train senior managers from United Kingdom they could easily learn from the counterparts from United States. Less training time saved on time of implementation of decisions made for expansion and position the company in the market by intensive marketing to build up its coffee brands. It was also cost effective the company didn't

spend a lot in training managers from United Kingdom. Read about Starbucks HR strategy

### **Supplies from United States**

Starbucks suppliers in United States had their systems and operations well set which ensured supplies to United Kingdom were timely and of desired quality. Establishment of good distributorship ensured that the stores in United Kingdom got supplies for sale without fail (Matear 2000). This consistency of well performing brands in the market made them more popular with the locals who later identified as their own. The company took the advantage of Export and Export channels Communication between the two countries which made it easy for deliveries to be done on time. Use of technology to enhance on communication channels by use of emailing services ensured that orders are received for packaging timely. Computerization of operations of ordering and supplies improved on management of orders from ordering, tracking order progress, dispatch and collection by the recipient store.

### Identification of business requirements

The company had understood and identified the business requirements right in United Kingdom. A good business man is able to make such judgments without involving an intermediary. Starbucks had been in the business of roasting and retailing coffee for long and they identified that there is an ample market of Coffee in United Kingdom which they took advantage of and capitalized on the weaknesses of the small firms which they bought and improved their services.

Once a good business man has identified the needs of the customers in another country they expand to capture the existing market. This is commonly done in three ways; The Company might decide to open branches in that country. They shall then establish branch offices in that country and penetrate in the market. The company could also decide to source for a joint venture with companies in that country which gives them an opportunity to utilize that's company resources to market, distribute and sale their products which would lead them to penetrate the market (Business. gov. in, 2009). The last option is the one which Starbucks adopted in United Kingdom is by acquisition of already existing businesses. This made the company to easily penetrate to the market much sooner easily.

#### **Acquisition of Seattle coffee company**

The company got into the market of United Kingdom in 1998 when it acquired 65 Seattle coffee company. Acquisition of the company enabled Starbucks to utilize the distribution and marketing structures which the previous company had put in place. By buying a company they also bought it's customers as well so they start trading on the first day of operation hence they didn't experience any down time this made them pickup very first. They also bought the staffs as well so the customers who had personal touch with the staff continued being their customers which provides a smooth transition and take over.

The Seattle Coffee Company had been in the business for three years and had good reputations in United Kingdom. It had two brands Torrefazione Italia Coffee and Seattle's Best Coffee brands which once it was branded to have an international image it was able to lead in the Coffee market with

strong brands which Starbucks continued to promote. By the time they bought Seattle it had stated to sell American style coffee two year ago which made it easy for Starbucks to promote its sales because they had a common coffee culture (Bitc 2008). So the customers were not inconvenienced by introduction of new brands.

### **Market penetration to European Union Countries**

The company's vision was to have an entry into United Kingdom market and then later extend it to other European Union Countries but this have not been achieved to date. Investing in other countries come along with it market challenges which Starbucks is not an exception. The company experienced obstacles such as government regulations, tariff barriers and distributions challenges which have made the company not to penetrate in the European Market. Such sanctions are external factors which Starbucks has no control over them. These has made the company to device various entry mode into the market such as acquisition, joint ventures and opening of branches to the countries they want to penetrate to. Apart from United Kingdom the other countries in European Union has cultural differences with business operations of Starbucks in United States and United Kingdom such discrepancies in cultural differences makes the company have difficulties in venturing in to the market.

### **Business cultural similarities**

Similarities of business culture made the company to penetrate into the market with ease. The country culture dictates on how the company shall adopt to the different changes which it's going through in the world economy. The sooner a company adapt to the countries culture of doing

business the easier it is able to survive in the business. Willingness of the country to embrace to new changes is also a factor which should be put into considerations because it also hastens development of the company in a foreign country as it has been for the case of Starbucks in United Kingdom. Willingness of the government political systems to change so as they put in place policies which entice more investors is important for businesses to easily penetration into the country (Michael 2002). The political systems ability willingness to respond positively to changes which the investors shall introduce also encourages investors.

#### International exposure

The company diversifications have opened it up to international arena which has exposed it to the international market which has been an advantage to the company. Starbuck is able to learn different business ideas from other countries which it uses to improve its mother company in United States. The company has adopted technological changes in its systems to be more competitive and efficient; it has also resulted to acquisition of coffee stores in united stated based on the success of United Kingdom venture. The company has also reengineered its marketing strategies, packaging and branding of its products to be competitive internationally. The company is replicating the advancements which they have got in other countries back to its parent market in United States which have improved their performance by earning more confidence to the users.

#### **Domineering the market**

Currently, Starbuck has dominated the coffee market in United Kingdom by overcoming the market barriers through innovative entry mode of

acquisitions. The company's success would be attributed to its identification with the locals in United Kingdom by employing most of the locals and improving their work relations with them until it is ranked among the best employers. Such confidence is very important for ease market penetration. For it to dominate the United Kingdom market is made possible by its many Coffee stores at the current it has six hundred (600) Coffee stores distributed over the big cities in United Kingdom making their products to be widely accessible. The company at the present has 16.7 % of the market share (Hickman 2008). Its royal Clients to the company do not have to travel far to source for their goods they are early available even when they travel to other cities. These have helped the company build up a strong brand in United Kingdom to dominate the market. The company being leading in the market stands a better chance of diversifying even more and be able to penetrate to the entire European Union market.

#### **4.2 Case2: New Zealand**

Starbucks business model to penetrate into New Zealand the company identified partners who they license their products. In October 1998 Starbucks decided to provide licenses to Restaurant Brands New Zealand Ltd. This business model is much cheaper and do not involve a lot of Starbucks management on the daily operations of the company because they have licenses another company to sell its products. The restaurant marketed and sold Starbucks Coffee in New Zealand within its already established retail outlets. This enabled Starbucks to venture into New Zealand market with ease and less investment as compared to United

Kingdom where they choose to acquire existing Coffee stores or even on Joint Venture which they introduced in Spain.

### **Licensing products/services**

Businesses provide their products / services licenses to other companies who provide the same product or services. Such licensing is done mostly by companies which intend to extend their services or goods to another region rather than where their current operational area. It is a cost effective way for a company to market its goods or services in other regions/countries especially if those products / services are branded. The company first identifies a company which offers the same services / products similar to what they offer. In this case Starbucks identified Restaurant Brands New Zealand Ltd to which they sell their product licenses (Spaeder 2004). The licenses are sold earlier than the sales are made hence the company receives monies upfront and then it's paid royalties there after based on the sales made.

The licenses are commonly renewed yearly or on the agreement made between the two companies. This is the easiest mode of a company to venture in to international marketing. Licensing minimizes on the risk involved in international marketing because the company won't invest on starting a branch there or be involved in daily running of the business.

### **Similar Business Culture**

Restaurant Brands New Zealand Ltd which Starbucks licensed to sell its products had also franchised with Kentucky Fried Chicken which is an American company which deals with fast foods hence it has embraced the American Business culture. This made Starbucks to be more comfortable to



sell out its product licenses to it. The New Zealand restaurant made it easy for Starbucks products to break through the different business culture of the two countries.

The success of the franchise between the two companies was also a factor which Starbucks put into consideration when narrowing down the decision of issuing its licenses to Restaurant Brands New Zealand Ltd. The New Zealand restaurant takes advantage of franchising and buying licenses to enable it diversify (Harrington, 2009) have a broad spectrum of products and services which makes it more competitive than the rest. By 1997 the restaurant had been listed in the stock exchange by franchising and buying licenses it is an indication of growth which enabled it to earn more confidence to the investors. Increase in investors leads the company to improve on its operations like hiring professions who add value to the company, improve on its marketing strategies which will in turn benefits the company's which have franchised or bought silences from.

### **Ownership visa vice licensing**

Total ownership was the idea which Starbucks had to venture into New Zealand before it decided to sell licenses to Restaurant Brands New Zealand Ltd. Total ownership require a lot of investment and involvement in managing the business. Valuing and transition period takes also a lot of time and it is involving as well. The company would have been required to hire mostly its top managers who will assist in transition and finally take over. The risk involved in total ownership is high than licensing. If the transition is not done well there is high risks of not being able to retain the staff or customers. Customer and staff retention is very important for continuity of

business but with selling of license the company operations are not at high risk (Crouse 2008). The products which they have licensed if they fail to pick up the company would not loss because it had even being paid for the license before trading of the goods commenced.

### **Market penetration**

Cultivating customer loyalty to easily accept the new products or services by the company are much higher in licensing than in total ownership. By the time Starbucks got into the market of New Zealand the coffee industry was less competitive (Salmon 2006). Despite of the low comparativeness Restaurant Brands New Zealand Ltd had diversified it's products with fast foods from United States and Coffee products this made it with stand competition during that time because the hotel had a variety of choices for it's customers (Markides 2001). The company brought in 30 varieties of Arabic coffee beans brands with desserts and pastries. New Zealand restaurant later opened 10 more retail locations across the country by the time the Coffee industry become more competitive the restaurant had a competitive advantage over the rest because it had enough branches, well known brands and was a big company bearing in mind that it was also listed in the stock exchange. Restaurant Brands New Zealand Ltd was very innovative in its business operation being a company with internationally accepted brands from two companies of United States made it withstands and lead in the coffee industry.

Starbucks was impressed on how the model in New Zealand was able to penetrate the market through sales of licensing. The company management was satisfied by its operation until it withdrew its earlier ideas of full

ownerships in New Zealand and adopted sale of licenses a permanent operation mode of doing business in New Zealand. This move has benefited the Restaurant Brands New Zealand Ltd to sustain its high valued products (DePamphilis 2005). The improved relationship between the two companies has provided the New Zealand restaurant with a strategic opportunity to exploit further so as to widen its coverage in New Zealand. The continuous growth of the restaurant has also increased popularity of Starbucks products in New Zealand. The success of Starbucks in New Zealand market has also made their products to be more international.

The licensees at New Zealand view venturing of Starbucks to their market by buying their licenses as an opportunity which came in the right time for the reason that they had been able to add value to their goods and services by incorporating internationally recognized brands. The product are gaining popularity by the day in the country and they also have a large market which is not yet tapped hence there is room to continue with market penetration.

Entry of Starbucks to New Zealand was a strategy for it to later gain entry to Asian Pacific Market but it has not been able to achieve it. The company changed their strategy initially it had planned to fully own Coffee stores in New Zealand but later changed it to selling of licenses to Restaurant Brands New Zealand Ltd which they got confidence with and adopted it.

#### **4.3 Case3: Spain**

Starbucks entered the Spanish gourmet coffee market in 2001 through joint venture with two of the country's leading restaurant operators. This section will therefore look into reason behind the choice of joint venture from Starbucks viewpoint and from the collaborating Spanish companies.

Secondly, the section will look into how the venture has succeeded in cultivating the culture of coffee in Spain as well as endearing Spanish coffee drinker to the Starbucks and its products. According to Kim (2004) multinationals choose joint venture approach in entering into new countries when they do not have complete information in respective market.

Luckily for these multinationals, such markets happen to have already established operators with enough knowledge on the market, and could be talked into sharing the market data but not without getting something in return. In some special circumstances, multinationals out-rightly buy the local companies and consequently re-brand into own operations and products. However, complete purchase at the beginning of foreign operations involves taking greater risks that could be disastrous, and even cause collapse of local operations. The third way of using information owned by local firms is by entering into joint ventures, where the multinational and the local company own shares in a completely new outfit. The outfit may carry products of the multinational or mix with those of the local firm. This latter approach is the one used by Starbucks in 2001 when it entered the coffee market in Spain.

According to the company (Starbucks, 2006) it selected two companies (VIPS, El Moli VELL) that had deep knowledge in restaurant industry in Spain; VIPS company had stores located in wide variety of areas in the country, whereas El Moli VELL had specialized in a smaller but very lucrative Barcelona market. According to the agreement signed by the three companies, a new establishment owned by the trio had to be formed and consequently be responsible in retailing Starbucks' products in Spain. The new outfit, Tres

Estrellas Unidas S. L, was 82 percent owned by Starbucks, whereas the other two affiliates shared the remaining 18 percent (Karen, 2000; Simmons, 2003). The parties were satisfied with such structure considering that none has complained or demanded for renegotiation almost a decade after the agreement was signed.

By owning a super majority of shares in the new outfit, Starbucks was determined to increase be involved with day-to-day running of operations. This is in consideration to the high confidence held by the management. In addition, notes Yang (1997) the Spanish coffee industry was still very young, meaning that it was important for Starbucks to be heavily involved in cultivating a coffee culture. The other two partners were being used as providers of customers, especially their own. After all, being a part owner of the joint venture with Starbucks obligated the two companies to do the marketing to their already existing customer base. The already existing customer loyalty helped in having customers embark on tasting the Starbucks experience and finally get hooked into the coffee habit.

Starbucks' choice of VIPS as a strategic partner in Spain was based on the latter's track record in retail and restaurant industry—the company had been in business for over 30 years and commanded a strong consumer loyalty that Starbucks needed to convert into consumers for its coffee products. In addition, VIPS had already proved ability to help international food chain to venture into the lucrative Spanish market. The company had, for instance, helped TGI Friday's as well as Bice and Itsu to popularize their products and services in Spain. The success already seen in the foreign companies'

products convinced Starbucks that VIPS was indeed the right partner to help venture into Spanish coffee market.

El Moli VEll had on its part been operating pastry shops in Barcelona since 1863 and was already commanding a large customer base and loyalty in the region. El Moli VEll's success was especially achieved through greater positive relationship between the company and the local community. According to Klein (2009) the El Moli VEll had some clients who continue with family tradition that goes through generations. Such community and customer attachment is exactly what Starbucks' embarks on cultivating on its customer base, meaning that it would get such loyalty upon its engagement with El Moli VEll and VIPS. In this regard, management in the new venture would focus respective efforts in developing and implementing other strategies that would make achieving its long term goals in time.

On the other hand, El Moli VEll and VIPS so their relationship with Starbucks as a grand opportunity of illustrating themselves as indeed globally respected brands that can do business with best of the best in retail and restaurant industry. Such improvement in corporate image was regarded as an important tool of consumer attraction to the traditional stores. In addition, the venture with Starbucks was a grand way of diversifying and increasing investments in the restaurant industry. Both companies' working relationship with Starbucks led to the adoption of international business processes, whereas Starbucks got to gradually understand Spanish business processes and consequently incorporated them in its operations.

Success in such joint venture between the two companies depends on the compatibility of operations, vision and mission of the collaborating entities

(Yin, 2000). The three companies seemed to share important business concepts that aided in reaching agreement on the new venture and the ability to collaborate in venture operations. The success further depends on the ability of all the companies to see individual and mutual benefits from the new business. Openness in all matters pertaining to running the venture is another important aspect of achieving success in such situations. Unfortunately, there are instances where multinational companies ignore local partners' contributions and consequently operate without proper communication. Starbucks has been keen to avoid such mistakes and instead taken the other companies as equal partners even with their less ownership.

The joint venture has grown in leaps and bounds from a handful stores in 2001 to over a hundred currently. New outlets are still being established, whereas the old ones continue increasing number of customers. Most importantly, the joint venture has succeeded in cultivating the culture of coffee that had been virtually non-existent in Spain—a significant portion of Spaniard coffee drinkers knew little about the product and the many tastes that can be developed (Sweet, 2006). Many Spaniards have consequently joined the coffee drinking club, thanks to the collaboration between the world leader in retail industry and local restaurant companies.

## **CHAPTER 5: CONCLUSION**

Starbucks used direct ownership in the United Kingdom was caused by Starbucks' ability to understand business operations and processes, especially considering the cultural similarities and language with the United States, Starbucks' home country. With respect to Spain, Starbucks was forced

to reconsider its owner-operator model, reason being that coffee culture was not well developed in the country. Secondly, company management lacked enough knowledge and information on the Spanish retail and restaurant industry.

The management therefore considered joint ownership with respected local firms as the best route to venturing into the now maturing Spain market. In New Zealand, Starbucks embarked on using licenses to already operating restaurants. Coffee culture was already present in New Zealand, as indicated by the several companies operating in the industry. Rather than own stores in the country or enter into joint ownerships with already existing restaurants, the companies chose to issue license to a local firm that is solely responsible in marketing Starbucks products. The relationship between the two collaborating firms has been positive and mutually beneficial.

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## APPENDIX - I

Interview questions: Spain

E-mail Interview with Luis Peña, Marketing Director of Starbucks Coffee Company in Spain. Luis Peña only answered two of our questions, as can be seen below.

To whom it may concern:

<https://assignbuster.com/entry-modes-of-starbucks/>

I am an undergraduate student, majoring in Business in Hull University (UK). At the present, I am writing my thesis about why Starbucks uses different entry modes in different countries. There are several questions I appreciate you could answer as much you can the following questions.

Thank very much for you help!

Write your name and job function below, please:

NAME:

JOB:

1. Could you explain us why Starbucks decided to create a Joint Venture with VIPS Groups and El Molí Vell instead of the other two Starbucks's international strategies: licensing or wholly- owned subsidiary?

Luis Peña: Starbucks's international development is adapted lightly to different markets in order to intend to satisfy needs and demands from every market, respecting its cultures and traditions. Starbucks's expansion in Spain carries out through joint-venture with local partners. To choose its partners, Starbucks looks for the followings characteristics in them:

- 1.-Values and corporative culture
- 2.-Experience in hotel sector
- 3.-Integration of human resources
- 4.-Dedication to consumer
- 5.-Quality in products and services
- 6.-Creative ability, local knowledge and capacity of creation of brand

## 7.-Strong financial resources

2. Before Starbucks choose to enter a foreign country, Starbucks analyzed its market. What analyzed factors were crucial to decide to create a joint venture instead of use licensing or wholly-owned-subsiidiary?

3. When Starbuck went into Spain, Starbucks had six years of international experience. Its experience was enough to establish its Coffee Stores in Spain. However, its knowledge about Spanish specific market might be very little. Did Starbucks form an alliance with VIPS Group because VIPS could provide Starbuck knowledge about Spanish market?

4. In 2001, Starbucks had an accelerated pace of internationalization. The company not only signed a joint venture with VIPS in Spain, but also Starbucks entered into two more countries: Switzerland and Austria. The internationalization process supposes a huge investment. Therefore we wonder: Was entry mode decision in Spain influenced by financial factor and need for sharing financial risk and resources?

5. In the three Starbucks's international strategies: licensing, wholly-owned subsidiary and joint venture, the level of control is different. In wholly-owned subsidiary, Starbucks owns totally control of its operation in foreign countries. Another hand, licensing is the strategy in which Starbucks has less control. Did Starbucks use joint-venture strategy to control its operations in Spain? Why did Starbucks create a joint venture to 50 %?

6. Luis de la Peña, marketing director of Starbuck Coffee Company in Spain, said in an interview: " In Spain is consumed a huge amount of coffee, but there is not coffee culture". In addition, Starbucks Coffee Company in

Spain has established programs to introduce Spanish in coffee culture. Culture distance is related to level of resource commitment in entry mode decision. That's why, we would like to know if the decision of choosing Joint Venture was affected by culture distance.

Luis Peña: In reference to coffee culture question concerns more about knowledge and differentiation of coffees for instance, robust and Arabic coffee variety, origin, culture, tasting, etc.,... as it happened with wine years ago in Spain.

7. In La Nación journal is writing that Starbucks had "bargain power" in its agreement of joint venture with VIPS and as consequence Starbucks did not need co-branding. Did Starbucks use as entry mode Joint-venture because it knew it has power to bargain with VIPS?

8. Did Starbucks choose joint venture entry mode owing to government restrictions? What about country risk? Was political risk in Spain an influential on entry mode decision?

9. In 2001, Starbucks created a joint venture VIPS and El Moli Vell. The information about Starbucks and El Molí Vell is difficult to get. I would like to know: Does El Molí Vell continue being Starbuck's joint venture partner at the present?

Thanks for the time you have dedicated in contributing to our research.

APPENDIX - II